MINERAL HILL INDUSTRIES LTD.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2012 and 2011

(Expressed in Canadian Dollars)

MINERAL HILL INDUSTRIES LTD.

Contents

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Mineral Hill Industries Ltd.
Interim consolidated statements of financial position
(Expressed in Canadian Dollars)

As at	**March 31 2012**	December 31 2011
	$	$
ASSETS		
Current assets		
Cash and equivalents	**246,669**	17,482
Receivables	**3,172**	4,917
Due from related parties (Note 8)	**34,311**	4,305
Prepaid expenses	**5,147**	7,828
	289,299	34,532
Equipment (Note 6)	**13,573**	16,966
Exploration and evaluation assets (Note 7)	**736,797**	598,191
	1,039,669	649,689
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**54,903**	113,480
Due to related parties (Note 8)	**30,135**	37,067
	85,038	150,547
Shareholders' equity		
Share capital (Note 9)	**15,581,523**	15,018,711
Contributed surplus (Note 9)	**1,211,448**	1,208,360
Deficit	**(15,838,340)**	(15,727,929)
	954,631	499,142
	1,039,669	649,689

Nature and continuance of operations (Note 1)

Commitment (Note 15)

These interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 15, 2012 and were signed on its behalf:

"Dieter Peter"
Dieter Peter, Director

"Andrew von Kursell"
Andrew von Kursell, Director

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

Mineral Hill Industries Ltd.
Interim consolidated statements of loss and comprehensive loss
(Expressed in Canadian Dollars)

For the three months ended March 31		2012		2011
Expenses				
Amortization	**$**	**3,393**	$	2,041
Bank charges and interest		**622**		733
Consulting		**31,243**		25,230
Insurance		**3,372**		3,744
Investor relations		**33,257**		13,271
Information technology services		**2,648**		7,442
Office and miscellaneous		**2,677**		1,687
Professional fees		**305**		2,553
Rent		**13,512**		16,371
Salaries and wages		**51,848**		60,037
Recovery of expenses (Note 8)		**(48,328)**		(42,200)
Stock-based compensation (Note 9)		**3,088**		16,759
Telephone		**2,891**		2,325
Transfer agent and filing fees		**10,243**		6,720
Travel and promotion		**-**		112
Loss before other items		**(110,771)**		(116,825)
Other items				
Unrealized loss on marketable securities (Note 4)		**-**		(3,068)
Equity loss prior to disposal of investment (Note 5)		**-**		(7,350)
Interest income		**360**		-
		360		(10,418)
Loss and comprehensive loss for the period	**$**	**(110,411)**	$	(127,243)
Loss per common share, basic and diluted	**$**	**(0.01)**	$	(0.04)
Weighted average number of common shares outstanding:				
Basic and diluted		**8,532,245**		3,473,060

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

Mineral Hill Industries Ltd.
Interim consolidated statements of cash flows
(Expressed in Canadian Dollars)

For the three months ended March 31		2012		2011
Cash flows from operating activities				
Loss for the period	**$**	**(110,411)**	$	(127,243)
Items not affecting cash:				
Amortization		**3,393**		2,041
Stock-based compensation		**3,088**		16,759
Equity loss prior to disposal of investments		**-**		7,350
Impairment loss on marketable securities		**-**		3,068
Changes in non-cash working capital items:				
(Increase) decrease in receivables		**1,745**		(1,668)
Decrease in due from related parties		**(30,006)**		30,400
Decrease (increase) in prepaid expenses		**2,680**		7,834
Increase (decrease) in accounts payable and accrued liabilities		**(58,577)**		(16,506)
Increase in accounts payable to related parties		**(6,932)**		28,629
Net cash used in operating activities		**(195,020)**		(49,336)
Cash flows from financing activities				
Proceeds from the issuance of common shares		**466,000**		-
Advance on subscription (Note 9)		**-**		47,000
Proceeds of loans from related party		**-**		46,000
Net cash provided by financing activities		**466,000**		93,000
Cash flows from investing activities				
Exploration and evaluation assets		**(55,000)**		(45,098)
Mineral tax credit		**13,207**		-
Net cash used in investing activities		**(41,793)**		(45,098)
Decrease in cash and equivalents		**229,187**		(1,434)
Cash and equivalents, beginning of the period		**17,482**		19,208
Cash and equivalents, end of the period	**$**	**246,669**	$	17,774

Supplemental disclosures with respect to cash flows (Note 11)

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

Mineral Hill Industries Ltd.
Interim consolidated statements of changes in equity
For the three months ended March 31, 2012 and 2011
(Expressed in Canadian Dollars)

	Share Capital					
	Number of shares	Amount	Share Subscription	Contributed Surplus	Deficit	Total
		$	$	$	$	$
Balance, December 31, 2010	**3,447,039**	**14,479,661**	**-**	**1,134,570**	**(15,258,244)**	**355,987**
Property option	45,833	41,250	-	-	-	41,250
Share subscription	-	-	47,000	-	-	47,000
Share based payment	-	-	-	16,759	-	16,759
Loss for the period	-	-	-	-	(127,243)	(127,243)
Balance, March 31, 2011	**3,492,872**	**14,520,911**	**47,000**	**1,151,329**	**(15,385,487)**	**333,753**
Balance, December 31, 2011	**6,558,287**	**15,018,711**	**-**	**1,208,360**	**(15,727,929)**	**499,142**
Property option	581,249	96,812	-	-	-	96,812
Private placement	2,912,500	466,000	-	-	-	466,000
Share based payment	-	-	-	3,088	-	3,088
Loss for the period	-	-	-	-	(110,411)	(110,411)
Balance, March 31, 2011	**10,052,036**	**15,581,523**	**-**	**1,211,448**	**(15,838,340)**	**954,631**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia, Canada and its principal business activities include the acquisition and exploration of mineral properties in Québec and British Columbia, Canada and the United States. The Company's shares are listed on the Toronto Stock Venture Exchange ("TSXV") trading under the symbol "MHI". The registered office of the Company is 10^{th} Floor, 595 Howe Street, Vancouver, V6C 2T5, British Columbia.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether those properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependant upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure the continuation of the Company's operations and exploration programs. To the extent financing is not available, lease payments, rental payments, and other payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Basis of measurement and preparation

These interim consolidated financial statements have been prepared under IFRS in accordance with IAS 34 – *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS have been omitted or condensed. Accordingly, these condensed financial statements do not include all the information required for full annual statements.

The interim consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss which have been measured at fair value.

The policies set out in the ensuing paragraphs have been consistently applied to all periods presented unless otherwise noted.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Functional currency

The presentation and functional currency of the Company and each of its subsidiaries is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Veritas Resource Corp, (incorporated in USA). All significant inter-company balances and transactions have been eliminated upon full consolidation.

b) Significant accounting judgements and estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but not limited to, the following:

- Stock based compensation are based upon expected volatility and option life estimates;
- The provision of income taxes is based on judgements in applying income tax law and estimates on timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities;
- The estimated value of exploration and evaluation costs which is included in the consolidated statement of financial position;
- The assessment of indications of impairment of each of the exploration and evaluation asset and related determination of the net realizable value and write-down of those properties where applicable.

c) Cash and equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents include short term highly liquid investments with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Refundable tax credits and mining duties

The Company is entitled to apply for government grants in the form of refundable tax credits and mining duties in respect of qualifying mining exploration expenses incurred. These recoveries are accounted for using the cost reduction approach whereby amounts received are applied against the cost of related assets or expenditures.

e) Marketable securities

Marketable securities are traded on a recognized securities exchange and are recorded at fair values based on quoted closing bid prices at the statement of financial position dates or the closing bid prices on the last day the security traded if there was no trade at the statement of financial position dates with both realized and unrealized gains and losses recorded in the statement of loss and comprehensive loss.

f) Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are not retranslated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Equipment

These assets are recorded at cost less accumulated amortization and impairment. Amortization is calculated using the declining balance method to allocate their costs to their residual values over their estimated useful lives as follows:

Furniture and equipment	20%
Vehicles	20%
Mining equipment	20%
Computer software	20%
Leasehold Improvements	5 years straight-line

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in statement of loss.

h) Exploration and evaluation assets

All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property.

Exploration and evaluation expenditures comprise costs that are directly attributable to:

- researching and analysing existing data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures for each area of interest are carried forward as an asset provided that such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its disposal or through farm-out arrangements.

Once commercial production commences, these costs will be reclassified to mineral properties within Property, plant and equipment and are charged to operations on a unit-of-production method based on proven and probable reserves.

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.

The Company recognizes in income, costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Decommissioning liabilities

The fair value of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of mining assets are recorded when incurred, with a corresponding increase to the carrying amount of the related production assets. The amount recognized is the estimated cost of decommissioning, discounted to its present value using the Company's risk free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates and changes to the risk free rates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property and equipment. The unwinding of the discount on the decommissioning provision is charged to net earnings or loss as office and administration expense.

The Company recognizes a decommissioning liability in the period in which it is incurred when a reasonable estimate of the fair value can be made. On a periodic basis, management will review these estimates and changes and if there are any, will be applied prospectively. The fair value of the estimated provision is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved developed reserves. The liability amount is increased each reporting period due to the passage of time and this amount is charged to earnings in the period. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated statement of comprehensive income.

j) Impairment of long-lived assets

At each reporting date, 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 operations. Exploration areas where reserves have been discovered, but require major capital 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 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. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

k) Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for good or services rendered, the options are measured at the fair value of the goods or services received by the Company If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in contributed surplus are credited to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it does not recognize the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the period, a reduction to the weighted average number of common shares outstanding. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share. For the periods presented, this calculation proved to be anti-dilutive.

n) Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The premium, if any, paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and recognized in income at the time the qualifying expenditures are made. The recognition of the deferred tax liability upon renunciation of the flow through expenditures is recorded as income tax expense in the period of renunciation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loan and receivables, available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

- *Financial assets at fair value through profit or loss*
  A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash and equivalents and marketable securities, which are initially recognized at fair value.
- *Loans and receivables*
  Loans and receivables are non derivative financial assets which fixed or determinable payments that are not quoted in an active market. They are classified as current or non current assets based on their maturity date. Assets in this category include due from related parties and receivables and are measured at amortized cost less impairment.
- *Available-for-sale financial assets*
  Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. The Company does not have any available-for-sale financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

Other financial liabilities – this category includes accounts payable and accrued liabilities and due to related parties, are initially recognized at fair value and subsequently stated at amortized cost. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

Impairment of financial assets

The Company assesses at each reporting date, whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortization: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate;
- Available-for-sale financial asset: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the statement of loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.

  Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

As of January 1, 2013, the Company will be required to adopt amendments to IAS 1 "Presentation of Financial Statements" which will require companies to group together items within Other Comprehensive Income that may be reclassified to the net earnings section of the statement of loss and comprehensive loss. The Company does not expect a material impact as a result of the amendment.

Each of the additional new standards outlined below is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9 "Financial Instruments" which is effective for annual periods beginning on or after January 1, 2015. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 "Financial Instruments"
The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 "Consolidated Financial Statements"
Replaces Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and a reward based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 "Joint Arrangements"
Replaces IAS 31 "Interests in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 "Disclosure of Interests in Other Entities"
Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

IFRS 13 "Fair value measurement"
Clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among specific standards requiring fair value measurements and in many cases does not reflect measurement basis or consistent disclosures.

IFRIC 20 "Stripping costs in the production phase of a surface mine"
Clarifies the requirements for accounting for the costs of stripping activity in the production phase when stripping improves access to further quantities of material that will be mined in future periods. The amendments to IFRIC 20 are effective for financial years beginning on or after January 1, 2013 with earlier adoption permitted.

Amendments to other standards
In addition to the above, there have been amendments to existing standards, including IAS27 "Separate Financial statements" and IAS 28 "Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, associates and joint controlled entities in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in ist scope and to address the changes in IFRS 10 -13 (see above).

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

Marketable securities consisted of 750,000 shares in Pan Pacific Aggregates Plc, a publicly traded company and are carried at fair value, based on the trading price of the shares at close of business at the reporting date. During the three months ended March 31, 2011, the Company recorded an impairment of $3,068 and wrote off the carrying value of the shares.

5. INVESTMENT IN ASSOCIATE

The Company holds 50% of the equity in Gixat'in Mhind World Link Inc (GMWL) and 473,799 class "A" preference redeemable shares and are accounted for using the equity method. During the three months ended March 31, 2012, the Company incurred equity loss of $Nil (2011: $7,350) on the investment.

On June 30, 2011, the Company disposed of its investment in GMWL to Merfin Management Ltd. for proceeds of $24,000, which were recognized as part settlement of outstanding loans to Merfin Management Ltd.

6. EQUIPMENT

	Furniture and Equipment	Vehicles	Mining Equipment	Leasehold Improvements	Computer Software	TOTAL
	$	$	$	$	$	$
At December 31, 2010						
Cost	87,574	6,655	39,130	66,780	3,101	203,240
Accumulated Amortization	(67,095)	(4,202)	(23,413)	(66,780)	(940)	(162,430)
	20,479	2,453	15,717	-	2,161	40,810
Movements - year ended December 31, 2011						
Acquisitions	584	-	-	-	-	584
Amortization	(4,097)	(2,453)	(15,717)	-	(2,161)	(24,428)
	(3,513)	(2,453)	(15,717)	-	(2,161)	(23,844)
Balance – December 31, 2011						
Cost	88,158	6,655	39,130	66,780	3,101	203,824
Accumulated Amortization	(71,192)	(6,655)	(39,130)	(66,780)	(3,101)	(186,858)
	16,966	-	-	-	-	16,966
Movements – three months ended March 31, 2012						
Amortization	(3,393)	-	-	-	-	(3,393)
	(3,513)	-	-	-	-	(3,393)
Balance – December 31, 2011						
Cost	88,158	6,655	39,130	66,780	3,101	203,824
Accumulated Amortization	(74,585)	(6,655)	(39,130)	(66,780)	(3,101)	(190,251)
	13,573	-	-	-	-	13,573

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The carrying values of exploration and revaluation assets were as follows:

		March 31 2012	December 31 2011
Mineral property acquisition costs	$	**564,728**	**412,915**
Deferred exploration costs		**172,069**	**185,276**
		736,797	**598,191**

(a) Mineral property acquisition costs

		Balance December 31 2010		Changes		Balance December 31 2011		Changes		Balance March 31 2012
Chubb Property, Québec	$	46,000	**$**	35,000	**$**	**81,000**	**$**	23,333	**$**	**104,333**
International Property, Québec		33,108		35,000		**68,108**		21,667		**89,775**
Athona Property, Québec		24,000		26,250		**50,250**		16,063		**66,313**
Canadian and McNeely Lithium Property, Québec		28,000		30,000		**58,000**		-		**58,000**
New Lithium Property		-		-		**-**		90,750		**90,750**
Liberty Hill Mine, US		92,458		63,099		**155,557**		-		**155,557**
	$	223,566	$	189,349	**$**	**412,915**	$	151,813	**$**	**564,728**

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its properties and, to the best of its knowledge, title to all of its properties are in good standing. However, this should not be construed as a guarantee of title. The mineral properties may be subject to prior claims, arguments or transfers and rights of ownership may be affected by undetected defects.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Lithium Properties, Val d'Or, Quebec

(i) Chubb Property, Québec

On May 11, 2009, the Company signed an option agreement to acquire 100% interest in the Chubb Lithium Property, which is located in the Archean Abitibi Greenstone belt in the La Corne Township. Under the agreement, in order for the Company to earn-in 100% undivided interest in the property, the following payments will have to be made:

	Cash payment	Shares
Upon execution of the option agreement	$ 5,000	Nil
Upon approval of the Exchange (February 8, 2010)	$ 15,000	16,666
On or before February 8, 2011	$ 20,000	16,666
On or before February 8, 2012	$ 20,000	16,666
On or before February 8, 2013	$ 20,000	16,666
Total	**$ 80,000**	**66,664**

The agreement provides for a 2% net smelter return ("NSR"). The Company has an exclusive option to buy back 50% for $1,000,000 within one year and the remaining 50% for $1,000,000 within two years of the date the Chubb Property is put into commercial production.

During year ended December 31, 2011, the Company issued 16,666 common shares, valued at $15,000, and paid $20,000 cash, pursuant to the option agreement.

During the three months ended March 31, 2012, the Company issued 16,666 shares, valued at $3,333 and paid $20,000 to the Optionors.

(ii) International Property, Québec

On August 7, 2009, the Company signed an option agreement to acquire 100% interest in the International Property. Under the agreement, the following payments will have to be made before the Company acquires a 100% undivided interest in the property:

	Cash Payment	Shares
Upon execution of the option agreement	$5,000	Nil
On or before February 8, 2010	$18,108	16,666
On or before February 8, 2011	$20,000	16,666
On or before February 8, 2012	$20,000	8,333
On or before February 8, 2013	$20,000	8,333
Total	**$83,108**	**49,998**

The agreement provides for a 1% NSR. The Company has an exclusive option to buy back 50% for $500,000 within one year and the remaining 50% for $500,000 within two years of the date the International Property is put into commercial production.

During the year ended December 31, 2011, the Company issued 16,666 common shares valued at $15,000 and paid $20,000 pursuant to the option agreement.

During the three months ended March 31, 2012, the Company issued 8,333 shares, valued at $1,667 and paid $20,000 to the Optionor.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Mineral property acquisition costs (continued)

Lithium Properties, Val d'Or, Quebec (continued)

(iii) Athona Property

On September 16, 2009, the Company signed an option agreement to acquire 100% interest in the Athona Property. Under the agreement, in order for the Company to earn-in 100% undivided interest in the property, the following payments will have to be made, in addition to a work commitment of $25,000 to be incurred on the property in 2009 (commitment met):

DATE	Cash Payment	Shares
Upon execution of the option agreement	$3,500	Nil
On or before March 20, 2010	$11,500	12,500
On or before March 20, 2011	$15,000	12,500
On or before March 20, 2012	$15,000	6,250
On or before March 20, 2013	$15,000	6,250
Total	**$60,000**	**37,500**

During the year ended December 31, 2011, the Company issued 12,500 common shares, valued at $11,250 and paid $15,000 cash, pursuant to the option agreement.

During the three months ended March 31, 2012, the Company issued 6,250 shares, valued at $1,063 and paid $15,000 to the Optionor.

(iv) Canadian and McNeely Lithium Property, Québec

On May 20, 2010, the Company signed an option agreement to acquire 100% interest in the Canadian and McNeely Property. Under the agreement, the following payments will have to be made before the Company acquires 100% undivided interest in the property:

	Cash Payment	Shares
Upon execution of the option agreement	$5,000	Nil
On May 27, 2010	$15,000	16,666
On or before May 27, 2011	$20,000	16,666
On or before May 27, 2012	$20,000	8,333
On or before May 27, 2013	$20,000	8,333
Total	**$80,000**	**49,998**

The agreement provides for a 1% NSR. The Company has an exclusive option to buy back 50% for $500,000 within one year and the remaining 50% for $500,000 within two years of the date the Canadian and McNeely Property is put into commercial production.

During the year ended December 31, 2011, the Company issued 16,666 shares, value at $10,000 and paid $20,000 cash, pursuant to the agreement.

(v) New Lithium Property, Québec

On March 23, 2012, the Company issued a total of 550,000 commons shares (250,000 of which had a hold period of 4 months and one day from the date of issue and the balance had a hold period of one year from the date of issue), valued at $90,750, with respect to the acquisition of a 100% interest in some mineral claims located in Val d'Or, Quebec, in the vicinity of Athona and International properties.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Mineral property acquisition costs (continued)

Liberty Hill Mine, Nevada County, California, USA

On September 30, 2010, the Company entered into an agreement, to earn in a 50% participation a Joint venture agreement with Mining and Energy International Corp (MEICO) in the Liberty Hill Mine, in the Nevada County, California, USA. Under the agreement, in order for the Company to earn a 50% Joint Venture interest, it was required to pay US$1,000,000 upon the satisfaction of certain conditions and incur US$1,500,000 in expenditure as follows:

(i) US$40,000 on signature of the agreement

(ii) US$45,000 within 21 days after signature of the agreement

(iii) the balance of US$1,415,000 payable in increasing tranches within 180 days from a date which is the earlier of the approval from the regulatory authorities and the receipt of the exploration permit from the US Forest Service. Any funds generated from the processing of the existing stockpile will reduce the balance payable.

During the year ended December 31, 2011, the Company paid a further $63,099. The Company is awaiting the issuance of the exploration permit from the US Forest Service, which is one of the obligations of MEICO under the agreement.

Subsequent to March 31, 2012, some terms of the agreement were amended and the Company agreed to make a monthly payment of $1,500 to MEICO as re-imbursement of costs.

(b) Deferred exploration costs

At March 31, 2012, the carrying amounts of deferred exploration expenditures for the lithium properties were as follows:

	December 31 2010	Changes	December 31 2011	Changes	March 31 2012
Fieldwork	$ 70,508	$ -	$ 70,508	$ -	$ 70,508
Geology and mapping	96,670	-	96,670	-	96,670
Consulting	32,750	-	32,750	-	32,750
Assays	5,537	-	5,537	-	5,537
Project Management	18,832	-	18,832	-	18,832
Miscellaneous	8,500	6,462	14,962	-	14,962
Tax Credits	(53,983)	-	(53,983)	(13,207)	(67,190)
	$ 178,814	**$ 6,462**	**$ 185,276**	**$ (13,207)**	**$ 172,069**

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2012, the Company entered into the following transactions with related parties.

Key management personnel compensation
The remuneration of key management personnel during the three months ended March 31, 2012 and 2011 were as follows:

	Note		March 31 2012		March 31 2011
Consulting fees and salaries	(i)	$	50,993	$	49,476
Stock based compensation	(ii)	$	1,213	$	15,210

(i) The Company paid or accrued consulting services for $26,747 (2011: $25,230) to Merfin Management Limited, a private company controlled by the Chief Executive Officer. At March 31, 2012 and December 31, 2011, an amount of $30,135 was due to Panterra Capital, a company controlled by a former director. During the three months ended March 31, 2012, the Company also paid salaries of $24,246 (2011: $24,246) to the Chief Financial Officer. See also note on recovery of expenses below.

(ii) Stock based payments are the fair value of options granted to the Chief Executive Officer and the Chief Financial Officer, which vest partly on grant date and partly on the first and second anniversaries of the grant date.

Other related party transactions

During the three months ended March 31, 2012,

(i) the Company charged, as a recovery of expenses, Golden Dawn Minerals Inc., Hi Ho Silver Resources Inc, and Nass Valley Gateway Ltd. companies related by common directors and officers, a total amount of $48,328 (2011: $42,200) with respect to shared costs relating to salaries and office expenses; and

(ii) at March 31, 2012, an amount of $Nil (December 31, 2011: $5,791) was outstanding to the Chief Executive Officer with respect to expenses incurred on behalf of the Company and an amount of $Nil (December 31, 2011: $1,141) was accrued to Golden Dawn Minerals Inc. with respect to printing expenses.

The following were receivable from companies which are related by common directors:

		March 31 2012		December 31 2011
Island Gateway Ltd.	$	405	$	405
Hi Ho Silver Resources Inc.		529		-
Nass Valley Gateway Ltd.		33,377		3,900
	$	34,311	$	4,305

Advances received from related party

During the three months ended March 31, 2012, the Company received advances of $Nil (2011:$46,000) from Merfin Management Limited pursuant to a promissory note bearing interest at 8.5%per annum. An amount of $Nil (2011: $371) was accrued as interest.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

At March 31, 2012, the authorized share capital comprised of an unlimited number of common shares at no par value. All issued and outstanding shares are fully paid.

b) Issues of common shares

On February 1, 2012, the Company closed a private placement of $466,000, through the placement of 2,912,500 shares at $0.16 each and 2,912,500 share purchase warrants exercisable at $0.22 each within one year of issue and $0.35 within the second year.

During the year ended December 31, 2011

On September 30, 2011, the Company consolidated the outstanding shares on a basis of 1 new share for 12 old shares held. The resulting outstanding shares amounted to 3,509,537 common shares. All references to common shares and per share amounts in these financial statements are on the basis of the resulting new common shares and corresponding securities.

During the year ended December 31, 2011, the Company issued common shares with respect to the Lithium properties in Quebec as described in Note 7.

On December 14, 2011, the Company closed a private placement of $487,800, through the placement of 3,048,750 shares at $0.16 each and 3,048,750 share purchase warrants exercisable at $0.22 each within one year and $0.30 within the second year, of which an amount of $47,000 had been advanced at March 31, 2011.

c) Stock-based compensation

The Company, in accordance with its modified stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 625,751 of currently issued and outstanding common stock. The exercise price of each option equals the closing market price of the Company's stock on the last trading day preceding the date of grant, less any discount permitted by the TSX Venture Exchange. The options can be granted for a maximum term of three years and are subject to vesting provisions as determined by the board of directors of the Company.

The weighted average grant fair value of 4,166 options granted on March 1, 2011 was $0.37. The fair value of these options was determined on the date of the grant using the Black -Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 2.62%; the expected life of 2 years; expected volatility of 159%; and expected dividends of $Nil.

Stock option transactions are summarized as follows:

OPTIONS OUTSTANDING

	Number of Options		Weighted Average Exercise price
Stock options outstanding at December 31, 2010	517,465	$	1.32
Expired/cancelled	(86,863)	$	1.13
Granted	4,166	$	1.20
Stock options outstanding at December 31, 2011	**434,768**	**$**	**1.31**
Expired	(6,816)	$	1.20
Stock options outstanding at March 31, 2012	**427,952**	**$**	**1.32**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Information regarding options outstanding and exercisable as at March 31, 2012

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Exercisable Options	Average Remaining Life (Years)
June 25, 2012	1.68	110,063	110,063	0.24
September 9, 2012	1.56	166	166	0.44
October 8, 2012	1.68	79,654	79,654	0.52
January 28, 2013	0.66	74,746	74,746	0.83
April 15, 2013	1.20	18,332	18,332	1.04
November 4, 2013	1.20	144,991	116,241	1.6
	1.31	427,952	399,202	0.89

d) Warrants

As at March 31, 2012, the Company had the following outstanding warrants to purchase common shares of the Company:

Number of warrants		Exercise price	Expiry date
3,048,750	$	0.22	December 14, 2013
1,547,463		1.20	July 14, 2014
125,000		1.20	April 13, 2015
2,912,500		0.22	February 1, 2014
7,633,713	$	0.44	

Warrant transactions are summarized as follows

	Warrants outstanding		
	Number of warrants		Weighted average exercise price
Balance, December 31, 2010	**1,747,463**	**$**	**1.20**
Issued	3,048,750		0.22
Expired	(75,000)		2.40
Balance, December 31, 2011	**4,721,213**		**0.57**
Issued	2,912,500		0.22
Balance, February 29, 2012	**7,633,713**	**$**	**0.44**

10. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		2011		2010
Loss for the year	**$**	**(469,685)**	$	(2,325,912)
Expected income tax recovery	**$**	**(124,000)**	$	(663,000)
Non-deductible items		**23,000**		74,000
Difference in tax rates and other		**4,000**		752,000
Change in unrecognized temporary differences		**97,000**		(163,000)
Total income tax expense (recovery)	**$**	**-**	$	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

Details of unrecognized deferred tax assets are as follows:

		2011		2010
Deferred tax assets not recognized:				
Non-capital losses carried forward	$	**775,000**	$	679,000
Capital loss carry forward		**650,000**		594,000
Mineral properties and deferred exploration costs		**663,000**		663,000
Equipment		**58,000**		51,000
Share issuance costs		**5,000**		13,000
Marketable securities & investment in associate		**76,000**		130,000
	$	**2,227,000**	$	2,130,000

Deductible temporary differences, unused tax losses and unused tax credits that are not included in deferred tax assets on the statement of financial position are as follows:

	Expiry date range		2011		2010
Share issue costs	2032 to 2033	**$**	**22,000**	$	54,000
Allowable capital losses	Not applicable		**2,600,000**		2,375,000
Non-capital losses	2014 to 2031		**3,101,000**		2,715,000
Capital assets	Not applicable		**230,000**		206,000
Mineral properties	Not applicable		**2,564,000**		2,565,000
Income tax credits	2026 to 2031		**30,000**		29,000
Marketable securities and investment in associate	Not applicable		**605,000**		1,045,000

During 2010 fiscal year the Company issued 1,140,000 common shares on a flow-through basis for gross proceeds of $57,000. The flow-through shares were not issued at a premium. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Cash and equivalents included in the consolidated statement of cash flows at December 31:

		March 31 2012		December 31 2011
Cash	$	241,669	$	12,482
Cash equivalents		5,000		5,000
	$	246,669	$	17,482

		March 31 2012		March 31 2011
Cash paid for income taxes during the three months ended	$	-	$	-
Cash paid for interest during the three months	$	-	$	-

During the three months ended March 31, 2012, the Company issued 581,249 common shares (2011: 550,000), valued at $96,813 (2011: $41,250) with respect to obligations under property option and acquisition agreements.

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12. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of resource property interests. The Company's non-current assets by geographical area are as follows:

		March 31 2012		December 31 2011
Non-current assets:				
Canada	$	594,813	$	459,600
U.S.A.		155,557		155,557
	$	750,370	$	615,157

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, marketable securities, receivables, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk
Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, receivables and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents and marketable securities with high-credit quality financial institutions.

Amounts due to and from related parties are discussed in Note 8.

Currency risk
The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk
The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash and equivalents as they are currently held in large financial institutions.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial assets and liabilities

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The fair values of cash and cash equivalents and marketable securities are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of receivables, due to and from related parties and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

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

	Fair Value Measurements Using			March 31 2012
	Level 1	Level 2	Level 3	
Assets:				
Cash and equivalents	$ 246,669	–	–	$ 246,669
	$ 246,669	–	–	$ 246,669

14. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year ended March 31, 2012. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

15. COMMITMENT

The Company entered into a three year rental agreement for office space commencing December 31, 2010 for approximately $5,044 per month until November 30, 2013. The agreement is subject to operating costs changes annually. The rentals payable in the fiscal years 2012 and 2013, amount to $60,528 and $55,484 respectively.