

E-ENERGY VENTURES INC.

Report and Consolidated Financial Statements

March 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
E-Energy Ventures Inc.

I have audited the accompanying consolidated financial statements of E-Energy Ventures Inc. (the "Company"), which comprise the balance sheets as at March 31, 2011 and 2010 and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

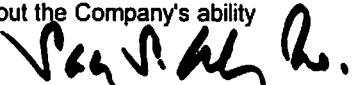
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$1,299,780 during the year ended March 31, 2011 and, as of that date, had an accumulated deficit of \$9,315,515 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.


"Sam S. Mah Inc"
Chartered Accountant

Vancouver, British Columbia
July 28, 2011

E-ENERGY VENTURES INC.
Consolidated Balance Sheets
As at March 31, 2011

	2011	2010
ASSET		
<i>Current</i>		
Cash and cash equivalents	\$ 31,693	\$ 159,239
Short term investments – (Note 3)	860,654	1,004,585
Prepaid expenses	7,589	-
GST receivable	4,464	1,983
Other receivables – (Notes 4 and 6)	212,500	75,000
Marketable securities – (Note 15)	<u>390,000</u>	<u>1,105,000</u>
	1,506,900	2,345,807
Equipment – (Note 5)	-	499
Mineral property and deferred exploration costs – (Note 6)	<u>4,522,387</u>	<u>4,979,952</u>
	<u>\$ 6,029,287</u>	<u>\$ 7,326,258</u>
LIABILITIES		
<i>Current</i>		
Accounts payable and accrued liabilities	<u>\$ 3,493</u>	<u>\$ 684</u>
SHAREHOLDERS' EQUITY		
Capital stock – (Note 8)	14,352,247	14,352,247
Contributed surplus – (Notes 8 and 9)	989,062	989,062
Deficit	<u>(9,315,515)</u>	<u>(8,015,735)</u>
	<u>6,025,794</u>	<u>7,325,574</u>
	<u>\$ 6,029,287</u>	<u>\$ 7,326,258</u>

Approved by the Board:

“Simon Tam”, Director

“David Rankin”, Director

See accompanying notes to the consolidated financial statements

E-ENERGY VENTURES INC.
Consolidated Statements of Operations and Deficit
For the Year March 31, 2011

	2011	2010
General and Administrative Expense		
Amortization	150	214
Consulting fees – (Note 7)	119,000	124,000
Filing fees	8,210	8,040
Interest	195	169
Investor relations	45,000	45,000
Office and miscellaneous	1,133	808
Professional fees - (Note 7)	80,748	90,944
Rent – (Note 7)	18,000	18,000
Shareholder information	3,640	3,915
Transfer agent fees	8,113	8,806
Travel and promotion	13,483	-
Loss before other item	(297,672)	(299,896)
Other items		
Loss on disposal of assets	(349)	-
Royalty income	300,000	300,000
Interest income	6,572	28,083
Unrealized gain (loss) on investments	(715,000)	(290,000)
Write-off of mineral properties – (Notes 6 and 17)	(593,331)	-
Net Income (Loss) for the year	(1,299,780)	(261,813)
Deficit, beginning of year	(8,015,735)	(7,753,922)
Deficit, end of year	\$ (9,315,515)	\$ (8,015,735)
<hr/>		
Basic earnings per common share	\$ (0.02)	\$ (0.004)
Weighted average number of shares outstanding	61,471,330	61,471,330
Fully diluted earnings per common share	\$ -	\$ -

See accompanying notes to the consolidated financial statements

E-ENERGY VENTURES INC.
Consolidated Statements of Cash Flows
For the Year March 31, 2011

	2011	2010
Operating activities		
Income (Loss) for the year	\$ (1,299,780)	\$ (261,813)
Items not affecting cash:		
Amortization	150	214
Unrealized loss (gain) on investments	715,000	290,000
Loss on disposal of assets	349	-
Write-off of mineral properties	593,331	-
	<u>9,050</u>	<u>28,401</u>
Change in non-cash working capital items:		
Prepaid expenses	(7,589)	-
Increase in accrued interest	(3,068)	(1,451)
Decrease (increase) in receivables	(139,981)	(5,314)
Increase in accounts payable and accrued liabilities	2,809	(4,887)
	<u>(138,779)</u>	<u>16,749</u>
Investing activities		
Marketable securities	-	(625,000)
Short term investments	146,999	812,742
Mineral property and deferred exploration costs	(135,766)	(122,522)
	<u>11,233</u>	<u>65,220</u>
Financing activities		
	<u>-</u>	<u>-</u>
Increase (decrease) in cash during the year	(127,546)	81,969
Cash and cash equivalents, beginning of year	<u>159,239</u>	<u>77,270</u>
Cash and cash equivalents, end of year	<u>\$ 31,693</u>	<u>\$ 159,239</u>

Supplemental disclosure with respect to cash flows – (Note 11)

See accompanying notes to the consolidated financial statements

1. Nature of Operations

The Company was incorporated under the laws of the Province of British Columbia and is in the business of exploration and development of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company is engaged in acquisition and exploration of resource property interests. Funding for operations is raised primarily through private and public share offerings. The Company has incurred substantial losses to date and further losses are anticipated in continuing the exploration and development of its resource property interests.

The recoverability of carrying amounts for resource property interests and related deferred exploration and development costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying resource properties, the ability of the Company to obtain necessary financing to complete exploration and development, and achievement of future profitable production or proceeds from disposition.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company has incurred significant losses totaling 9,315,515 since inception, had a working capital of \$1,503,407 (2010: \$2,345,123) which may not be sufficient to sustain operations over the foreseeable future and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company.

2. Significant Accounting Policies

Basis of Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiary, E-Energy Ventures International (Barbados) Corp., which in turn owns 100% of E-Energy Ventures Holdings (Barbados) Corp., which in turn owns 10% of Mina Real Mexico S.A. de C.V. (a Mexican company). All inter-company transactions and balances are eliminated upon consolidation.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are based on historical experience and on other assumptions that are believed at the time to be reasonable under the circumstances. The actual results may differ from those previously estimated.

2. Significant Accounting Policies – cont'd

Use of Estimates – cont'd

Key areas where management has made complex or subjective judgments include: fair value of certain assets; accounting for amortization; mineral asset impairment assessments; environmental obligations; stock-based compensation; income taxes and contingencies.

Mineral Property and Deferred Exploration Costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operation. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Cost of Maintaining Mineral Properties

The Company does not accrue the estimated future costs of maintaining its mineral property in good standing.

Equipment

Equipment consists of computer equipment. The computer equipment is recorded at cost and amortized at an annual rate of 30% using the declining balance method.

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in 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. The adoption of this accounting policy has not affected the Company's consolidated financial statements.

Risk Instruments and Risk Management

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The fair values of cash and cash equivalents, short-term investments, other receivables, marketable securities, accounts payable and accrued liabilities, approximate their book values because of the short-term nature of these instruments.

2. Significant Accounting Policies – cont'd

Risk Instruments and Risk Management – cont'd

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its bank accounts and accounts receivable. Bank accounts are with Canadian Schedule 1 banks. Management believes that the credit risk with respect to receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company manages its liquidity risk through private placements.

The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to commodity prices, cost overruns on capital projects and changes to government regulations relating to land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Interest Rate Risk

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of March 31, 2011, the Company has no interest-bearing debentures with long-term maturities and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives. The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rates.

Environmental Risk

The Company is not subject to environmental risks associated with its operations.

Commodity Price Risk

The Company is subject to commodity price risk for the sale of gold and silver. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from the extraction of mineral products. As such, the effect of these factors on the price in future product sales, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

2. Significant Accounting Policies – cont'd

Marketable Securities

The Company's marketable securities are classified as held-for-trading because the Company intends to trade the investments for short-term profit making. They are recognized at fair value based on market prices. Gains and losses are reflected in net income for the year in which they arise.

Short term Investment

The Company designated its short term investment as held-for-trading financial instruments. The investment consists of one redeemable GIC valued at \$860,654 at an annual interest rate of .3% to be maturing on October 5, 2011. As at March 31, 2011, after interest revenue accrual, its carrying cost approximate its fair market value and no adjustment is necessary.

Cash Equivalents

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

Stock-Based Compensation

The Company applies the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the proceeds together with the amount initially recorded in contributed surplus are credited to share.

Earnings (Loss) Per Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. The effect of the application of the accounting treatment on current loss per share would be anti-dilutive. Accordingly, diluted loss per share has not been presented separately.

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding during the year. The Company has potentially dilutive options and warrants outstanding.

Financial instruments

Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

2. Significant Accounting Policies – cont'd

Financial Instruments – cont'd

The Company designated its cash and cash equivalents, short term investments and marketable securities as held-for trading, which are measured at fair value. Accounts receivable and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit. Company had no "other comprehensive income or loss" transactions during the year ended March 31, 2011, and no opening or closing balances for accumulated other comprehensive income or loss. As a result, these consolidated financial statements do not include a statement of Accumulated Other Comprehensive Income.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. See Note 2.

Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. See Note 14 - Management of Capital.

Accounting policy choice for transaction costs

EIC-166 addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company had evaluated the impact of EIC-166 and determined that no adjustments were required.

2. Significant Accounting Policies - cont'd

Adoption of recent accounting pronouncements

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the new standard does not have a material impact on the Company's financial statements.

EIC-I73 discusses the conclusion reached by the Emerging Issues Committee ("EIC") that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. The recommendations on the accounting treatment discussed in this Abstract should be applied retroactively without restatement of prior periods. These recommendations have been adopted by the Company on January 1, 2009 and the new standards do not have a material impact on the Company's financial statements.

In January 2009, the CICA issued Handbook Sections 1582 - Business Combinations, 1601 - Consolidated Financial Statements and 1602 - Non-controlling interests which replace CICA Handbook Sections 1581 - Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combination that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt anyone of these Sections, the other two sections must also be adopted at the same time.

2. Significant Accounting Policies - cont'd

Adoption of recent accounting pronouncements (cont'd)

In 2006, the Accounting Standards Board ("AcSB") announced that the accounting standards in Canada are to be converged. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. The Company is currently in process of assessing of IFRS' GAAP differences as it impacts the current disclosures, and the required amendments will be implemented on a basis consistent with policies and timing requirements as outlined by the CICA Accounting Standards Board. These preliminary assessments have determined that this Section will not have a significant impact to the Company's financial statements and disclosures as it presently operates; however, the Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS on its financial statements.

Impairment Testing of Mineral Exploration Properties, EIC-174 discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. These recommendations were adopted by the Company on January 1, 2009 and did not have a material impact on the Company's consolidated financial statements.

Royalty income

Royalty income is recognized when earned.

Future Income Taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against that excess.

3. Short-term Investments

	2011	2010
Short-term investments		
Guaranteed Investment Certificates (GIC)	\$ 860,654	\$ 1,004,585

GIC's have maturities in excess of 90 days to a term of 1 year with an interest rate of .3%.

4. Other Receivables

Other receivables consist of royalty payments.

E-ENERGY VENTURES INC.
Notes to the Consolidated Financial Statements
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5. Equipment

	Cost	Amortization and Loss	2011 Net	2010 Net
Computer equipment	\$ 2,682	\$ 2,682	\$ -	\$ 499

In the year of acquisition, amortization is taken at half the normal rates.

The carrying value of equipment is reviewed whenever events or changes in circumstance indicate the recoverable value may be less than the carrying amount. Recoverable value is based on management's estimates of undiscounted future net cash flows expected to be recovered from specific asset or groups of assets through use or future disposition. Where impairment is indicated, impairment charges are recorded in the reporting period in which impairment is determined by management.

6. Mineral Property and Deferred Exploration Costs

Title to mining 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 conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Stormy Mountain Molybdenum Property, Yukon Territories

Pursuant to a Purchase Agreement dated February 21, 2006, the Company acquired a 100% interest in certain mining claim units located in the Watson Lake Mining District of the Yukon Territories, referred to as the Stormy Mountain Molybdenum Property (the "Property"). The Property is subject to a 2% Net Smelter Royalty ("NSR") with the Company having the right to purchase 1% of the NSR for \$1,000,000 from the vendors. In consideration, the Company paid \$75,000 in cash and issued 2,000,000 common shares. The Company paid a finder's fee of 293,750 common shares in connection with the acquisition of the property.

Rivard Gold Property, Ontario

Pursuant to an Assignment Agreement dated August 8, 2006 and an Amendment Agreement dated March 30, 2010, the Company acquired an option to earn a 100% interest in the Rivard gold property mineral lease at the west end of the Red Lake gold mining camp in northwest Ontario. To exercise such option, the Company is required to make cash payments totaling \$500,000 over various years to October 2011 and to issue 2,500,000 common shares. The property is subject to a 3% net smelter return royalty. At March 31, 2011, the Company had paid \$412,400 and issued 2,500,000 common shares.

Uchi Lake Gold Property, Ontario

Pursuant to an Option Agreement dated November 15, 2006, the Company acquired an option to earn a 100% interest in the Uchi Lake gold property, located east of Red Lake, Ontario. To exercise such option, the Company is required to make cash payment of \$200,000 over 30 months, issue 2,000,000 common shares and incur \$500,000 in exploration expenditures over a three-year period. The property is subject to a 2% net smelter return royalty which the Company can buy down to a 1% NSR at a cost of \$1,000,000. The Company had paid \$200,000 and issued 2,000,000 common shares.

6. Mineral Property and Deferred Exploration Costs – cont'd

Mina Real and Santa Fe Properties, Mexico

Pursuant to an Agreement dated November 20, 2008 and an Amendment Agreement dated January 16, 2009, the Company entered into a Joint Venture Agreement with Rochester Resources Ltd. ("Rochester") and paid \$1,475,000 cash and acquired 3,500,000 common shares of Rochester at a fair value of \$0.15 per share to acquire an undivided 10% equity interest in the capital stock of Mina Real Mexico S.A. de C.V. ("Mina Real"), a private company incorporated in Mexico which is wholly owned by Rochester. Mina Real currently holds certain mining concessions and claims covering 20,662.42 hectares (the "Mina Real Property") located in Tepic, Mexico. In addition, Mina Real holds a 70% equity interest in Compania Minera Santa Fe S.A. de C. V. ("Santa Fe") which holds certain mining concessions and claims (the "Santa Fe Property") located in Tepic, Mexico.

Pursuant to the Joint Venture Agreement, the Company is entitled to a gross overriding advance royalty payment of \$25,000 per month, free and clear of any and all cost or expense of every kind and nature; whatsoever, incurred in connection with the operation of the Mina Real Property. The gross overriding advance royalty payment may be credited against the Company's 10% share of the net profit of the Mina Real Property and Santa Fe Property. However, the payment is not dependent on the profitability of the properties and shall be payable even if the properties do not generate any profit. Under the Joint Venture Agreement, Rochester has an option to re-acquire the 10% interest in Mina Real from the Company (the "Back-In Option"). The Back-In Option has a term of three years commencing on December 22, 2008 and may be exercised by Rochester as follows:

- (i) If exercised during the second year of the term, by payment of \$2,075,000 cash to the Company; and,
- (ii) If exercised during the third year of the term, by payment of \$2,000,000 in cash to the Company.

The Back-In Option shall not be exercised during the first year of the term.

The Company and Rochester are related by way of sharing certain common directors.

As at March 31, 2011, Rochester owed the Company \$212,500 in past due royalty payments.

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6. Mineral Property and Deferred Exploration Costs – cont'd

	Stormy Mountain	Rivard Gold Property	Uchi Lake Gold Property	Mina Real and Santa Fe	Total
Balance, March 31, 2010	<u>\$ 302,097</u>	<u>\$ 2,583,880</u>	<u>\$ 593,331</u>	<u>\$1,500,644</u>	<u>\$ 4,979,952</u>
Acquisition costs					
Cash payments	-	132,400	-	-	132,400
Shares to Vendors	-	-	-	-	-
Finder's fee	-	-	-	-	-
	<u>-</u>	<u>132,400</u>	<u>-</u>	<u>-</u>	<u>132,400</u>
Deferred exploration costs					
Assays camp and general	3,366	-	-	-	3,366
Drilling	-	-	-	-	-
Geological Consulting	-	-	-	-	-
	<u>3,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,366</u>
Amounts written off – (Note 17)	-	-	(593,331)	-	(593,331)
Balance, March 31, 2011	<u>\$ 305,463</u>	<u>\$ 2,716,280</u>	<u>\$ -</u>	<u>\$1,500,644</u>	<u>\$ 4,522,387</u>

7. Related Party Transactions

The Company entered into the following transactions with related parties:

- Paid or accrued \$60,000 (2010 - \$60,000) for consulting fees to a company controlled by a director of the Company.
- Paid or accrued to a management company related to a director of the Company the following:

	<u>2011</u>	<u>2010</u>
Accounting	\$ 36,000	\$ 30,500
Rent	<u>18,000</u>	<u>18,000</u>
	<u>\$ 54,000</u>	<u>\$ 48,500</u>

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and in certain cases, by signed agreements. These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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8. Capital Stock and Contributed Surplus

	Number of Shares	Amount \$	Contributed Surplus
Balance, March 31, 2010	61,471,330	\$ 14,352,247	\$ 989,062
Balance, March 31, 2011	61,471,330	\$ 14,352,247	\$ 989,062

Stock Options

The Company has a stock option plan whereby it is authorized to grant options to directors and employees to acquire up to 10% of issued and outstanding common stock. Under the policy, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

	Number of Shares	Weighted Average Exercise Price \$	Weighted Average Life Remaining in years
Balance, March 31, 2010	2,800,000	0.27	1.8
Expired	(800,000)	-	-
Balance, March 31, 2011	2,000,000	0.31	1.1

The following stock options were outstanding at March 31, 2011:

Number	Price	Expiring
400,000	0.25	Mar 21/2012
1,500,000	0.33	Apr 17/2012
100,000	0.25	Sep 12/2012
<u>2,000,000</u>		

Share Purchase Warrants

There were no share purchase warrants outstanding at March 31, 2011.

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9. Contributed Surplus and Stock Based Compensation

There were no stock options granted during the year ended March 31, 2011.

The Company used the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions:

	2011	2010
- weighted average risk free interest rate	-	-
- dividend yield of	-	-
- weighted average expected volatility	-	-
- weighted average expected life	-	-
- weighted average fair value granted	-	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

10. Segmented Information

The Company operates in a single segment. Assets by geographic locations are as follows:

	2011	2010
Canada	\$ 4,528,643	\$ 5,825,614
Mexico	1,500,644	1,500,644
Total	<u>\$ 6,029,287</u>	<u>\$ 7,326,258</u>

11. Supplemental Disclosure with Respect to Cash Flows

	2011	2010
Cash paid during the year for income taxes	\$ -	\$ -
Cash paid during the year for interest	\$ -	\$ -

The significant non-cash transaction for the years ended March 31, 2011 and 2010: None.

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12. Income Taxes

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes (recovery) is as follows:

	2011	2010
Statutory rate	28.5%	30.0%
Income (Loss) for the year	\$ (1,299,780)	\$ (261,813)
Expected income tax (recovery) at statutory rates	(370,438)	(78,544)
Deductible expenses, net	344,333	37,944
Unrecognized benefits of non-capital losses	26,105	40,600
Total income tax	\$ -	\$ -

Detail of future income tax assets are as follow:

	2011	2010
Future income tax assets		
Resource properties	\$ 1,633,000	\$ 1,918,000
Cumulative eligible capital	12,000	14,000
Tax value of equipment in excess of book value	3,000	3,000
Non-capital loss carry forwards	325,000	398,000
	1,973,000	2,333,000
Valuation allowance	(1,973,000)	(2,333,000)
Net future income tax asset	\$ -	\$ -

The Company has available for deduction against future taxable income, non-capital losses of approximately \$1,300,000. These losses, if not utilized, will expire through to 2031. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses, resource expenditures and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

13. Commitments

The Company has certain commitments described under Note 6 relating to its mineral properties.

14. Capital Risk Management

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options, contributed surplus and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

The Company is in business of exploring and developing mineral properties. As such, the Company is dependent on external financing to fund its activities. In order to pay for its operating expenses, the Company will spend its existing working capital and raise additional amounts as needed and if available.

Management reviews its capital management approach on an ongoing basis.

15. Marketable Securities

The Company's marketable securities, which are classified as held-for-trading have been valued at their market prices.

March 31, 2011		March 31, 2010	
Cost	Market	Cost	Market
\$1,395,00	\$390,000	\$1,395,000	\$1,105,000

16. Fair Value Measurement

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

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

16. Fair Value Measurement – cont’d

At March 31, 2011, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the balance sheet at fair value are categorized as follows:

	Level 1	Level 2
Cash and cash equivalents	\$31,693	
Short-term investments	860,654	
Marketable securities	390,000	

17. Write-off of Mineral Properties

Because of uneconomical prospects, the Company has written off its option in the Uchi Lake Gold Property in the province of Ontario, Canada.