GOSSAN RESOURCES LIMITED

(AN EXPLORATION STAGE COMPANY)

(EXPRESSED IN CANADIAN DOLLARS)

FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

MANAGEMENT'S RESPONSIBILITY LETTER

Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on estimates and judgments of management.

Meyers Norris Penny LLP, our independent auditors, is engaged to express a professional opinion on the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures which allow the auditors to report whether the financial statements prepared by management are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors must ensure that management fulfils its responsibilities for financial reporting. In furtherance of the foregoing, the Board of Directors has appointed an Audit Committee composed of three directors, two of whom are independent. The Audit Committee meets with the independent auditors to discuss the results of their audit report prior to submitting the financial statements to the Board of Directors for its approval. On the recommendation of the Audit Committee, the Board of Directors has approved the Company's financial statements.

"Douglas Reeson"
President and C.E.O.

"Andrew Thomson"
Director

Auditors' Report

To the Shareholders of Gossan Resources Limited:

We have audited the balance sheets of Gossan Resources Limited as at March 31, 2010 and 2009 and the statements of loss and comprehensive loss, statements of changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations for the years then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

July 21, 2010

Meyers Norris Penny LLP

Chartered Accountants

Comments for U.S. Readers

In the United States, reporting standards for auditors require the addition of an explanatory paragraph following the opinion paragraph when there are substantial uncertainties about the Company's ability to continue as a going concern, as referred to in Note 1 to these financial statements. Our report to the shareholders dated July 21, 2010, is expressed in accordance with Canadian reporting standards, which do not permit a reference to such matters in the auditors' report when the facts are adequately disclosed in the financial statements.

Winnipeg, Manitoba

July 21, 2010

Meyers Norris Penny LLP

Chartered Accountants

Gossan Resources Limited

BALANCE SHEETS

(EXPRESSED IN CANADIAN DOLLARS)

As at March 31,	2010	2009
ASSETS		
Current		
Cash	**$ 496,639**	$ 140,692
Short term investments	**20,004**	1,326,653
Accounts receivable	**13,944**	4,048
Prepaid expenses	**32,765**	12,188
	563,352	1,483,581
Non-Current		
Mineral properties (Note 5)	**4,633,552**	4,089,541
Investment in The Claims Network (Note 6)	**363,862**	224,540
Furniture and equipment (Note 7)	**8,523**	8,973
	5,005,937	4,323,054
	$ 5,569,289	$ 5,806,635
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 66,064**	$ 38,981
Due to related parties (Note 8)	**105,999**	125,952
	172,063	164,933
Deferred income (Note 5)	**200,000**	100,000
	372,063	264,933
Nature of Operations and Going Concern (Note 1)		
Commitment (Note 15)		
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**11,322,864**	11,304,778
Contributed surplus (Note 12)	**1,227,560**	1,204,316
Deficit	**(7,353,198)**	(6,967,392)
	5,197,226	5,541,702
	$ 5,569,289	$ 5,806,635

See accompanying notes to financial statements

Approved on Behalf of the Board:

"Douglas Reeson"
Director

"Andrew Thomson"
Director

Gossan Resources Limited

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended March 31,	2010	2009
EXPENSES		
Administrative fees	**$ 27,390**	$ 31,778
Management fees	**115,649**	119,056
Consulting	**37,761**	31,399
Office and general	**97,247**	106,306
Public company costs	**181,658**	114,153
Investor relations	**80,710**	92,314
Travel and related	**25,847**	34,809
Stock-based compensation expense (Note 10)	**25,130**	17,080
Amortization	**2,796**	7,952
	594,188	554,847
OTHER INCOME		
Interest and other income	**417**	30,963
Gain on joint venture (Note 5)	**70,742**	450,000
LOSS BEFORE THE FOLLOWING	**(523,029)**	(73,884)
Share of TCN profit (Note 6)	**139,322**	73,620
Write-down of mineral properties	**(2,099)**	(11,416)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ (385,806)**	$ (11,680)
NET LOSS PER SHARE - Basic and diluted (Note 13)	**$ (0.01)**	$ 0.00
Weighted average number of shares outstanding	**29,074,045**	29,020,900

See accompanying notes to financial statements

Gossan Resources Limited

STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended March 31,		2010		2009
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the year	$	**(385,806)**	$	(11,680)
Amortization		**2,796**		7,952
Write-down of mineral properties		**2,099**		11,416
Share of TCN profit (Note 6)		**(139,322)**		(73,620)
Stock-based compensation (Note 10)		**25,130**		17,080
Accrued interest		**-**		(4,690)
		(495,103)		(53,542)
Net change in non-cash working capital:				
Accounts receivable		**(9,896)**		5,889
Prepaid expenses		**(20,577)**		14,398
Accounts payable and accrued liabilities		**27,083**		(31,494)
Due to related parties		**(19,953)**		17,106
		(518,446)		(47,643)
INVESTING ACTIVITIES				
Expenditures on mineral properties		**(546,110)**		(625,626)
Purchase of short term investments		**-**		(305,437)
Proceeds on redemption of short-term investments		**1,306,649**		925,000
Acquisition of furniture and equipment		**(2,346)**		(778)
Deferred income received		**100,000**		100,000
		858,193		93,159
FINANCING ACTIVITIES				
Issuance of share capital		**16,200**		-
INCREASE IN CASH		**355,947**		45,516
CASH, beginning of year		**140,692**		95,176
CASH, end of year	$	**496,639**	$	140,692

See accompanying notes to financial statements

Gossan Resources Limited

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended March 31,	2010	2009
Share Capital		
Balance at beginning of year	**$ 11,304,778**	$ 11,304,778
Exercise of stock options - cash	**16,200**	-
Exercise of stock options - Black-Scholes valuation	**1,886**	-
Balance at end of year	**$ 11,322,864**	$ 11,304,778
Contributed Surplus		
Balance at beginning of year	**$ 1,204,316**	$ 1,187,236
Fair value of stock options granted	**25,130**	30,239
Fair value of stock options exercised	**(1,886)**	-
Fair value of stock options forfeited	**-**	(13,159)
Balance at end of year	**$ 1,227,560**	$ 1,204,316
Deficit		
Balance at beginning of year	**$ (6,967,392)**	$ (6,955,712)
Net loss and comprehensive loss for the year	**(385,806)**	(11,680)
Balance at end of year	**$ (7,353,198)**	$ (6,967,392)
TOTAL SHAREHOLDERS' EQUITY, END OF YEAR	**$ 5,197,226**	**$ 5,541,702**

See accompanying notes to financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Gossan Resources Limited (the “Company”) is a public corporation that was incorporated federally on June 16, 1980. The Company, directly and through joint ventures is in the business of acquiring and exploring resource properties that it believes contain mineralization. To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage. It is an exploration and development enterprise and carries on business in one segment, being the exploration for valuable minerals, exclusively in Canada.

In the opinion of management, all adjustments considered necessary for the fair presentation have been included in these financial statements. All amounts in these financial statements are expressed in Canadian dollars.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for mineral properties are dependent upon the discovery of economically recoverable reserves; confirmation of the Company’s ownership in the underlying mineral claims; the acquisition of required permits to mine; the ability of the Company to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These 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. All of these outcomes are uncertain and taken together cast doubt over the ability of the Company to continue as a going concern.

As the Company has no revenue producing mines, the Company's ability to continue as a going concern is dependent upon its ability to raise funds in the capital markets.

The Company is traded on the TSX Venture Exchange under the symbol “GSS” and on the Frankfurt/Freiverkehr & Xetra Exchanges under the symbol “GSR”.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Mineral Properties

Costs of acquisition and maintenance of interests of non-producing mineral properties together with direct exploration and development expenditures less related recoveries, partial sales and option payments received are deferred in the accounts. At such time as the Company loses or abandons title or its interest in any property, the accumulated expenditures on such property are charged to income in that year. If any property reaches commercial production, the applicable deferred expenditures will be amortized against related production revenues on a unit of production basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) **Mineral Properties (Continued)**

The amounts shown for mineral properties represent costs incurred to date and do not necessarily represent present or future values. Periodically, and at least annually, a determination is made as to the status of each property by completing an impairment test of undiscounted cash flows and assessing the net recoverable amount. When discounted cash flows cannot be determined to assess the impairment, the property will be written down to its estimated fair value. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse. Claims will be written off or written down to a nominal value where an interest in the claims remains.

(b) **Furniture and Equipment**

Furniture and equipment are stated at cost less accumulated amortization. Amortization is recorded on the declining balance basis at rates designed to amortize the cost of the furniture and equipment over their estimated useful lives, based on the following annual rates:

Computer equipment	30%
Computer software	100%
Field equipment	20%
Furniture and fixtures	20%

(c) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where necessary. Amortization is based on the estimated useful lives of the furniture and equipment. Other significant areas requiring the use of estimates include the determination of impairment of mineral properties, and the valuation of stock-based awards. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results could differ from the estimates. These estimates are reviewed periodically, and at least annually, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

(d) **Investment in The Claims Network Inc. (TCN)**

The Company accounts for its long-term investment in The Claims Network Inc. using the equity accounting method to the extent that the Company has significant influence over the investee's strategic operating, financing and investing policies. Under the equity method, the Company's proportionate share of income or loss is included in the statement of loss and any dividends received are recorded as a reduction to the investment. The carrying value of the investment is periodically reviewed to ensure that there is no permanent impairment.

(e) **Stock-based Compensation and Other Stock-based Payments**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The Company uses the Black-Scholes method of calculating stock-based compensation. The Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period, if any, in the results from operations, with an offsetting credit to contributed surplus. When stock options are exercised the consideration paid together with the amount previously recognized in contributed surplus is recorded as share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Basic and Diluted Loss per Share

Basic loss per share is calculated using the weighted average number of shares outstanding during the respective fiscal years. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, in such circumstances, there is no difference in the amounts presented for basic and diluted loss per share.

(g) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of the assets and the liabilities on the balance sheet and their corresponding tax values. Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The amount of future income tax assets recognized is limited to the amount that is, in management's estimation, more likely than not to be realized.

(h) Impairment of Long-lived Assets

The Company periodically assesses the impairment of long-lived assets, which consist primarily of mineral properties, and furniture and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. When discounted cash flows can not be determined to assess the impairment, the property will be written down to its estimated fair value.

(i) Asset Retirement Obligations

The fair value of a liability or an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The estimate excludes the residual value of the related assets. The associated retirement costs are capitalized as part of the carrying amount of the long lived assets and amortized over the life of the asset. The amount of liability is subject to re-measurement at each reporting period.

At the present time, the Company has concluded that there are no asset retirement obligations associated with any of the properties.

(j) Government Assistance

The Company periodically applies for financial assistance under available government incentive programs. All government assistance received is reflected as a reduction to the related asset category.

(k) Revenue Recognition

The Company recognizes interest income on its cash and cash equivalents on an accrual basis at the stated rates over the term to maturity. Revenue from investments is recognized when it is sold and it is deemed collectible.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the asset and liability method of accounting for income taxes, the future income taxes related to the temporary difference arising from the renunciation are recorded at the time the renunciation documents are filed with the government agency, as a future tax liability and a corresponding reduction to the carrying value of the shares issued.

(m) Joint Ventures

The Company's exploration and development activities may be conducted jointly with others. Under joint venture accounting, the Company is required to proportionately consolidate its percentage ownership of the assets, liabilities, revenues, expenses, and cashflows of its joint venture. These financial statements reflect only the Company's proportionate interest in the Bird River and Pipestone Lake joint ventures.

(n) Financial Instruments

The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities which are measured at amortized cost.

All derivative instruments, including embedded derivatives, are recorded in the balance sheet and statement of loss at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in operations.

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

Comprehensive income (loss) includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(o) Short-term Investments

Short-term investments are comprised of guaranteed investment certificates and term deposits with initial terms to maturity of over ninety days but less than one year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Changes in Accounting Policies

Goodwill and Intangible Assets

Effective April 1, 2009, the Company adopted CICA Section 3064, “Goodwill and Intangible Assets” which replaces CICA Sections 3062, “Goodwill and Other Intangible Assets” and 3450 “Research and Development Costs”, as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". The provisions relating to the definition and initial recognition of intangible assets under these new standards reduce the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2010.

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending March 31, 2010. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of cash and short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

	Level 1	Level 2	Level 3
Cash	$ 496,639	$ -	$ -
Short term investments	$ 20,004	$ -	$ -

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Future Accounting Changes

International Financial Reporting Standards (“IFRS”)

In January 2006, AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations" ("Section 1582"), Section 1601, "Consolidated Financial Statements" ("Section 1601") and Section 1602, "Non-Controlling interests" ("Section 1602"). These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 - "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As at March 31, 2010, total shareholders' equity was $5,197,226 (March 31, 2009 - $5,541,702).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

3. CAPITAL MANAGEMENT (Continued)

There were no changes in the Company's approach to capital management during the year ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS

(a) **Mineral Property Risk**

The Company's major mineral properties are listed in Note 5. Unless the Company acquires or develops additional material mineral properties, the Company will be mainly dependent upon its existing properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's properties would have a materially adverse effect on the Company's financial condition and results of operations.

(b) **Financial Risk**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short term investments and accounts receivable. Cash and short term investments consist of cash and term deposits with reputable financial institutions, from which management believes the risk of loss to be minimal.

Financial instruments included in accounts receivable consist of deposits held with service providers. Management believes that credit risk concentration with respect to financial instruments included in accounts receivable is minimal. Other accounts receivable consist of sales tax receivable from government authorities in Canada.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had cash of $496,639 (2009 - $140,692) and short-term investments of $20,004 (2009 - $1,326,653) to settle current liabilities of $172,063 (2009 - $164,933). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company regularly monitors the investments it makes and is satisfied with the credit ratings of its banks.

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) **Financial Risk (Continued)**

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company.

(c) **Sensitivity Analysis**

The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities which are measured at amortized cost.

As at March 31, 2010, the carrying and fair value amounts of the Company's financial instruments are not materially different.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

i) Held-for-trading assets include investment certificates totaling $20,004 subject to varying interest rates. Sensitivity to a plus or minus 1% change in rates would affect the reported net income by approximately $200. Similarly, as at March 31, 2010, reported shareholders' equity would have varied by approximately $200 as a result of the 1% variance in interest rates.

ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them.

As of March 31, 2010, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

iv) Mineral property risk is significant. In particular, if an economic orebody is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.

5. MINERAL PROPERTIES

	March 31, 2009	Expenditures	Grants and Option Payments	Write Downs	March 31, 2010
Pipestone Lake (i)	**$ 1,668,030**	**$ 21,941**	**$ -**	**$ -**	**$ 1,689,971**
Bird River Joint Venture (ii)	**629,251**	**223,792**	**(39,732)**	**(2,098)**	**811,213**
Inwood (iii)	**563,633**	**182,703**	**-**	**-**	**746,336**
Separation Rapids	**135,667**	**56,509**	**-**	**-**	**192,176**
Manigotagan Silica (iv)	**618,747**	**100,481**	**-**	**-**	**719,228**
Sharpe Lake (v)	**474,210**	**3,598**	**(3,182)**	**-**	**474,626**
Other	**3**	**-**	**-**	**(1)**	**2**
	$ 4,089,541	**$ 589,024**	**$ (42,914)**	**$ (2,099)**	**$ 4,633,552**

	March 31, 2008	Expenditures	Grants and Option Payments	Transfers and Write Downs	March 31, 2009
Pipestone Lake (i)	$ 1,663,030	$ 5,000	$ -	$ -	$ 1,668,030
Bird River (ii)	477,446	2,164	-	(479,610)	-
Bird River Joint Venture (ii)	-	149,641	-	479,610	629,251
Inwood (iii)	444,048	145,001	(14,000)	(11,416)	563,633
Separation Rapids	128,834	6,833	-	-	135,667
Manigotagan Silica (iv)	293,849	340,281	(15,383)	-	618,747
Sharpe Lake	468,121	6,089	-	-	474,210
Other	3	-	-	-	3
	$ 3,475,331	$ 655,009	$ (29,383)	$ (11,416)	$ 4,089,541

During the 2010 fiscal year, the Company incurred $589,024 (2009 - $655,009) of exploration expenditures and also received $42,914 (2009 - $29,383) in government grants, which reduced the carrying value of its Mineral Properties by the same amount.

(i) The Pipestone Lake project is a 50% joint venture with Cross Lake Mineral Explorations Inc.

(ii) On March 26, 2007, the Company entered into an Option and Joint Venture Agreement on its Bird River Property ("The Property") with Marathon PGM Corporation (MAR-TSX). The Property, encompassing over 7,000 hectares, covers over 21 kilometres of the Bird River Sill Complex. This complex carries significant concentrations of palladium and platinum along with nickel, copper, zinc and chromite. The Property is located about 40-km east of Lac Du Bonnet, Manitoba and, along the Sill, approximately 6-km west and northwest of Mustang Minerals' Maskwa Deposit and the historic Dumbarton mine.

5. MINERAL PROPERTIES (Continued)

(ii) (Continued)

Under the terms of the Agreement, Marathon PGM Corporation (“Marathon”) earned an undivided 50% interest in the Bird River Project ("Project") by spending $3.0 million on exploration and acquisition costs and cash payments of $500,000 to the Company. Thereafter, Marathon elected not to earn a further 15% interest by completing a bankable feasibility study and an additional 5% interest, to a total 70% interest, by arranging project financing. Under certain conditions and subject to regulatory approval, Marathon may elect to issue its common shares in lieu of cash payments. Upon formation of a joint venture, Marathon must also make semi-annual, recoverable, advance payments of $50,000 until commercial production is achieved. A $10,000 finders fee was paid in connection with the transaction.

On November 1, 2007, Marathon finalized an Option and Joint Venture Agreement on the adjacent Ore Fault Property held by Bird River Inc. to explore and potentially acquire the property, subject to a 1% NSR. The Ore Fault Property is part and subject to the Company and Marathon Agreement.

On August 25, 2008, Marathon triggered the formation of a joint venture by making the final $400,000 cash payment to the Company (the remaining portion of the $500,000 trigger payment) and having expended in excess of $3 million on the Bird River Project. At the March 31, 2010 year end, the Company owns an approximate 45% interest in the project and it has contributed $262,959 to the joint venture's work programs. If the Company fails to contribute to three successive work programs, or is diluted to a ten percent equity interest in the Project, the Company's interest will be reduced to a 3% net smelter return royalty. On each March 30th and September 30th, from August 25, 2008 to the date of Commencement of Commercial Production, Marathon is required to make advance payments of a net profits interest or an NSR royalty to the Company in the amount of $50,000 as long as Marathon remains the manager of the Project.

As a result of the formation of the joint venture, a gain in the amount of $450,000 was recorded in 2009 to reflect cash payments made directly from Marathon to the Company as stated in the joint venture agreement. Additionally, two of the semi-annual $50,000 advance payments received in the 2009 and two of the semi-annual $50,000 advance payments received in 2010 are currently shown as deferred income. Additionally, the percentage ownership of the joint venture is subject to change based on its contributions to the joint venture's work program.

(iii) On March 15, 2007, the Company entered into a licensing arrangement for a new magnesium production process ("the Zuliani Process"), including an option to secure exclusive worldwide rights to the Zuliani Process. A component of the consideration is the conditional payment of up to 150,000 common shares related to specific measurable events. On November 12, 2007, 100,000 common shares were issued with an assigned fair value of $21,000 related to the completion of Phase I of the arrangement. In fiscal 2009, an industrial research grant was received from the Government of Manitoba in the amount of $14,000 for work undertaken on the Zuliani Process.

(iv) In fiscal 2009, the Company received a mineral exploration grant from the Government of Manitoba in the amount of $15,383 for prior work undertaken on the Manigotagan Silica Project.

(v) During the current year, the Company received a mineral exploration grant from the Government in the amount of $3,182 (2009 - $nil) for prior work undertaken on the Sharpe Lake Project

6. INVESTMENT IN THE CLAIMS NETWORK INC.

The Claims Network Inc. (TCN) provides the property and casualty insurance industry with valuation information and software systems to facilitate the settlement of insurance claims. In 2002, the Company invested $455,000 in TCN to hold a 30% equity interest and has appointed two directors. During the 2007 year, TCN redeemed outstanding shares resulting in the Company's interest increasing to 37.04%. During the 2008 year, TCN redeemed additional shares and made a small share issuance resulting in the Company's interest increasing to 46.71%. As TCN is a private company, there is no liquid market for the shares.

During the current year, management has recorded its investment in TCN using the equity method and accordingly has recognized $139,322 (2009 - $73,620) as income being the Company's 46.71% proportionate share of TCN's profit, resulting in the carrying value increasing by $139,322 to $363,862 (2009 - $224,540).

7. FURNITURE AND EQUIPMENT

	Cost	Accumulated Amortization	Total March 31, 2010	Total March 31, 2009
Computer equipment	$ 19,599	$ 13,060	$ 6,539	$ 6,493
Computer software	7,435	7,435	-	-
Field equipment	1,155	893	262	327
Furniture and fixtures	5,327	3,605	1,722	2,153
	$ 33,516	$ 24,993	$ 8,523	$ 8,973

8. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2010, a director was paid $43,381 (2009 - $53,578) for geological field work and is owed $2,888 (2009 - $4,882) by the Company as at March 31, 2010. Another director and the President was paid $72,000 (2009 - $82,000) for corporate administration services, and is owed $17,143 (2009 - $24,490) by the Company as at March 31, 2010. Another officer charged $30,000 (2009 - $30,000) for management services, and is owed $10,918 (2009 - $10,000) by the Company as at March 31, 2010. An officer was paid $2,000 (2009 - $3,500) for corporate administration services.

8. RELATED PARTY TRANSACTIONS (Continued)

During the year, the Company paid $12,000 (2009 - $2,000) to a company, beneficially owned by the CFO, to act as Chief Financial Officer of the Company. The CFO is also the president of a firm providing accounting services to the Company. During the year, the Company expensed $28,390 (2009 - $29,092) for accounting services rendered by this firm. In addition, as at March 31, 2010, this firm was owed $8,750 (2009 - $10,080) and this amount was included in due to related parties.

During fiscal 2010, fees were paid/accrued to Directors in the amount of $51,000 (2009 – $51,000) for directors' fees, including committee fees and other board activities. In the current and prior years, thirty percent of the fees paid to directors were retained by the Company for acquisition of the Company's common shares on the directors' behalf. At March 31, 2010, $66,300 (2009 - $76,500) was owed in regard to these fees.

These transactions are in the normal course of business and are measured at the exchange amount which is the amount established and agreed to by the parties.

The amounts due to related parties, which totals $105,999 (2009 - $125,952) are unsecured, non-interest bearing and have no fixed terms of repayment.

9. SHARE CAPITAL

(a) AUTHORIZED - Unlimited number of common shares with no par value

(b) ISSUED

	SHARES	AMOUNT
Balance - March 31, 2009 and 2008	29,020,900	$ 11,304,778
Exercise of options - cash	97,000	16,200
Exercise of options - Black-Scholes valuation	-	1,886
Balance - March 31, 2010	**29,117,900**	**$ 11,322,864**

10. STOCK OPTIONS

A summary of changes in stock options is as follows:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2008	2,579,000	$0.38
Granted (i)(ii)	410,000	$0.18
Forfeited	(61,000)	$0.44
Expired	(407,000)	$0.34
Balance - March 31, 2009	**2,521,000**	**$0.35**
Granted (iii)(iv)	526,000	$0.15
Exercised	(97,000)	$0.17
Expired	(490,000)	$0.41
Balance - March 31, 2010	**2,460,000**	**$0.30**

(i) On July 16, 2008, the Company granted 270,000 stock options to directors and consultants. The options are exercisable at $0.20 and expire on March 28, 2013. The resulting fair value of $24,030 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85.0%; a risk-free interest rate of 3.0% and an expected average life of 3.0 years. Of the 270,000 options granted, 150,000 are subject to vesting terms ranging from six to twelve months. For the year ended March 31, 2009, the impact on expenses was $22,918.

(ii) On February 4, 2009, the Company granted 140,000 stock options to directors and an officer. The options vest immediately, are exercisable at $0.15, and expire on March 28, 2011. The resulting fair value of $6,580 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85.0%; a risk-free interest rate of 2.00% and an expected average life of 1.7 years.

(iii) On June 12, 2009, the Company granted 86,000 incentive stock options to directors. The options vest immediately, are exercisable at $0.15 per share, and expire on June 28, 2009. The resulting fair value of $258 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 0.50% and an expected average life of 16 days. These options relate to a thirty percent retention of directors fees by the Company for reinvestment purposes which remained payable from the 2008 fiscal year.

(iv) On June 12, 2009, the Company granted 440,000 incentive stock options to directors, officers and consultants. The options vest immediately, are exercisable at $0.15 per share, and expire on March 28, 2012. The resulting fair value of $23,760 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 2.00% and an expected average life of 1.9 years.

10. STOCK OPTIONS (Continued)

The following table reflects the stock options outstanding as at March 31, 2010:

Date of Grant	Exercise Price ($)	Options Outstanding	Expiry Date
October 31, 2006	0.30	330,000	April 30, 2010
March 14, 2007	0.32	190,000	September 14, 2010
May 1, 2007	0.40	340,000	May 1, 2011
June 26, 2007	0.50	350,000	June 26, 2011
September 27, 2007	0.34	270,000	September 27, 2011
March 28, 2008	0.30	160,000	March 28, 2012
July 16, 2008	0.20	240,000	March 28, 2013
February 4, 2009	0.15	140,000	March 28, 2011
June 12, 2009	0.15	440,000	March 28, 2012
	0.30	**2,460,000**	

Of the options outstanding 2,460,000 (2009 - 2,471,000) are exercisable.

11. WARRANTS

The following table reflects the continuity of warrants for the year:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2008	5,942,900	$0.50
Expired	(5,942,900)	$0.50
Balance - March 31, 2010 and 2009	**-**	**$ -**

12. CONTRIBUTED SURPLUS

Balance - March 31 2008	$ 1,187,236
Fair value of stock options granted	30,239
Fair value of stock options forfeited	(13,159)
Balance - March 31, 2009	$ 1,204,316
Fair value of stock options granted	25,130
Fair value of stock option exercised	(1,886)
Balance - March 31, 2010	**$ 1,227,560**

13. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the year ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

14. INCOME TAXES

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the statements of operations.

		2010		2009
Loss before income taxes as reflected in the statement of operation	**$**	**(385,806)**	$	(11,680)
Expected income tax recovery at statutory rate		**(120,082)**		(3,676)
Permanent difference due to stock-based compensation		**7,822**		5,375
Non-capital losses expired		**46,005**		-
Permanent difference due to equity income		**(43,364)**		(23,168)
Other temporary differences not recognized in year		**24,232**		24,238
Change in valuation allowance		**(45,114)**		(278,672)
Capital gain from expiration of warrants		**-**		55,760
Change in prior year estimates		**130,501**		220,143
Actual income taxes	**$**	**-**	$	-

The following table reflects the future income tax assets (liabilities):

		2010		2009
Future income tax asset (liability)				
Non-capital loss carry-forwards for Canadian purposes	**$**	**768,674**	$	801,912
Excess of undepreciated capital cost over net book value of furniture and equipment		**9,617**		8,862
Share issue costs		**17,300**		30,498
Excess of book value of Mineral Properties over tax value		**(522,195)**		(522,762)
		273,396		318,510
Less: Valuation allowance		**(273,396)**		(318,510)
	$	**-**	$	-

The valuation allowance reflects the Company's estimate that the tax assets will likely not be realized and consequently they have not been recorded in these financial statements.

As at March 31, 2010, the following amounts are available to be applied against future years' income for tax purposes.

14. INCOME TAXES (Continued)

No amounts have been recorded in the financial statements to recognize these potential benefits.

Canadian earned depletion base		$ 128,459
Canadian exploration expenditures		1,987,105
Foreign exploration and development expense		583,931
Share issue costs		64,074
Non-capital losses (expiring 2014 to 2030)	2014	390,923
	2015	383,862
	2026	491,126
	2027	511,190
	2028	625,853
	2030	443,986
		$ 5,610,509

15. COMMITMENT

By agreement dated June 14, 2007, the Company is committed under an operation lease for its office premises with the following lease payments to the expiration of the lease on September 30, 2012:

2011	$ 12,848
2012	12,848
2013	6,424
	$ 32,120

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES

The financial statements have been prepared in accordance with accounting principles and practices generally accepted in Canada (Canadian generally accepted accounting principles GAAP) which differ in certain respects from those principles and practices that the Company would have followed had its financial statements been prepared in accordance with principles and practices generally accepted in the United States of America (U.S. generally accepted accounting principles GAAP).

Under U.S. generally accepted accounting principles, the accounting treatment would differ as follows:

Before April 1, 2007, under Canadian GAAP, the Company recorded its investments using the lower of cost or market method. In addition, if there was a loss other than temporary, the investment was written down to recognize the loss. However, under U.S. GAAP, marketable equity securities that are available-for-sale are recognized at market value with any unrealized gains or losses recognized in other comprehensive income, except if there is a loss other than temporary, which is directly recognized as a loss.

Under Canadian income tax legislation, the Company is permitted to issue shares whereby the Company agrees to incur Canadian Exploration Expenditures (as defined in the Canadian Income Tax Act) and renounce the related income tax deductions to the investors. Under Canadian GAAP, the full amount of funds received from flow-through share issuances are recorded as share capital. Under U.S. GAAP, the premium paid for the flow-through shares in excess of market value is credited to liabilities and included in income when the related tax benefits are renounced by the Company.

Under U.S. GAAP the statements of operations and cash flow would disclose cumulative amounts since inception.

Furthermore, under U.S. GAAP, and notwithstanding that there is not a specific requirement to segregate the funds pursuant to the flow-through agreements, the flow through funds which are unexpended at the balance sheet date are separately classified as restricted cash. As at March 31, 2010 there were no unexpended flow-through funds (2009 - $Nil).

Under U.S. GAAP, exploration costs are expensed as incurred. As a result, under U.S. generally accepted accounting principles, there is a greater expense in earlier periods and fewer write-downs in subsequent periods than under Canadian generally accepted accounting principles.

Under U.S. GAAP, unvested options forfeited, and previously recognised as an expense, can not be reversed.

Had the Company followed U.S. generally accepted accounting principles in accounting for the exploration costs, the effect on the financial statements would have been as follows:

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

Statements of loss and comprehensive loss	**2010**	2009
Net loss under Canadian GAAP	**$ (385,806)**	$ (11,680)
Fair value of marketable securities under U.S. GAAP	**-**	-
Write-down of mineral properties under Canadian GAAP	**2,099**	11,416
Expensing of acquisition and exploration costs under U.S. GAAP	**(546,110)**	(625,626)
Net loss under U.S. GAAP	**$ (929,817)**	$ (625,890)
Basic and diluted net loss per common share under U.S. GAAP	**$ (0.03)**	$ (0.02)

Balance Sheets	**2010**	2009
(a) Effect on mineral properties		
Mineral properties under Canadian GAAP	**$ 4,633,552**	$ 4,089,541
Adjustment for capitalization of exploration costs		
Current year differences	**(544,011)**	(4,089,541)
Prior year accumulated differences	**(4,089,541)**	-
Mineral properties under U.S. GAAP	**$ -**	$ -
(b) Effect on marketable securities	**$ -**	$ -
Adjustment for fair value	**-**	-
Marketable securities under U.S. GAAP	**$ -**	$ -
(c) Effect on shareholders' equity		
Shareholders' equity under Canadian GAAP	**$ 5,197,226**	$ 5,541,702
Current year difference	**(544,011)**	(4,089,541)
Prior year accumulated differences	**(4,089,541)**	-
Shareholders' equity under U.S. GAAP	**$ 563,674**	$ 1,452,161

Also, the impact on the statement of cash flows would be as follows:

As a result of the treatment of mining interests under item (a) above, cash expended for the exploration costs would have been classified under U.S. GAAP as an operating activity rather than an investing activity.

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

Also, U.S. GAAP requires disclosure of combined financial information with regard to the equity investment in The Claims Network Inc. The combined information is as follows:

	2010	2009
Cash	**$ 903,561**	$ 390,323
Short term investments	**20,004**	1,326,653
Marketable securities	**-**	-
Prepaid expenses	**37,415**	17,625
Accounts receivable	**436,432**	279,769
Mining properties	**4,633,552**	4,089,541
Future income tax	**300**	300
Fixed assets	**30,949**	27,633
Accounts payable	**(294,435)**	(263,354)
Share capital	**(11,703,325)**	(11,685,239)
	$ (5,935,547)	$ (5,816,749)
Revenue	**$ 1,967,897**	$ 1,259,121
Expenses	**(2,194,754)**	(1,186,810)
Loss	**$ (226,857)**	$ 72,311

Recent US GAAP accounting pronouncements:

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

In April 2009, FASB amended accounting standards for Fair Value Measurements and Disclosures. The amended standard, ASC 820, addresses issues related to the determination of fair value when the volume and level of activity for an asset or liability has significantly decreased, and identifying transactions that are not orderly. The revisions affirm the objective that fair value is the price that would be received to sell an asset in an orderly transaction (that is not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions, even if the market is inactive. The amendment provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have decreased significantly. It also provides guidance on identifying circumstances that indicate a transaction is not orderly. If determined that a quoted price is distressed (not orderly), and thereby not representative of fair value, the entity may need to make adjustments to the quoted price or utilize an alternative valuation technique (e.g., income approach or multiple valuation techniques) to determine fair value. Additionally, an entity must incorporate appropriate risk premium adjustments, reflective of an orderly transaction under current market conditions due to uncertainty in cash flows. The revised guidance requires disclosures in interim and annual periods regarding the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period. The changes are effective for interim and annual reporting periods ending after June 15, 2009, and are to be applied prospectively. The adoption of this new standard had no impact on the Company's financial statements.

In April 2009, FASB revised accounting standards for Financial Instruments. The revised standard, ASC 825, requires fair value disclosures in the notes of an entity's interim financial statements for all financial instruments, whether or not recognized in the statement of financial position. This revision became effective for the interim reporting periods ending after June 15, 2009. The adoption of this new standard had no impact on the Company's financial statements.

In May 2009 FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles", ("SFAS No. 168") "-- a replacement of FASB Statement No. 162. SFAS No. 168 is the new source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This statement was incorporated into ASC 105, Generally Accepted Accounting Principles under the new FASB codification which became effective on July 1, 2009. The new Codification supersedes all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The adoption of this standard did not have any impact on the Company's financial position or results of operations.

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

In May 2009, the FASB issued ASC No. 855, "Subsequent Events," which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. It sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. ASC 855 was effective for financial statements issued for interim and annual periods ending after June 15, 2009 and did not have any impact on the Company's financial statements. Management has evaluated subsequent events through the date the financial statements were issued.

In June 2009, the Financial Accounting Standards Board ("FASB") issued new standards for The Hierarchy of Generally Accepted Accounting Principles. These standards, ASC 105, culminated a multi-year project to replace the previous GAAP hierarchy and established Accounting Standard Codification (the "Codification"). The Codification is not expected to change US GAAP, but combines all authoritative standards into a comprehensive, topically organized online database. Following this guidance, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASU") to update the Codification. After the launch of the Codification on July 1, 2009, only one level of authoritative US GAAP for non-governmental entities will exist, other than guidance issued by the SEC. This statement is effective for interim and annual reporting periods ending after September 15, 2009. The adoption of this new standard only had the effect of amending references to authoritative accounting guidance in the Company's financial statements.

In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a variable interest entity ("VIE"). This analysis identifies a primary beneficiary of a VIE as the entity that has both of the following characteristics: i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance also requires ongoing reassessments of the primary beneficiary of a VIE. The provisions of the updated guidance are effective for the Company's fiscal year beginning April 1, 2010. The Company does not expect the adoption of this guidance to have an impact on the Company's financial position, results of operations or cash flows.

In August 2009, FASB issued ASU No. 2009-05 Measuring Liabilities at Fair Value. This update amends ASC 820, Fair Value Measurements and Disclosure, in regards to the fair value measurement of liabilities. FASB ASC 820 clarifies that in circumstances in which a quoted price for an identical liability in an active market is not available, a reporting entity shall utilize one or more of the following techniques: (i) the quoted price of the identical liability when traded as an asset, (ii) the quoted price for a similar liability or for a similar liability when traded as an asset, or (iii) another valuation technique that is consistent with the principles of ASC 820. In all instances a reporting entity shall utilize the approach that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Also, when measuring the fair value of a liability, a reporting entity shall not include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The adoption of this new standard had no impact on the Company's financial statements.

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, which is included in the ASC in Topic 820 (Fair Value Measurements and Disclosures). ASU 2010-06 requires new disclosures on the amount and reason for transfers in and out of Level 1 and 2 fair value measurements. ASU 2010- 06 also requires disclosure of activities, including purchases, sales, issuances, and settlements within the Level 3 fair value measurements and clarifies existing disclosure requirements on levels of disaggregation and disclosures about inputs and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company is currently assessing the impact of adoption of ASU 2009-14 and does not currently plan to early adopt.

PRESENTATION

There are different presentations between Canadian and US GAAP which are as follows:

i) Under U.S. GAAP, there is a difference between net income and other comprehensive income. As current operations has no other comprehensive income, there is no effect to the statement of loss and comprehensive loss.

ii) No subtotal is permitted under U.S. GAAP within cash flow from operations on the statement of cash flows