KAZAX MINERALS INC.

Consolidated Financial Statements
Years Ended March 31, 2012 and 2011

(Expressed in Canadian dollars)

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver BC, Canada V6E 3S7
Phone: 604.714.3600 Fax: 604.714.3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
KazaX Minerals Inc.

We have audited the accompanying consolidated financial statements of KazaX Minerals Inc. which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KazaX Minerals Inc. as at March 31, 2012, March 31, 2011 and April 1, 2010, and its financial performance and cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

July 31, 2012

KAZAX MINERALS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	March 31, 2012	March 31, 2011 (Note 16)	April 1, 2010 (Note 16)
ASSETS			
Current Assets			
Cash and cash equivalents	**$ 20,927,673**	$ 39,964	$ 396,014
Amounts receivable	**47,441**	4,020	2,335
Prepaid expenses and other (Note 5)	**634,631**	3,726	–
	21,609,745	47,710	398,349
Reclamation bond (Note 4)	**5,000**	5,000	–
Mineral property	–	437,955	115,000
Equipment	**29,993**	–	–
Deferred acquisition costs	**288,189**	–	–
	$ 21,932,927	$ 490,665	$ 513,349
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	**$ 1,955,040**	$ 46,788	$ 22,627
EQUITY			
Share capital (Note 8)	**13,605,508**	706,277	666,277
Subscription receipts (Note 8(b))	**12,020,000**	-	-
Contributed surplus reserve	**74,231**	128,914	56,933
Deficit	**(5,721,852)**	(391,314)	(232,488)
	19,977,887	443,877	490,722
	$ 21,932,927	$ 490,665	$ 513,349

COMMITMENT (Note 14)
SUBSEQUENT EVENTS (Note 15)

Approved on Behalf of the Board:

"David Savage" Director

"Jonathan Younie" Director

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

KAZAX MINERALS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		Year Ended March 31, 2012		Year Ended March 31, 2011
EXPENSES				
Project exploration expenditures (Note 7)	$	**4,556,610**	$	–
Professional fees		**131,585**		19,295
Travel and business development		**83,471**		–
Office and expenses		**73,374**		64,808
Filing and transfer agent fees		**29,592**		15,574
Insurance		**7,297**		4,467
Marketing and promotion		**5,763**		–
Conferences and seminars		**1,016**		–
Share-based payments		–		54,682
Foreign exchange gain		**(2,711)**		–
LOSS BEFORE OTHER ITEMS		**(4,885,997)**		(158,826)
Write-off of mineral property (Note 6)		**(444,541)**		–
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$	**(5,330,538)**	$	(158,826)
LOSS PER COMMON SHARE, BASIC AND DILUTED	$	**(0.47)**	$	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		**11,349,863**		7,860,411

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

KAZAX MINERALS INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)

	Year Ended March 31, 2012	Year Ended March 31, 2011
OPERATIONS		
Loss for the year	**$ (5,330,538)**	$ (158,826)
Items not affecting cash:		
Share-based payments	–	54,682
Mineral property written off	**444,541**	–
	(4,885,997)	(104,144)
Changes in non-cash operating working capital items:		
Amounts receivable	**(43,421)**	(1,685)
Prepaid expenses and other	**(630,905)**	(3,726)
Accounts payable	**1,908,252**	24,161
	(3,652,071)	(85,394)
INVESTING		
Mineral property expenditures	**(6,586)**	(265,656)
Purchase of equipment	**(29,993)**	–
Deferred acquisition costs	**(288,189)**	(5,000)
	(324,768)	(270,656)
FINANCING		
Proceeds from share issuance	**12,844,548**	–
Subscription receipts	**12,020,000**	–
	24,864,548	–
CHANGE IN CASH AND CASH EQUIVALENTS	**20,887,709**	(356,050)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**39,964**	396,014
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 20,927,673**	$ 39,694
Supplemental cash flow information:		
Interest paid	**$ –**	$ –
Income taxes paid	**$ –**	$ –
Non-cash Financing Activity		
Shares issued for Finder's Fee	**$ 1,000,000**	$ –

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

KAZAX MINERALS INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Subscription Receipts	Contributed Surplus Reserve	Deficit	Total Equity
As at April 1, 2010	**7,850,000**	**$ 666,277**	$ –	**$ 56,933**	**$ (232,488)**	**$ 490,722**
Shares issued for property option payment	200,000	40,000	–	–	–	40,000
Share based payments	–	–	–	54,682	–	54,682
Warrants issued for property option payment	–	–	–	17,299	–	17,299
Net loss for the year	–	–	–	–	(158,826)	(158,826)
As at March 31, 2011	**8,050,000**	**706,277**	–	**128,914**	**(391,314)**	**443,877**
Private placements	64,325,000	12,865,000	–	–	–	12,865,000
Shares issued as finder's fee	5,000,000	1,000,000	–	–	–	1,000,000
Exercise of share purchase warrants	250,000	30,000	–	–	–	30,000
Exercise of stock options	400,000	66,000	–	–	–	66,000
Fair value of options exercised	–	54,683	–	(54,683)	–	–
Subscription receipts	–	–	12,020,000	–	–	12,020,000
Share issue costs	–	(1,116,452)	–	–	–	(1,116,452)
Net loss for the year	–	–	–	–	(5,330,538)	(5,330,538)
As at March 31, 2012	**78,025,000**	**$13,605,508**	**$12,020,000**	**$ 74,231**	**$ (5,721,852)**	**$19,977,887**

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

1. CORPORATE INFORMATION

KazaX Minerals Inc. (formerly Newbridge Capital Inc.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on September 12, 2005. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol KZX.

The address of the Company's corporate office and principal place of business is 1010-1130 West Pender Street, Vancouver, British Columbia, V6E 4A4.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are the Company's first IFRS consolidated annual financial statements. Previously, the Company prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles.

These consolidated financial statements should be read in conjunction with the Company's 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 16. Subject to certain IFRS transition elections, the Company has consistently applied the same accounting policies through out all period presented, as if the policies have always been in effect.

The Financial Statements were authorized by the audit committee and approved by the board of directors of the Company on July 31, 2012.

(b) Consolidation and Measurement

These consolidated financial statements include the accounts of the Company, its wholly owned British Columbia subsidiary, Kazco Minerals Ltd. and its wholly owned Austrian subsidiary, FBA Kazco Beteiligungs GmbH. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3. These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at their fair value as explained in Note 11.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties, and all short-term highly-liquid investments with original maturities to the holder of three months or less, and which can be converted into known amounts of cash.

(b) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

Furniture and fixtures: 20% declining balance
Computer equipment: 45% declining balance

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(c) Mineral property

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as intangible exploration and evaluation assets. General exploration costs not related to specific mineral properties and exploration costs on properties prior to acquisition are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full by development or sale.

The recoverability of exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to exploration and evaluation assets do not necessarily reflect present or future values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of assets

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of mineral properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Environmental protection practices

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment. The Company has posted a $5,000 reclamation bond on its Treadmill property.

(g) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for table temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting not taxable profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income taxes (continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

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

(i) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital at the amount for which the stock option and warrant enabled the holder to purchase shares of the Company. Share capital issued for non-monetary consideration is recorded at fair value based on the quoted market price on the date of issuance. Share issue costs, which include commissions and professional and regulatory fees are charged directly to share capital.

(j) Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. The treasury stock method is used to determine the dilutive effect of stock options, warrants and other dilutive instruments.

Diluted loss per share is equal to basic loss per share for the years presented as the effect of any outstanding stock options and warrants would be anti-dilutive.

(k) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each statement of financial position date to reflect exchange rates prevailing at that date. Foreign exchange gains and losses are included in operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties, asset retirement obligations, deferred income tax assets and liabilities, and assumptions used in valuing options in share-based compensation calculations. Actual results could differ from these estimates.

(m) New standards, amendments and interpretations not yet effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective April 1, 2013

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(m) New standards, amendments and interpretations not yet effective: (continued)

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

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

Amendments to IAS 1 *Presentation of Financial Statements* - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on April 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its financial statements or whether to early adopt any of the new requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) New standards, amendments and interpretations not yet effective: (continued)

New accounting standards effective April 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. RECLAMATION BOND

The $5,000 reclamation bond is in the form of a BMO Bank of Montreal Safe Keeping Agreement ("SKA"). The amount will be held by BMO Bank of Montreal until such time as the Company reclaims the surface of the land affected by the Treadwell project exploration program. At that time the Company can apply to the BC Ministry of Mines to have the amount refunded.

5. PREPAID EXPENSES

The Company has paid for exploration activities for the Lomonosovskoye Project described in Note 7. The Company's unexpended balance paid for this exploration is recorded as prepaid expenses.

6. MINERAL PROPERTY

Acquisition costs	Treadwell
Balances, as at March 31, 2011	$ 197,299
Additions during the year	–
Balance, as at March 31, 2012	197,299
Deferred exploration costs	
Balance, as at March 31, 2011	240,656
Additions during the year:	
Mineral property tenure	6,586
Balance, as at March 31, 2012	247,242
Mineral property costs written-off	(444,541)
Total as at March 31, 2012	$ –

Acquisition costs	Treadwell
Balances, as at March 31, 2010	$ 115,000
Additions during the year	82,299
Balance, as at March 31, 2011	197,299
Deferred exploration costs	
Balance, as at March 31, 2010	–
Additions during the year:	
Geophysics	6,000
Drilling	211,007
Assays	15,804
Mineral Property Tenure	7,846
Balance, as at March 31, 2011	240,657
Total as at March 31, 2011	$ 437,956

On October 30, 2009, the Company signed an arm's length option agreement (the "Option Agreement") with Treadwell Resources Ltd. ("Treadwell") pursuant to which the Company has been granted an option (the "Option") to earn a 100% undivided interest in the Treadwell Project located in the Southern edge of the Tranquille Plateau, Kamloops mining district, British Columbia, Canada (the "Project").

In March 2012, the Company terminated the Option Agreement and wrote off $444,541 in acquisition and deferred exploration costs.

7. PROJECT EXPLORATION EXPENDITURES

Lomonosovskoye Iron Ore Project, Kazakhstan (the "Project")

The Project is located in the northwest corner of the Republic of Kazakhstan in the Kostanay Region, 618km northwest of the country's capital of Astana and 50 west-southwest of the regional capital of Kostanay. The Company intends to acquire 99.9% of the exploration and production rights to the iron ore Project. Pre-acquisition exploration costs of $4,556,610 are expensed as the Company has not yet closed this transaction to acquire the Project.

Project payment terms

The first payment is USD $18,768,000 comprising a cash payment of USD $14,152,800 and the number of common shares of the Company equal to dividing the sum of USD $4,615,200 by Cdn$0.20 per share (the "First Installment"). The payment and share issue are due on closing.

The second installment is a milestone payment and is the sum of USD $25,760,000 comprising a cash payment of USD $22,190,000 and that number of common shares of the Company equal to dividing the sum of USD $3,570,000 by the volume weighted average trading price of the Company's share for the 5 consecutive trading days ending on the trading day preceding the date the Company issues the shares as payment (the "Second Installment").

The third installment is a milestone payment and is the sum of USD $25,760,000 comprising a cash payment of USD $22,190,000 and that number of common shares of the Company equal to dividing the sum of USD $3,570,000 by the volume weighted average trading price of the Company's share for the 5 consecutive trading days ending on the trading day preceding the date the Company issues the shares (the "Third Installment").

The Second Installment is due on or before thirty (30) business days following receipt by the Company of the results of tests by an independent laboratory to confirm to the Company's satisfaction, acting reasonably, the iron ore product quality (the "Quality Test").

The Third Installment is due on or before thirty (30) business days following receipt by the Company of the results of a drilling program confirming, to the Company's satisfaction, acting reasonably, the level of certainty of the historical mineral resources and the completion by the Company of a resource estimate to be conducted by and under the supervision of an independent qualified person and senior resource geologist (collectively the "Resource Estimate").

7. PROJECT EXPLORATION EXPENDITURES (continued)

In the event the Company is not satisfied with either the Quality Test or the Resource Estimate, the Company has the right, up to and including September 12, 2012, to sell back the Project to the vendor and the vendor is obligated to purchase the Project for the amount equal to the First Instalment (and the Second Instalment if previously paid by the Company) less certain expenses incurred.

A finder's fee is payable in instalments to a third party for introducing the Project to the Company. The payments are:

1. USD $1,662,464 upon approval of the Project by the Kazakhstan authorities;
2. USD $1,766,368 upon the payment of the Second Installment; and
3. USD $1,766,368 upon the payment of the Third Installment.

The Company also agreed to reimburse a prior potential acquirer of the Project for earlier exploration activities and related data, and this amount is included in project exploration expenses and is recorded in accounts payable and accrued liabilities as at March 31, 2012.

In order to close the Project, the Company requires the approval of the Kazakhstan authorities. All applicable submissions have been made to the appropriate authorities in Kazakhstan; however, there can be no assurance that the Company will receive the necessary approvals. The Company is in discussions to revise payment terms, which will require further approval by the parties and the TSX Exchange.

8. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) In March 2012, the Company completed a private placement financing for gross proceeds of $24,885,000 being a total of 124,425,000 securities of the Company comprised of 64,325,000 shares issued at $0.20 per share and 60,100,000 subscription receipts. The subscription receipts were issued at $0.20 per receipt with each receipt convertible into one share of the Company on July 16, 2012. The shares and the subscription receipts are subject to resale restrictions until July 16, 2012.

A share commission of 5,000,000 shares has been issued to an arms-length party as consideration for arranging a portion of the private placement.

(c) Share Purchase Warrants

A summary of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2010	4,750,000	$ 0.12
Issued	200,000	0.40
Balance, March 31, 2011	4,950,000	0.13
Exercised	(250,000)	0.12
Balance, March 31, 2012	4,700,000	$ 0.13

8. SHARE CAPITAL (continued)

Share purchase warrants outstanding are summarized as follows:

Number of Shares	Exercise Price	Expiry Date
200,000	$ 0.40	March 12, 2013
4,500,000	$ 0.13	March 12, 2015
4,700,000		

(d) Escrow Shares

At March 31, 2012 a total of 330,000 common shares issued and outstanding were held in escrow. Pursuant to an escrow agreement effective on the initial public offering, 10% of the escrowed shares were released on the issuance of the Final Exchange Bulletin for the TSX Venture Exchange's acceptance of a Qualifying Transaction, and 15% will be released every six months thereafter for a period of thirty-six months.

9. STOCK OPTION PLAN

The Company has adopted a stock option plan applicable to directors, employees, and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of the Exchange, and an option's maximum term is five years from the grant date.

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2010	217,000	$ 0.20
Granted	400,000	0.165
Expired	(95,821)	0.20
Forfeited	(121,179)	0.20
Balance, March 31, 2011	400,000	0.165
Exercised	(400,000)	0.165
Balance, March 31, 2012	–	$ –

During the year ended March 31, 2011, the Company granted 400,000 options with an exercise price of $0.165 to directors of the Company. The fair value of the 400,000 options, granted and fully vested on the grant date, has been estimated using the Black-Scholes option pricing model to be $54,682. For purposes of the calculation, the following weighted average assumptions were used under the Black-Scholes option pricing model:

	2012	2011
Risk-free interest rate	–	1.87%
Expected life of options	–	5 years
Annualized volatility	–	120%
Dividend rate	–	0.00

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2012	2011
Canadian statutory income tax rate	26.13%	28.01%
Income tax recovery at statutory rate	$ 1,392,713	$ 44,482
Effect of income taxes of:		
Permanent difference	291,696	(63,397)
Change in income tax rates	(72,661)	2,031
Unrecognized deferred tax assets	(1,611,748)	16,884
Income tax recovery	$ –	$ –

Significant components of the Company's deferred income tax assets are shown below:

	2012	2011
Non-capital losses	$ 1,244,826	$ 96,268
Mineral property	202,424	(42,920)
Share issuance costs	223,683	5,838
Less: unrecognized deferred tax assets	(1,670,933)	(59,186)
Net deferred tax assets	$ –	$ –

At March 31, 2012, the Company had approximately $4,955,100 of non-capital loss carry forwards available to reduce taxable income for future years. These losses expire as follows:

2027	$ 5,800
2028	49,600
2029	57,700
2030	146,000
2031	126,000
2032	4,570,000
	$4,955,100

In assessing the realizability of deferred income tax assets, management considers whether it is probable that some portion of all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company’s financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial instruments include cash and cash equivalents, receivables and accounts payable.

Financial instruments

Cash and equivalents are measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of accounts payables approximate fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consists of chequing accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada and up to $100,000 in the United States. The cash balances held by the company exceed the amount of deposit insurance. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash and cash equivalents by placing its cash and cash equivalents with high quality financial institutions and for receivables by standard credit checks.

Liquidity Risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company’s financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s cash is exposed to interest rate risk. The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates. A 1% change in the interest rate on cash held at year end would have a $209,000 impact on interest income, if the cash is held for one year.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market Risk and Foreign Exchange Rate Risk

The Company's functional currency is the Canadian dollar, however there are transactions in US dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% change in the foreign exchange rate would have had a $176,500 impact on foreign exchange gain or loss.

12. RELATED PARTY TRANSACTIONS

The Company has contracted a corporation with a Director in common to manage the exploration of the Project described in Note 7. A fee of 10% of certain expenditures managed is charged by the corporation and $367,164 is included in exploration expenses for fiscal 2012.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the consideration established and agreed to by the related parties and are on terms and conditions similar to non-related parties.

The key management of the Company comprises of executives and directors. The remuneration of executives and directors is follows:

	March 31, 2012	March 31, 2011
Remuneration and short-term benefits	$ -	$ -
Share-based payment compensation	-	54,682

13. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of share capital as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

14. COMMITMENT

The Company is committed to pay cash and to issue shares in connection with the Project as described in Note 7.

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2012, the Company:

i) Issued 60,100,000 common shares pursuant to the exercise of the subscription receipts detailed in Note 8(b).
ii) Issued 83,333 common shares upon the exercise of 83,333 share purchase warrants.

16. TRANSITION TO IFRS

(a) Transition to IFRS

The Company has adopted IFRS effective April 1, 2011 with a transition date of April 1, 2010. Prior to the adoption of IFRS the Company prepared its consolidated financial statements in accordance with Canadian GAAP.

The comparative information presented in these consolidated financial statements for the year ended March 31, 2011 and the opening financial position as at April 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

(b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

(i) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date

(ii) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

(iii) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively separate the liability and equity components of any compound instruments for which the liability component is no longer outstanding at the Transition Date.

(c) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

16. TRANSITION TO IFRS (continued)

(d) Reconciliation between Canadian GAAP and IFRS (continued)

In preparing the Company's IFRS Transition Date consolidated statement of financial position management noted that adjustments related to flow-through shares and income taxes were necessary to be made by the Company previously in its financial statements prepared in accordance with previous Canadian GAAP. The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss as other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares. With the application of IFRS requirements, at the date of conversion from Canadian GAAP to IFRS at March 31, 2011, the Company recorded a net increase to share capital and an increase in the comprehensive loss in the amount of $38,595.

The April 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	**April 1, 2010 Canadian GAAP**	**Effect of IFRS Transition**	**April 1, 2010 IFRS**
Total Assets	$ 513,349	$ –	$ 513,349
Total Liabilities	$ 22,627	$ –	$ 22,627
Shareholder's Equity			
Share capital	666,277	–	666,277
Contributed surplus	56,933	–	56,933
Deficit	(232,488)	–	(232,488)
Total Shareholder's Equity	490,722	–	490,722
Total Liabilities and Shareholder's Equity	$ 513,349	$ –	$ 513,349

16. TRANSITION TO IFRS (continued)

(d) Reconciliation between Canadian GAAP and IFRS (continued)

The March 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	March 31, 2011 Canadian GAAP	Effect of IFRS Transition	March 31, 2011 IFRS
Total current assets	$ 47,710	$ –	$ 47,710
Exploration deposits	–	–	–
Mineral property reclamation bond	5,000	–	5,000
Mineral properties and exploration	437,955	–	437,955
Total Assets	$ 490,665	$	$ 490,665
Total Liabilities	$ 46,788	$	$ 46,788
Shareholder's Equity			
Share capital (Note 16(d))	667,682	38,595	706,277
Contributed surplus	128,914	–	128,914
Deficit (Note 16(d))	(352,719)	(38,595)	(391,314)
Total Shareholder's Equity	443,877	–	443,877
Total Liabilities and Shareholder's Equity	$ 490,665	$ –	$ 490,665

The Canadian GAAP Consolidated Statement of Operations and Comprehensive Loss for the year ended March 31, 2011 has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	Year Ended March 31, 2011 Canadian GAAP	Effect of IFRS Transition	Year Ended March 31, 2011 IFRS
Revenue	$ –	$ –	$ –
Total expenses	(158,826)	–	(158,826)
Loss before taxes	(158,826)	–	(158,826)
Future income tax recovery (Note 16(d))	38,595	(38,595)	–
Net loss and comprehensive loss	$ (120,231)	$ –	$ (158,826)

There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under Canadian GAAP.