SANATANA RESOURCES INC.

Financial Statements

For the Year Ended March 31, 2012

Expressed in Canadian Dollars

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Independent Auditor's Report

To the shareholders of Sanatana Resources Inc.

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sanatana Resources 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.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, BC
July 4, 2012

Sanatana Resources Inc.

Statements of Financial Position

	Notes	March 31, 2012	March 31, 2011	April 1, 2010
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents	5	2,325,543	4,210,157	2,801,892
Receivables	6	160,184	38,290	28,081
Prepaid expenses	7	25,210	54,078	42,462
Total current assets		2,510,937	4,302,525	2,872,435
Non-current assets				
Prepaid exploration and evaluation advance	7	54,239	-	-
Reimburseable bonds and deposits	8	276,488	277,447	446,975
Exploration and evaluation assets	9	4,229,548	969,909	2,930,072
Property and equipment	10	193,569	225,802	271,568
Total non-current assets		4,753,844	1,473,158	3,648,615
Total assets		7,264,781	5,775,683	6,521,050
LIABILITIES				
Current liabilities				
Payables and accruals	11	476,775	70,908	120,549
Provision	12	150,000	120,000	120,000
Liability to renounce exploration expenditures	13	31,430	-	-
Total current liabilities		658,205	190,908	240,549
Non-current liabilities				
Deferred income tax liability	13	-	12,900	-
Total liabilities		658,205	203,808	240,549
EQUITY				
Share capital	14	36,900,647	35,221,306	32,036,413
Reserves	14	3,677,541	3,359,668	2,783,660
Deficit		(33,971,612)	(33,009,099)	(28,539,572)
Total equity		6,606,576	5,571,875	6,280,501
Total equity and liabilities		7,264,781	5,775,683	6,521,050

These financial statements are authorized for issue by the board of directors on July 4, 2012. They are signed on the Company's behalf by:

"Peter Miles", Director
Peter Miles

"Edward Marlow", Director
Edward Marlow
The accompanying notes are an integral part of these financial statements.

Sanatana Resources Inc.

Statements of Comprehensive Loss

For the years ended March 31,	Notes	2012	2011
		$	$
Expenses			
Depreciation	10	35,266	36,387
Consulting and advisory fees		-	26,550
Director fees	16	70,000	45,000
Equipment maintenance		-	37,995
Filing fees		20,003	15,951
Investor relations		27,500	10,433
Management fees and salaries	16	332,426	228,732
Office and administration		59,283	67,253
Professional fees		102,276	61,614
Property investigations		69,053	103,597
Rent		98,126	89,353
Share-based payments	15	316,000	525,000
Transfer agent fees		18,181	10,623
Travel and accommodation		45,486	48,762
Loss before undernoted		(1,193,600)	(1,307,250)
Abandoned claim costs		(21,417)	(34,564)
Exploration and evaluation assets impairment	9	(68,347)	(3,121,898)
Part XII.6 tax		(12,518)	-
Equipment rental income		37,995	-
Interest income		10,874	7,085
Loss before income taxes		(1,247,013)	(4,456,627)
Deferred income tax recovery (expense)	13	284,500	(12,900)
Loss and total comprehensive loss for the year		(962,513)	(4,469,527)
Loss per share - basic and diluted	17	(0.01)	(0.07)
Weighted average common shares outstanding - basic and diluted	17	82,583,252	66,743,633

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

Sanatana Resources Inc.

Statements of Changes in Equity

	Notes	Common Shares $	Reserves $	Deficit $	Equity $
Balance - April 1, 2010		32,036,413	2,783,660	(28,539,572)	6,280,501
Private placement of flow-through shares	14	1,726,500	-	-	1,726,500
Share issuance costs	14	(110,481)	-	-	(110,481)
Fair value of finder warrants	14	(39,238)	39,238	-	-
Private placement of units	14	1,000,000	-	-	1,000,000
Share issuance costs	14	(80,118)	-	-	(80,118)
Fair value of finder warrants	14	(11,770)	11,770	-	-
Share issuance for Watershed option	9	700,000	-	-	700,000
Share-based compensation		-	525,000	-	525,000
Loss for the year		-	-	(4,469,527)	(4,469,527)
Balance - March 31, 2011		35,221,306	3,359,668	(33,009,099)	5,571,875
Agent warrants exercised	14	129,129	(28,247)	-	100,882
Warrants exercised	14	482,916	-	-	482,916
Private placement of flow-through shares	14	1,000,000	-	-	1,000,000
Share issuance costs	14	(84,804)	-	-	(84,804)
Liability to renounce exploration expenditures		(303,030)	-	-	(303,030)
Fair value of finder warrants	14	(30,120)	30,120	-	-
Watershed finder fees	9	50,250	-	-	50,250
Share issuance for Watershed option	9	435,000	-	-	435,000
Share-based compensation	15	-	316,000	-	316,000
Loss for the year		-	-	(962,513)	(962,513)
Balance - March 31, 2012		36,900,647	3,677,541	(33,971,612)	6,606,576

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

Sanatana Resources Inc.

Statements of Cash Flows

For the years ended March 31,	Notes	2012	2011
		$	$
Cash provided by (used in):			
Operating activities:			
Loss for the period		(962,513)	(4,469,527)
Adjustment for:			
Depreciation of property and equipment	10	35,266	36,387
Interest income		(10,874)	(7,085)
Exploration and evaluation asset write-down		68,347	3,121,898
Share-based compensation	15	316,000	525,000
Deferred income tax expense (recovery)		(284,500)	12,900
Changes in non-cash working capital items:			
Receivables		(121,894)	(10,209)
Prepaid expenses		28,868	(11,616)
Payables and accruals		6,711	22,302
		(924,589)	(779,950)
Investing activities:			
Prepaid exploration and evaluation advance	7	(54,239)	-
Reimburseable bonds and deposits	8	959	169,528
Exploration and evaluation assets	9	(2,413,580)	(634,769)
Rio Tinto contribution	9	-	111,265
Property and equipment purchases	10	(3,033)	(795)
Interest received		10,874	7,085
		(2,459,019)	(347,686)
Financing activities			
Issuance of common shares	14	1,583,798	2,726,500
Offering costs		(84,804)	(190,599)
		1,498,994	2,535,901
Increase (decrease) in cash and cash equivalents		(1,884,614)	1,408,265
Cash and cash equivalents, beginning of year		4,210,157	2,801,892
Cash and cash equivalents, end of year		2,325,543	4,210,157
Cash and equivalents comprise:			
Cash		252,931	148,158
Equivalents		2,072,612	4,061,999
		2,325,543	4,210,157

Supplementary cash flow information (note 18)

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

1. Nature of Operations and Continuance of Operations

Sanatana Resources Inc. ("Sanatana" or the "Company") was incorporated as Sanatana Diamonds Inc. on June 25, 2004 under the British Columbia Business Corporations Act. The Company changed its name to Sanatana Resources Inc. on April 28, 2011. Sanatana is an exploration stage company, and its principal business activity is the acquisition, exploration and development of mineral properties. The Company has an option to acquire up to a 51% interest in certain Ontario gold exploration claims.

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

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Changes in future conditions could require material write-downs of the carrying values of the exploration and evaluation assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, and non-compliance with regulatory requirements.

The head office and principal address of the Company are located at Suite 1925 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Company for the year ending March 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

An 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 22.

The financial statements were authorized for issue by the board of directors on July 4, 2012.

2. Basis of Preparation (continued)

Basis of Measurement

The financial statements have been prepared on a historical cost basis.

The financial information is presented in Canadian dollars, which is the functional currency of the Company.

The preparation of 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 financial statements are disclosed in note 4.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at April 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

b) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company transfers part of a mineral interest, as consideration, for an agreement by the transfee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

3. Summary of Significant Accounting Policies (continued)

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

c) Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

d) Property and Equipment

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

3. Summary of Significant Accounting Policies (continued)

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in profit and loss.

Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	Straight line over 3 Years
Office furniture	Straight line over 5 Years
Leasehold improvements	Straight line over 3 Years
Mining equipment	Straight line over 5-25 Years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company performs impairment testing on each cash-generating unit.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

f) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

3. Summary of Significant Accounting Policies (continued)

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise payables and accruals. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

g) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

3. Summary of Significant Accounting Policies (continued)

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

h) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax expense are recognized in net income or loss except to the extent that they relate 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 taxable 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 nor taxable profit or loss.

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 year 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.

i) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Summary of Significant Accounting Policies (continued)

Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as a commitment in note 19.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

j) Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

k) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

3. Summary of Significant Accounting Policies (continued)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

l) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2011 or later years. None of these are expected to have a significant effect on the financial statements, except for the following:

The Company has early adopted amendments to IFRS 1 which replaces references to a fixed date of ‘1 January 2004’ with ‘the date of transition to IFRSs’. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition i.e. April 1, 2010.

The following standards and interpretations have been issued but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015 but is not likely to have a material impact on the Company’s financial statements.

3. Summary of Significant Accounting Policies (continued)

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013. This is likely to have no impact on the Company.

IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013. This is likely to have no impact on the Company.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013. This is likely to have no impact on the Company.

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

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

4. Critical Accounting Estimates and Judgements

Sanatana makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss/income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates with future period amounts discounted to reflect the time value of money. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

4. Critical Accounting Estimates and Judgements (continued)

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 15.

5. Cash and Cash Equivalents

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Short-term investment deposits included in cash and cash equivalents bear interest at fixed rates to maturity.

6. Receivables

At March 31,	2012	2011	2010
	$	$	$
Related parties	7,518	8,828	10,828
Other	40,076	11,905	10,439
HST - value added tax	112,590	17,557	6,814
Balance, end of year	160,184	38,290	28,081

7. Prepaids

At March 31,	2012	2011	2010
	$	$	$
Current			
Prepaid expenses	25,210	54,078	42,462
Non-current			
Prepaid exploration and evaluation expenditures	54,239	-	-

8. Reimbursable Bonds and Deposits

	$
Balance April 1, 2010	446,975
Net bond redemptions	(169,528)
Balance March 31, 2011	277,447
Net bond redemptions	(959)
Balance March 31, 2012	276,488

9. Exploration and Evaluation Assets

The exploration and evaluation assets of the Company are comprised as follows:

	Balance April 1, 2010	Change	Balance March 31, 2011	Change	Balance March 31, 2012
	$	$	$	$	$
Watershed property					
Accumulated costs	-	901,562	901,562	3,327,986	4,229,548
Net	-	901,562	901,562	3,327,986	4,229,548
Mackenzie Diamond Project					
Accumulated costs	37,533,027	124,277	37,657,304	-	37,657,304
Impairment	(26,700,000)	(2,874,737)	(29,574,737)	(68,347)	(29,643,084)
Contribution payments	(7,902,955)	(111,265)	(8,014,220)	-	(8,014,220)
Net	2,930,072	(2,861,725)	68,347	(68,347)	-
Boulder Claims					
Accumulated costs	-	247,161	247,161	-	247,161
Abandoned claim costs	-	-	-	-	-
Impairment	-	(247,161)	(247,161)	-	(247,161)
Net	-	-	-	-	-
	2,930,072	(1,960,163)	969,909	3,259,639	4,229,548
Total impairment for the year		$(3,121,898)		$ (68,347)	

9. Exploration and Evaluation Assets (continued)

Watershed property

	Balance April 1, 2010	Change	Balance March 31, 2011	Change	Balance March 31, 2012
	$	$	$	$	$
Acquisition costs	-	850,000	850,000	553,250	1,403,250
Contractor and consultant	-	22,562	22,562	1,974,759	1,997,321
Helicopter and fixed wing aircraft costs	-	-	-	13,007	13,007
Expediting	-	-	-	5,216	5,216
Project management fees	-	27,000	27,000	135,405	162,405
Field and camp	-	2,000	2,000	86,440	88,440
Sampling and assays	-	-	-	299,612	299,612
Transport and accomodation	-	-	-	214,940	214,940
Reclamation provision	-	-	-	30,000	30,000
Permitting and other	-	-	-	15,357	15,357
Watershed property, net	-	901,562	901,562	3,327,986	4,229,548

In February 2011, the Company entered into an option and joint venture agreement with Augen Gold Corp., which was subsequently acquired by Trelawney Mining and Exploration Inc. and renamed Trelawney Augen Acquisition Corp. (“TAAC”). The option and joint venture agreement grants the Company an option to acquire up to a 51% undivided interest in the rights to 46 mineral concessions (the “Claims”) and the first right of refusal to acquire an additional nine mineral concessions (the “ROFR Claims”), all located in Ontario and owned by TAAC.

The Company has an option to earn a 50% undivided interest in the Claims (the “50% Interest”) by completing the following:

	Cumulative Exploration Expenditures	Shares		Cash Payments	
	$			$	
by April 2, 2011	-	2,000,000	(issued)	150,000	(paid)
by March 23, 2012	1,000,000	1,500,000	(issued)	-	
by March 23, 2013	2,500,000	1,500,000		-	
by March 23, 2014	5,000,000	-		-	
		5,000,000		150,000	

To March 31, 2012, the Company incurred exploration expenditures in accordance with the terms of the option and joint venture agreement, including a permitted administrative mark-up of $2,963,000.

9. Exploration and Evaluation Assets (continued)

If the Company earns the 50% Interest, it will have the right to earn a further 1% interest in the Claims for a total undivided interest of 51% by delivering a pre-feasibility study to TAAC on or before March 23, 2016. The parties will enter into a joint venture agreement for the Claims in accordance with the terms of the option and joint venture agreement on the earlier of the date that (i) Sanatana vests the 50% Interest but elects by notice to TAAC not to proceed to earn the 51% Interest; and (ii) Sanatana earns the 51% Interest.

The option and joint venture agreement includes a provision that while the Company and TAAC are parties to an option or joint venture with respect to the Claims or the ROFR Claims, TAAC has the option to purchase up to 10% of any securities issued in equity offerings by the Company.

The Company agreed to pay a finders' fee in connection with the Watershed property that is payable in the Company's common shares. The amount of the finders' fee is equal to 10% of the first $300,000 in transaction value, as defined in the finder's fee agreement, 7.5% of the transaction value from $300,000 to $1,000,000 and 5% of all transaction value in excess of $1,000,000. The maximum value of the finders' fee is $142,500, which will be settled through the issuance of up to 678,571 common shares. To March 31, 2012 the Company incurred an obligation to pay $126,750 of the maximum finders' fee. The Company has paid $50,250 of this amount, which it settled through the issuance of 239,283 common shares (note 14). The next installment of the finders' fee will be due in August 2012.

Mackenzie Diamond Project

On July 31, 2004, and March 4, 2005, the Company entered into a series of agreements with the Jaeger Joint Venture (“Jaeger”), an entity partially owned by a director of the Company, to purchase the rights to any diamonds located on a series of properties (the “MacKenzie Diamond Project”) in the Inuvialuit, Gwich’in and Sahtu mining districts in the Northwest Territories, Canada. In June 2005, the Company acquired from Jaeger all other mineral rights, excluding uranium rights, to the prospecting permits to which it already owned diamond rights. Jaeger retains a 10% production carried interest and a member of Jaeger retains a 2% net smelter returns royalty (“NSR”). In addition, in the terms of the agreements, the Company agreed to pay all of the exploration and mine construction costs.

The Company has a joint venture agreement with diamond producer Rio Tinto Exploration Canada Inc. (“Rio Tinto”), a subsidiary of the Rio Tinto Group. Pursuant to the joint venture, the Company acts as the operator and Rio Tinto has a 15% interest in the Company’s Mackenzie diamond project, which can be increased to a maximum of 60% based on certain milestones. Rio Tinto elected not to participate in the Company’s summer 2010 exploration program resulting in its interest being diluted, although the amount of dilution to date has not been material.

At March 31, 2012 the Company held 125,000 hectares (March 31, 2011 – 728,000 hectares) of permits and unpatented mining claims.

The Company undertook an assessment of its mineral properties during the year ended March 31, 2012 and, due to an ongoing lack of investor support for diamond exploration, recorded an impairment of $68,347 against the MacKenzie Diamond Project.

9. Exploration and Evaluation Assets (continued)

Boulder Claim Group

	Balance March 31, 2010	Change	Balance March 31, 2011	Change	Balance March 31, 2012
	$	$	$	$	$
Boulder Claim Group					
Acquisition costs	-	38,640	38,640	-	38,640
Helicopter and fixed wing aircraft costs	-	14,074	14,074	-	14,074
Sampling and assays	-	10,168	10,168	-	10,168
Contractor and consultant	-	83,153	83,153	-	83,153
Permitting and other	-	1,541	1,541	-	1,541
Project management fees	-	45,125	45,125	-	45,125
Field and camp	-	4,300	4,300	-	4,300
Transport and accomodation	-	50,160	50,160	-	50,160
Total costs incurred		247,161	247,161	-	247,161
Mineral property impairment	-	(247,161)	(247,161)	-	(247,161)
Boulder claims, net	-	-	-	-	-

In June 2010, the Company entered into a non-binding letter of intent to form a joint venture to explore for bedrock gold mineralization on the Boulder Claim Group. As consideration, Sanatana paid $38,640 to maintain the Boulder Claim Group in good standing until June 2011. The Company abandoned exploration on the property and did not extend its exploration rights past June 2011.

The Company undertook an assessment of its mineral properties during the year ended March 31, 2011 and, due to a lack of exploration success, recorded an impairment of $247,161 against the Boulder Claims property. The Company subsequently incurred $21,417 of costs associated with this property, which it charged to operations.

10. Property and Equipment

	Office Furniture	Computer Equipment	Leasehold Improvements	Exploration Equipment	Total
	$	$	$	$	$
Cost					
At April 1, 2010	34,703	25,663	41,357	363,497	465,220
Additions	-	795	-	-	795
At March 31, 2011	34,703	26,458	41,357	363,497	466,015
Additions	-	3,033	-	-	3,033
At March 31, 2012	34,703	29,491	41,357	363,497	469,048
Accumulated Depreciation					
At April 1, 2010	25,328	25,429	41,357	101,538	193,652
Charge for the year	6,665	498	-	39,398	46,561
At March 31, 2011	31,993	25,927	41,357	140,936	240,213
Charge for the year	1,768	642	-	32,856	35,266
At March 31, 2012	33,761	26,569	41,357	173,792	275,479
Net book value					
At April 1, 2010	9,375	234	-	261,959	271,568
At March 31, 2011	2,710	531	-	222,561	225,802
At March 31, 2012	942	2,922	-	189,705	193,569

In the year ended March 31, 2012, depreciation of $nil (2011 - $10,174) was capitalized to exploration and evaluation assets.

11. Payables and accruals

At March 31,	Note	2012	2011	2010
		$	$	$
Trade		51,845	46,198	37,521
Exploration expenditures		400,156	1,000	72,943
Due to related parties	16	24,774	23,710	10,085
		476,775	70,908	120,549

12. Provisions

Provisions comprise the estimated cost to undertake reclamation work at the Company's exploration properties.

At March 31,	2012	2011	2010
	$	$	$
Mackenzie Diamond Project	120,000	120,000	120,000
Watershed Property	30,000	-	-
	150,000	120,000	120,000

13. Income Taxes

The material components of the income tax expense for the years ended March 31, 2012 and 2011 are as follows:

For the years ended March 31,	2012	2011
	$	$
Current tax expense	-	-
Deferred tax recovery (expense)	12,900	(12,900)
Reversal of flow-through shares premium liability	271,600	-
Total income tax recovery (expense)	284,500	(12,900)

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

For the years ended March 31,	2012	2011
	$	$
Loss for the year before taxes	(1,247,013)	(4,456,627)
Statutory tax rate	26.13%	28.00%
Expected income tax recovery	325,800	1,247,900
Increase (decrease) in income tax recovery resulting from:		
Non-deductible expenses	(83,000)	(148,100)
Share issue costs	21,200	47,600
Change in tax rate	(10,500)	(117,800)
Renunciation of eligible expenditures	(642,800)	(12,900)
Unrecognized (recognized) deferred tax asset	402,200	(1,029,600)
Actual tax recovery (expense)	12,900	(12,900)

13. Income Taxes (Continued)

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15% while the BC provincial tax rate remained at 10%.

The significant components of the Company's deferred income tax assets and liabilities after applying enacted corporate tax rates are as follows:

At March 31,	2012	2011
	$	$
Deferred tax assets:		
Non-capital losses	2,330,300	2,051,800
Share issuance costs and others	151,700	191,700
Exploration and evaluation assets	2,342,900	2,340,800
	4,824,900	4,584,300
Offset against deferred tax liabilties	(642,800)	-
Unrecognized deferred tax assets	(4,182,100)	(4,584,300)
Deferred tax assets	-	-
Deferred tax liabilities:		
Renunciation of exploration expense	(642,800)	(12,900)
Offset against deferred tax assets	642,800	-
Deferred tax liabilities	-	(12,900)
Net deferred tax balance	-	(12,900)

At March 31, 2012, the Company has accumulated Canadian Exploration and Development Expenditures of $11,030,000 (2011 - $10,282,000) and has accumulated non-capital losses totaling $9,361,000 (2011 - $8,207,000), which expire in various amounts from 2015 to 2032.

In assessing the realizability of deferred tax assets, management considers whether it is possible that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred 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 tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

During the year ended March 31, 2012, the Company renounced proceeds of flow-through share issuances of $1,000,000 (2011 - $1,726,500).

14. Share Capital and Reserves

Authorized share capital

Authorized share capital comprises an unlimited number of common shares with no par value.

14. Share Capital and Reserves (continued)

Common Shares

Fiscal 2012

In December 2011, the Company closed a non-brokered private placement of 3,030,303 flow-through shares for gross proceeds of $1,000,000. The Company subsequently renounced an amount equal to the gross proceeds derived from the sale of the flow-through shares to purchasers in accordance with the provisions of the Income Tax Act (Canada). The Company paid cash commissions of $70,000, $14,804 in other offering costs, and issued 212,121 finders' warrants exercisable at $0.40 per common share until December 30, 2012. The finders' warrants have a fair value of $30,120, which was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.95%
Estimated volatility	144%
Expected life in years	1

On closing the December 2011 flow-through financing, the Company recognized a $303,030 liability representing its obligation to renounce flow-through expenditures to investors. The Company renounced the full $1,000,000 to investors in February 2012, but at March 31, 2012, there was a residual liability of $31,430 relating to financing proceeds not yet spent on exploration activities.

The Company has incurred a Part XII.6 tax liability in connection with its 2011 flow-through offering which it estimates at $2,500 based on the timing of exploration expenditures and statutory interest rates.

Fiscal 2011

In January 2011, the Company closed a non-brokered private placement consisting of 6,666,666 units at a price of $0.15 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one half of a share purchase warrant where each whole warrant entitled the holder to purchase one share of the Company for a price of $0.25 until January 14, 2012. In connection with this private placement, the Company paid $47,160 and issued 163,333 finder warrants in finders' fees and incurred other cash offering costs of $32,958. Each finder warrant was exercisable for one common share at a price of $0.25 for a period of 12 months. The fair value of the finder warrants was calculated at $11,770 using the Black-Scholes pricing model and using a volatility rate of 129%, a risk free rate of 1.67% and an annual rate of quarterly dividends of 0.0%.

In December 2010, the Company completed a non-brokered private placement consisting of 10,155,883 flow-through shares at a price of $0.17 per share for gross proceeds of $1,726,500. In connection with this private placement the Company paid $26,553 and issued 537,352 finder warrants in finders' fees and incurred other cash offering costs of $83,928. Each finder warrant was exercisable for one non flow-through share at a price of $0.25 for a period of 12 months. The fair value of the finder warrants was calculated at $39,238 using the Black-Scholes pricing model and using a volatility rate of 121%, a risk free rate of 1.75% and an annual rate of quarterly dividends of 0.0%.

The Company has incurred a Part XII.6 tax liability in connection with its 2011 flow-through offering which it estimates at $10,019 based on the timing of exploration expenditures and statutory interest rates.

14. Share Capital and Reserves (continued)

The following is a summary of changes in common share capital from April 1, 2010 to March 31, 2012:

	Notes	Number of Shares	Issue Price $	Common Shares $
Balance - April 1, 2010		62,762,623		32,036,413
Private placement of flow through units		10,155,883	0.17	1,726,500
Private placement of units		6,666,666	0.15	1,000,000
Share issuance for Watershed option		2,000,000	0.35	700,000
Less share issue costs		-	-	(241,607)
Balance - March 31, 2011		81,585,172		35,221,306
Agent warrants exercised		403,529	0.25	100,882
Fair value of agent warrants exercised		-	-	28,247
Warrants exercised		1,931,666	0.25	482,916
Private placement of flow through units		3,030,303	0.33	1,000,000
Liability to renounce exploration expenditures		-	-	(303,030)
Watershed finder fees	9	239,283	0.21	50,250
Share issuance for Watershed option	9	1,500,000	0.29	435,000
Less share issue costs		-	-	(114,924)
Balance - March 31, 2012		88,689,953		36,900,647

Reserves

Reserves comprise the fair value of stock option grants and warrants prior to exercise. The following is a summary of changes in reserves from April 1, 2010 to March 31, 2012:

	$
April 1, 2010	2,783,660
Share-based compensation	525,000
Fair value of finder warrants	51,008
Balance, March 31, 2011	3,359,668
Fair value of agent warrants exercised	(28,247)
Fair value of finder warrants	30,120
Share-based compensation	316,000
Balance, March 31, 2012	3,677,541

14. Share Capital and Reserves (continued)

Warrants

The Company's movement in share purchase warrants is as follows:

	March 31, 2012		March 31, 2011	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of year	4,034,018	$0.25	-	$ -
Granted	212,121	0.40	4,034,018	0.25
Exercised	(2,335,195)	0.25	-	-
Forfeited	(1,698,823)	0.25	-	-
Balance, end of year	212,121	$0.40	4,034,018	$0.25

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Broker Warrants
December 30, 2012	$ 0.40	212,121
		212,121

Nature and Purpose of Reserves and Deficit

The reserves recorded in equity on the Company's statement of financial position comprise contributed surplus and deficit. Contributed surplus is used to recognize the fair value of stock option grants and agent warrants prior to exercise. Deficit records the Company's cumulative earnings or loss.

15. Share-Based Payments

The Company has a rolling stock option plan that allows the Company's board of directors to issue options to purchase up 10% of the common shares outstanding at the grant date. Directors, officers, consultants and employees of the Company are eligible to receive stock options, subject to the policies of the Exchange. The directors may set option terms, but options granted under the plan typically have a life of five years and vest over an 18-month period. Share-based payments expense is amortized over the vesting period. The Company's shareholders confirmed the option plan in October 2011.

	March 31, 2012		March 31, 2011	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of year	6,910,000	$0.56	5,220,000	$1.16
Granted	400,000	0.50	4,350,000	0.30
Expired or cancelled	(1,085,000)	0.71	(2,660,000)	1.30
Balance, end of year	6,225,000	$0.53	6,910,000	$0.56

Summary of outstanding options at March 31, 2012:

	Outstanding Options			Exercisable Options	
Exercise Price Range	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
$0.30-$0.50	4,500,000	$0.31	3.62 years	3,175,000	$0.31
$0.75	725,000	0.75	0.83 years	725,000	0.75
$1.35-$1.40	1,000,000	1.35	0.90 years	1,000,000	1.35
	6,225,000	$0.53	2.86 years	4,900,000	$0.58

The Company incurred a charge of $316,000 (2011 - $525,000) share-based payments for the year ended March 31, 2012.

The fair value of the share-based payments was estimated using the Black-Scholes option pricing model with the following assumptions:

For the year ended March 31,	2012	2011
Dividend yield	0%	0%
Risk-free interest rate	1.6%	2.4%
Estimated volatility	146%	137%
Expected life in years	5	5

The weighted average grant date fair value was $0.23.

16. Related Party Transactions and Balances

The Company incurred key management and board of directors' compensation as follows:

For the year ended March 31,	2012	2011
	$	$
Salary	157,000	82,500
Director fees	70,000	45,000
Short-term benefits	15,162	12,516
Management fees - expensed	72,770	35,030
Technical fees - capitalized	18,000	14,000
Share-based payments	84,000	438,000
Total	416,932	627,046

Included in the above is compensation paid through companies:		
Lithosphere Services Inc.	38,000	35,000
S2 Management Inc.	27,770	18,330

Lithosphere Servies Inc. is controlled by Mr. Doyle the Company's VP Exploration and a director.
S2 Management Inc. is controlled by the Company's CFO.

Balances included in accounts payable and accrued liabilities are as follows:

At March 31,	2012	2011
	$	$
Directors and insiders	-	18,836
Lithosphere Services Inc.	23,520	4,444
S2 Management Inc.	1,254	430
	24,774	23,710

Related party balances are due on demand, bear no interest and are current liabilities.

17. Loss per Share

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

For the year ended March 31,	2012	2011
Loss for the period	($962,513)	($4,469,527)
Weighted average number of common shares outstanding	82,583,252	66,743,633
	($0.01)	($0.07)

Diluted loss per share for the years ended March 31, 2012 and 2011 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

18. Supplemental Cash Flow Information

Non-cash financing and investing activities included the following:

For the year ended March 31,	2012	2011
	$	$
Non-cash investing activities:		
Depreciation in mineral properties	-	18,174
Change in accounts payable regarding mineral properties	326,156	71,943
Shares issued for mineral property interests	485,250	700,000
Provision	30,000	-
Non-cash financing activities:		
Tax value of assets renounced to flow-through share investors	642,800	12,900
Fair value of broker warrants granted	30,120	-
Fair value of broker warrants exercised	28,247	51,008

19. Commitments

a) The Company is contractually committed to make payments regarding premises lease, drilling and employment as follows:

Year ending March 31, 2013	$593,450
Year ending March 31, 2014	$ 2,500

19. Commitments (continued)

b) At March 31, 2012, the Company was committed to spending $104,000 before December 31, 2012 under the conditions of its December 2011 flow-through financing and related income tax law. During the third-quarter ended December 31, 2011, the Company satisfied spending obligations under its December 2010 flow-through financing.

20. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties.

21. Financial Risk Management

Interest Rate Risk
The Company's interest rate risk mainly arises from changes in the interest rates on cash and equivalents. Cash and equivalents generate interest based on market interest rates. At March 31, 2012, the Company was not subject to significant interest rate risk.

Credit Risk
Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to money market investments.

The Company manages its credit risk by investing only in obligations of any province of Canada, Canada or their respective agencies; banker's acceptances purchased in the secondary market and having received the highest credit rating from a recognized rating agency in Canada, with a term of less than 180 days; and bank term deposits and bearer deposit notes, with a term of less than 180 days.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and equivalents and amounts receivable.

Liquidity Risk
The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and matching the maturity profile of financial assets to development, capital and operating needs.

The Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period .The following table presents the financial instruments recorded at fair value in the balance sheet, classified using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets:				
Cash and cash equivalents	2,325,543	-	-	2,325,543
	2,325,543	-	-	2,325,543

22. Transition to International Financial Reporting Standards

The Company's financial statements for the year ending March 31, 2012 are the first annual financial statements prepared in accordance with IFRS.

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

<u>IFRS Exemption options</u>

Share-based payments – IFRS 2 *Share-based payments* encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after formation of the Company in 2004 that had not vested by the transition date.

Leases - In some cases leases, such as premises leases, are accounted for differently under IFRS and Canadian GAAP. The Company has chosen to apply an exemption under IFRS 1 so that the Company does not have to restate balances at the transition date that might result from lease accounting differences.

Rehabilitation provisions - The determination of rehabilitation provisions under IFRS differs from the method employed under Canadian GAAP. The Company has elected to apply an exemption under IFRS 1 so that it will not have to restate previously determined rehabilitation provisions.

<u>IFRS Mandatory exceptions</u>

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

The accounting policies disclosed in note 3 of the Company's financial statements have been applied as follows:

- in preparing the financial statements for the year ended March 31, 2012;
- the comparative information for the year ended March 31, 2011;
- the statement of financial position as at March 31, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, April 1, 2010.

22. Transition to International Financial Reporting Standards (continued)

In preparing the opening IFRS statement of financial position, comparative information for the year ended March 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

The financial information prepared under IFRS and that prepared under Canadian GAAP for periods beginning on April 1, 2010 have the following major differences:

(i) Under IFRS, share-based payment transactions which are subject to graded vesting should have the separate tranches valued and amortized over the respective vesting periods separately as if each tranche was a separate award. Canadian GAAP allows the entire award to be amortized on a straight-line basis over the vesting time of the entire award. The Company's stock options typically vest over an 18-month period. The requirement to adopt graded vesting under IFRS accelerates recognition of share-based compensation expense with the result that share-based compensation increased for the year ended March 31, 2011 under IFRS.

(ii) Under IFRS, flow-through instruments are accounted for as combined instruments comprising a liability component and an equity instrument upon issuance of the flow-through instruments. Upon renunciation of the expenditures for Canadian income tax purposes, the liability is reversed and a taxable temporary difference is recorded. Under Canadian GAAP flow-through instruments are accounted for as equity instruments only. Upon renunciation of the expenditures for Canadian tax purposes, a taxable temporary difference effected at the issuer's applicable tax rate is recorded and charged to equity as cost of issuance of flow-through instruments. The Company recognized a future income tax liability under Canadian GAAP relating to the tax benefit transferred to flow-through shareholders. Under IFRS, the Company has to recognize an income tax expense for the difference between the equity instrument renounced to investors and the deferred income tax liability.

(iii) Under IFRS, the Company revisited the useful life of the components of its drill with the result of changing its annual depreciation expense from $60,000 to $28,000. The decreased depreciation provision under IFRS means that the mineral property write-down would have been $8,000 higher under IFRS since capitalized exploration and evaluation assets included capitalized depreciation of property and equipment.

22. Transition to International Financial Reporting Standards (continued)

	March 31, 2011 $	April 1, 2010 $
Total assets under Canadian GAAP	5,677,017	6,454,384
Adjustments for different accounting treatments:		
(i) Share-based compensation	-	-
(ii) Treatment of flow-through shares	-	-
(iii) Property and equipment assets		
- adjustment to property and equipment	98,666	66,666
Total assets under IFRS	5,775,683	6,521,050
Total liabilities under Canadian GAAP	622,508	240,549
Adjustments for different accounting treatments:		
(i) Share-based compensation	-	-
(ii) Treatment of flow-through shares	(418,700)	-
(iii) Property and equipment assets	-	-
Total liabilities under IFRS	203,808	240,549
Total equity under Canadian GAAP	5,054,509	6,213,835
Adjustments for different accounting treatments:		
(i) Share-based compensation		
- adjustment to expense	23,000	-
- adjustment to reserves	(23,000)	-
(ii) Treatment of flow-through shares		
- adjustment to share capital	1,729,609	1,729,609
- adjustment to deficit	(1,310,909)	(1,729,609)
(iii) Property and equipment assets		
- adjustment to accumulated depreciation	98,666	66,666
Total equity under IFRS	5,571,875	6,280,501

	Year ended March 31, 2011 $
Total comprehensive loss under Canadian GAAP	(4,465,627)
Adjustments for different accounting treatments:	
(i) Share-based compensation	(23,000)
(ii) Future income taxes	(12,900)
(iii) Depreciation expense	24,000
(iii) Mineral property write-down	8,000
Total comprehensive loss under IFRS	(4,469,527)

23. Events after the Reporting Period

a) In June 2012, the Company granted 3,350,000 options to certain directors, officers, consultants and employees of the Company at a price of $0.35 per share for a term of five years. The stock options vest in stages with 25% vesting immediately and remainder vesting 25% every six months from the date of the grant.

   In addition to the stock option grant, the Company cancelled 1,400,000 stock options granted in 2007 and 2008.

b) In June 2012, the Company announced a non-brokered private placement of up to 3,333,333 flow-through units priced at $0.30 per share and 2,000,000 non-flow-through units priced at $0.25 per unit for aggregate gross proceeds of up to $1,500,000. The flow-through units will comprise one flow-through common share and a half-warrant, with each whole warrant exercisable into non-flow-through common shares at $0.40 per share. The non-flow-through units will comprise one common share and a half-warrant, with each full warrant exercisable at $0.35. The Company will pay a finder's fee of up to 7% of gross cash proceeds and finder warrants equal to up to 7% of the number of units issued. The Company plans to renounce an amount equal to the gross proceeds derived from the sale of the flow-through units to purchasers in accordance with the provisions of the *Income Tax Act (Canada)*.