NOTICE TO SHAREHOLDERS

(A Development Stage Enterprise)

Condensed Interim Financial Statements
For the three months ended March 31, 2012

(Stated in Canadian Dollars)

Responsibility for Financial Statements

The accompanying financial statements for Metals Creek Resources Corp. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. Only changes in accounting policies have been disclosed in these unaudited condensed interim financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the period ended March 31, 2012.

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

March 31, 2012

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Prepared by Management)

As at	**March 31, 2012 $ (Unaudited)**	December 31, 2011 $ (Audited)
ASSETS		
Current		
Cash	**110,915**	212,721
Short term investments (note 3)	**4,550,843**	4,831,333
Staking security deposits (note 10)	**34,950**	38,950
H.S.T. and other receivables	**150,960**	140,065
Prepaid expenses	**14,560**	21,245
	4,862,228	5,244,314
Property and equipment (note 4)	**44,874**	47,100
Long term investments (note 5)	**110,937**	68,125
Exploration and evaluation assets (note 6)	**7,793,680**	7,357,100
	12,811,719	12,716,639
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 8)	**355,439**	91,410
	355,439	91,410
Deferred income taxes (note 9)	**427,084**	117,431
Equity		
Share Capital (note 7)	**11,611,049**	11,611,049
Reserves (note 7)	**4,902,445**	4,819,853
Deficit	**(4,484,298)**	(3,923,104)
	12,029,196	12,507,798
	12,811,719	12,716,639

These condensed interim financial statements are authorized for issue by the Board of Directors on May 28, 2012. They are signed on the Corporation's behalf by:

"Alexander Stares" Director

"Nick Tsimidis" Director

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Prepared by Management - Unaudited)

	Three Months Ended March 31, 2012 $	Three Months Ended March 31, 2011 $
EXPENSES		
Business development	66,892	69,458
Depreciation	3,526	2,036
Office and general	55,687	86,602
Professional fees (note 8)	7,730	13,830
Salaries and benefits	93,576	78,084
Part XII.6 tax expense (recovery)	-	402
Share-based payments	82,592	138,348
	310,003	388,760
Loss before the following:	310,003	388,760
Proceeds on mineral property option, net	(21,250)	-
Preacquisition exploration and evaluation expenses	6,224	26,260
Interest income	(32,073)	(21,062)
Adjustment to fair value for fair value through profit and loss investments	(11,363)	25,987
Loss before income taxes	251,541	419,945
Provision for (recovery of) deferred income taxes (note 9)	309,653	(126,208)
Comprehensive loss for the period	561,194	293,737
Loss per share – basic and diluted	0.006	0.003
Weighted Average Shares Outstanding – basic and diluted	96,437,502	85,695,264

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2012

	Share capital		Reserves			
	Number of shares #	**Share Capital** $	**Warrants** $	**Equity Settled benefits** $	**Deficit** $	**Total**
Balance at January 1, 2011	**69,854,175**	**7,173,725**	**708,126**	**1,468,957**	**(3,101,766)**	**6,249,042**
Issued for cash:						
Private placements	24,756,500	4,824,978	2,182,592	-	-	7,007,570
Exercise of warrants	127,503	41,446	(4,570)	-	-	36,876
Exercise of options	150,000	45,310	-	(20,810)	-	24,500
Shares issued on property acquisitions	1,549,324	114,706	-	-	-	114,706
Share issue costs	-	(589,116)	-	-	-	(589,116)
Share-based payments	-	-	-	485,558	-	485,558
Expiration of warrants	-	-	(396,676)	396,676	-	-
Comprehensive loss for the period	-	-	-	-	(821,338)	(821,338)
Balance at December 31, 2011	**96,437,502**	**11,611,049**	**2,489,472**	**2,330,381**	**(3,923,104)**	**12,507,798**
Share-based payments	-	-	-	82,592	-	82,592
Comprehensive loss for the period	-	-	-	-	(561,194)	(561,194)
Balance at March 31, 2012	**96,437,502**	**11,611,049**	**2,489,472**	**2,412,973**	**(4,484,298)**	**12,029,196**

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS CASH FLOWS
(Prepared by Management – Unaudited)

	Three Months Ended March 31, 2012 $	Three Months Ended March 31, 2011 $
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Comprehensive loss for the period	(561,194)	(293,737)
Depreciation	3,526	2,036
Share-based payments	82,592	138,348
Adjustment to fair value for fair value through profit and loss investments	(11,363)	25,987
Proceeds on mineral property option	(21,250)	-
Provision for (recovery of) deferred income taxes	309,653	(126,208)
Decrease (increase) in H.S.T. and other receivables	(10,895)	(87,133)
Decrease (increase) in prepaid expenses	6,685	5,652
Increase (decrease) in accounts payable and accrued liabilities	264,029	(160,533)
Cash flows from (used in) operating activities	61,783	(495,588)
FINANCING ACTIVITIES		
Issuance of capital stock for cash	-	7,083,320
Financing costs – cash commission expenses	-	(589,116)
Redemption (purchase) of short term investments	270,290	(5,748,399)
Proceeds on exercise of stock options	-	24,500
Proceeds on exercise of warrants	-	36,876
Cash flows from financing activities	270,290	807,181
INVESTING ACTIVITIES		
Cash – flow-through funds	-	85,346
Decrease (increase) in staking security deposits	4,000	(26,050)
Expenditures on exploration and evaluation assets	(436,580)	(361,203)
Acquisition of property and equipment	(1,299)	(9,686)
Cash flows used in investing activities	(433,879)	(311,593)
Increase (decrease) in cash	(101,806)	-
Cash - beginning of period	212,721	-
Cash - end of period	110,915	-

Supplemental information (see note 11)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Metals Creek Resources Corp. (the "Company") was incorporated on June 21, 2004 under the Business Corporations Act (Ontario).

The Company is an exploration stage company, and is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The accompanying financial statements have been prepared on the basis applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has working capital in the amount of $4,506,789 (December 31, 2011 - $5,152,904) and has a deficit in the amount of $4,484,298 (December 31, 2011 - $3,923,104). The Company has not earned any significant revenues to date and is considered to be in the exploration stage.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34- Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's audited annual financial statements for the year ended December 31, 2011.

The policies applied in these financial statements are based on IFRS issued and outstanding as of May 28, 2012, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the financial statements for the period ended March 31, 2012.

The condensed interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's audited annual financial statements and the notes thereto for the year ended December 31, 2011.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

3. SHORT TERM INVESTMENTS:

		March 31, 2012	Dec 31, 2011
Money Market Mutual funds		1,835,827	706,094
Guaranteed Investment Certificates		2,715,016	4,125,239
	$	4,550,843	4,831,333

These funds are available for exploration and other purposes upon the request of the Company.

The money market mutual funds consist of fully liquid, managed money market fund units that yield regular monthly dividends at market rates.

The guaranteed investment certificates are cashable and have maturity dates ranging from April 12, 2012 to February 14, 2013 and interest rates ranging from 1.95% to 6.25%.

4. PROPERTY AND EQUIPMENT

		Cost		**Acc. Depr.**		**Mar 31, 2012 Net**
Computer equipment	$	20,960	$	14,540	$	6,420
Furniture and fixtures		13,467		7,572		5,895
Computer software		56,191		55,968		223
General equipment		25,743		10,548		15,195
Automobile		21,801		4,660		17,141
Leasehold improvements		4,812		4,812		-
	$	141,675	$	98,100	$	44,874

		Cost		**Acc. Depr.**		**Dec 31, 2011 Net**
Computer equipment	$	20,261	$	13,574	$	6,687
Furniture and fixtures		13,467		7,261		6,206
Computer software		56,191		55,894		297
General equipment		25,143		9,764		15,379
Automobile		21,801		3,270		18,531
Leasehold improvements		4,812		4,812		-
	$	141,675	$	94,575	$	47,100

5. LONG TERM INVESTMENTS

	March 31, 2012		December 31, 2011	
	Market $	Cost $	Market $	Cost $
Canadian Equities				
Spruce Ridge Resources Ltd.	35,000	56,250	32,500	56,250
RX Gold and Silver	21,563	21,250		
Noble Mineral Exploration Inc.	54,375	31,875	35,625	31,875
	110,938	109,175	68,125	88,125

During 2010 the Company entered into an option agreement with Spruce Ridge Resources Ltd. (TSX-V:SHL) (“Spruce Ridge”) pursuant to which Spruce Ridge could earn a 100% interest on eight claims comprising the Company’s Sops Arm property in Newfoundland by making a share payment to the Company of 125,000 shares (received in the prior year) on signing and an additional 125,000 shares (received in the current year, being one year from the signing of the agreement) of Spruce Ridge and by spending $25,000 in exploration over a two year period. The Company would retain a 2% NSR on the property as well as a 100% interest in the base metal potential on the Sops Arm property. The Spruce Ridge shares are valued at the March 31, 2012 closing price of $0.14 per common share (Decemer 31, 2011 - $0.13). The RX Gold and Silver Inc. (TSX-V:RXE) were received from Spruce Ridge as a dividend in kind based on the Company's pro-rata ownership of Spruce Ridge and are valued at the March 31, 2012 closing price of $0.345 per common share.

During the 2011 fiscal year, the Company sold its interest in 10 mining claim blocks totaling 132 claim units in the Lucas, Duff, and Tully townships to Noble Mineral Exploration Inc. ("Noble") (TSX-V:NOB) (formerly Ring of Fire Resources Inc.). Under the agreement, Noble has agreed to pay the Company a total of 750,000 shares, 375,000 issuable on signing (received) and 375,000 issuable on or before June 1, 2012 and $50,000 in cash, $25,000 payable on signing (received) and $25,000 on or before June 1, 2012. In addition, the Company will retain a 2% Net Smelter Return Royalty ("NSR") or a 10% Net Profits Interest ("NPI") at the Company's election with Noble having the right to buy back 1% of the NSR or 5% of the NPI at a price of $1 million. The Noble shares are traded on the TSX-V exchange under the symbol "NOB" and are valued at the March 31, 2012 closing price of $0.145 per common share (December 31, 2011 - $0.095).

6. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised as follows:

Year ended March 31, 2012:

	Opening	**Additions**	**Abandonment/ Recoveries**	**Closing**
Exploration and evaluation activities	$ 6,318,946	$ 433,732	-	$ 6,752,678
Acquisition costs and staking cost of properties	1,038,154	2,848	-	1,041,002
TOTAL	**$ 7,357,100**	**$ 436,580**	**$ -**	**$ 7,793,680**

Dog Paw Gold (a)	$ 1,061,170	$ 15,390	$ -	$ 1,076,560
Wicks Lake and Panama Lake (b)	95,350	-	-	95,350
Sheffield Lake (c)	43,307	-	-	43,307
Sops Arm (d)	-	-	-	-
Tilt Cove (e)	425,211	2,582	-	427,793
Gabbro Lake (f)	165,827	9,086	-	174,913
Tillex (g)	718,457	4,602	-	723,059
Staghorn (h)	1,214,321	35,175	-	1,249,496
Ogden (i)	3,137,282	265,063	-	3,402,345
Other Properties (j)	496,175	104,682	-	600,857
TOTAL	**$ 7,357,100**	**$ 436,580**	**$ -**	**$ 7,793,680**

Year ended December 31, 2011:

		Opening		Additions		Abandonment/ Recoveries		Closing
Exploration and evaluation activities	$	4,860,262	$	1,756,305		(297,621)	$	6,318,946
Acquisition costs and staking cost of properties		752,134		298,201		(12,181)		1,038,154
TOTAL	**$**	**5,612,396**	**$**	**2,054,506**	**$**	**(309,802)**	**$**	**7,357,100**

		Opening		Additions		Abandonment/ Recoveries		Closing
Dog Paw Gold (a)	$	1,020,379	$	40,791	$	-	$	1,061,170
Wicks Lake and Panama Lake	(b)	79,296		16,054		-		95,350
Sheffield Lake (c)		42,430		877		-		43,307
Sops Arm (d)		-		-		-		-
Tilt Cove (e)		516,666		47,243		(138,698)		425,211
Gabbro Lake (f)		105,706		116,842		(56,721)		165,827
Tillex (g)		539,109		179,348		-		718,457
Staghorn (h)		1,241,805		72,516		(100,000)		1,214,321
Ogden (i)		2,061,641		1,075,641		-		3,137,282
Other Properties (j)		5,364		505,194		(14,383)		496,175
TOTAL	**$**	**5,612,396**	**$**	**2,054,506**	**$**	**(309,802)**	**$**	**7,357,100**

a. Dog Paw Gold Property

In 2007, the Company acquired an option on the Dog Paw Gold project which is located approximately 40 km east of Kenora, Ontario and consists of 23 claims totaling 269 units. The Company entered into an option agreement with Endurance Gold Corp (an unrelated company) whereby under the Initial Option the Company can earn a 70% interest in the property by making share payments totaling 400,000 (completed in 2008) shares and completing work commitments of $200,000 on the property. Provided the Initial Option is exercised, the Company may exercise a Second Option to earn a further 5% in the property by issuing a further 50,000 common shares (completed in 2008) and spending an additional $250,000 on the property (completed). After the Company has earned a 75% interest, a joint venture will be formed on a 75% (the Company) and 25% (Endurance Gold Corp.) basis (a joint venture was formed on January 4, 2010). During the 2010 fiscal period, the Company recovered $50,000 in expenditures from Endurance Gold Corp. for their share of the joint venture expenditures. This recovery reduced the carrying amount of deferred exploration expenditures.

b. Wicks Lake and Panama Lake

The Panama Lake gold property is located in the southern portion of the Birch-Uchi Lake Greenstone belt in Northwestern Ontario and consists of 2 claims totaling 24 units. The Wicks Lake gold property is located approximately 1.5 km south of the Dog Paw Gold property and consists of 1 claim totaling 11 units.

The properties were purchased from Stares Contracting Corp., (a company related by common directorship) in 2007, subject to a 2% NSR royalty. Consideration for the acquisition was $20,000 cash and 150,000 shares (both paid and issued in 2007).

c. Sheffield Lake

The Sheffield Lake project consists of 12 claims located approximately 30 km northeast of Deer Lake, Newfoundland.

d. Sops Arm

The Sops Arm project consists of 139 claims located approximately 50 km northeast of Deer Lake, Newfoundland. See note 5.

e. Tilt Cove

During 2008, the Company acquired by staking and option agreement a land package totaling 56 claim units, in four separate blocks, covering portions of the Betts Cove Ophiolite Suite on the Baie Verte Peninsula, Newfoundland. Three of the blocks were staked by the Company, while rights to the fourth were obtained through the execution of an option agreement ("Option Agreement") with an arm's length prospector. Pursuant to the Option Agreement, the Company has the option to earn a 100% interest in the claims forming the fourth block by making staged cash payments totaling $67,500 and issuing 220,000 shares to the optionor over three years. On production, the optioned claim block is subject to a 2% net smelter return in favor of the optionor, subject in turn to a 1% buyback right in favor of the Company at the cost of $1,250,000.

The Company issued 40,000 common shares to the optionor, on June 11, 2008, upon signing of the Option Agreement. During the year ended December 31, 2009, the Company issued 60,000 common shares to the optionor pursuant to the first anniversary of the agreement. Also, during 2009 the Company amended the agreement to reduce the first anniversary cash payment from $17,500 to $10,000 (paid) and then add a third anniversary cash payment of $12,500 and 40,000 shares. During the 2010 fiscal year, the Company issued 120,000 common shares and made a second amendment to the option agreement's second anniversary cash payment from $40,000 to $10,000 (paid) on or before June 2, 2010 and a further payment of $10,000 (paid) and $20,000 worth of the Company's shares (166,000 shares) (paid) on or before September 2, 2010.

During the year ended December 31, 2011, the Company announced that it had successfully negotiated an Net Smelter Royalty ("NSR") agreement with Rambler Metals and Mining PLC ("Rambler") to process surface material located at the East Mine Dump on the Tilt Cove property. The agreement will be such that the Company will be paid a Net Smelter Return, or NSR, on any gold produced from this material. Rambler have indicated that the material will be processed in the second quarter, 2011 however the timing will be at Rambler's discretion and it can discontinue the processing if problems are encountered. The agreement provides for payments of annual advanced royalties of $100,000 if the material has not been processed in the first year and Rambler wish to keep the agreement in good standing. During the year, the Company received its first NSR royalty under the agreement in the amount of $173,372 (10% of $1,733,721). Of this amount, the Company also paid a $34,674 amount owing to the optionor of the property to satisfy the underlying 2% NSR. Net proceeds in the amount of $138,698 were credited against the capitalized costs on the Tilt Cove property.

f. Gabbro Lake

The Gabbro Lake project consists of 211 claims located approximately 120 km Northeast of Labrador City, Labrador.

During 2008, the Company entered into a formal joint venture agreement with Golden Dory Resources for the Gabbro Lake Project. Under the terms of the agreement the Company and Golden Dory Resources formed the joint venture on a 50:50 basis with the Company being the primary operator. During the year ended December 31, 2011, the Company reduced the carrying cost of this property by $56,721 as a result of cost recoveries from Golden Dory under the JV agreement.

Subsequent to March 31, 2012, the Company announced that it had reached an agreement subject to TSX Venture Exchange approval whereby Golden Dory can increase its ownership interest from 50% to 70%. Under the terms of the agreement, Golden Dory will become the operator and can increase its interest by 10% to 60% by issuing 1.5 million Golden Dory shares to the Company and by completing a $500,000 exploration program in 2012, which is to include a minimum 1,200 metre diamond drill program. Golden Dory can increase its ownership interest by an additional 10% to 70% by issuing an additional 2.5 million Golden Dory shares to the Company and by providing an NI 43-101 compliant report by the fourth anniversary of the agreement.

g. Currie Bowman/Tillex

On March 6th, 2008, the Company entered into an option agreement with Kinross Gold Corporation ("Kinross") on the Currie Bowman Property, located 54 kilometers east of Timmins, Ontario, whereby the Company can acquire 100% of the 60% participating interest currently held by Kinross: the remaining 40% interest is held by Selkirk Metals Holdings Corp. The option requires expenditures totaling $250,000 over 2 years, with the first $100,000 to be expended during the first year of the agreement (requirement met) and staged share payments totaling 750,000 shares (300,000 shares issued to date). Kinross retains a 1% NSR, 50% (or 0.5%) of which can be purchased the Company for $500,000.The property consists of 134 units in 30 claims. During the 2010 fiscal year, the Company terminated its option with Kinross on the Currie Bowman property, and maintains the Tillex claims.

h. Staghorn

During 2008, the Company entered into an agreement with a group of prospectors to earn a 100% interest in a group of 76 claim units spread over 1,216 hectares in the Wood Lake area in west central Newfoundland. Terms of the option agreement include making a series of staged option payments totaling $95,000 and issuing 250,000 shares to the optionors over three years. During 2008, the Company issued 50,000 common shares and during 2009, the Company issued 70,000 common shares. During the 2010 fiscal year, the Company issued 50,000 common shares to the optionors. The optionors will retain a 2% Net Smelter Royalty, 50% of which can be purchased for $1,000,000. During the 2011 year, the Company reduced the carrying amount of the deferred exploration expenditures on the Staghorn project by $100,000 as a result of the receipt of a non-repayable grant from the Province of Newfoundland. Also during the 2011 year, the Company paid $44,000 and issued 50,000 shares to the optionors pursuant to the option agreement.

i. Ogden

During 2008, the Company entered into an agreement with Goldcorp Canada Ltd. ("Goldcorp") to jointly explore Goldcorp's mining claims located in Ogden and Deloro Townships, located six kilometres south of Timmins, Ontario. The package consists of 84 patented and unpatented claims totaling approximately 1,184 hectares (the "Property"). The agreement allows for the Company to earn 50% of Goldcorp's interest in the Property by funding total expenditures on the Property of $3,100,000 over four years as follows: (i) $400,000 in year one, (ii) $700,000 in year two and (iii) $1,000,000 in each of years three and four. The Company will also make cash and share payments to Goldcorp as follows: (i) $40,000 cash and $25,000 worth of common shares on signing (completed in 2008 and based on an average of the previous 20 trading days), (ii) $35,000 cash and $25,000 worth of common shares on the first anniversary (completed in 2009 and based on an average of the previous 20 trading days), (iii) $35,000 cash and $50,000 worth of common shares (based on an average of the previous 20 trading days) on the second anniversary (completed in 2010), (iv) $100,000 worth of common shares on the third anniversary (based on an average of the previous 20 trading days) (completed in 2011), and (v) $150,000 worth of common shares on the fourth anniversary (based on an average of the previous 20 trading days) (subsequently completed). Within six months of the Company's vesting at 50% interest in the Property, Goldcorp has the option to buy back a 20% interest from the Company for a cash payment of up to $310,000, expending $4,100,000 on the Property within two years, and completing a feasibility study within three years.

The Company will be the operator of the Property during the earn-in period and afterwards, provided it holds a 50% or greater interest in the Property. If either party becomes diluted to a 10% interest, that interest will be converted into a 2% Net Smelter Return Royalty.

j. Other Properties

Included in Other Properties (Ontario, Newfoundland, and Yukon) are the Newfoundland Dog Pond Property; Bolton Bay Property; Junction Property; Betts Cove; Long Pond; Donnes Brook; SW Voisey's; Chrome Hill; Nipper's Harbour; Mary March; Sops Arm North; Silver Pond; Cape Ray; Prospector's Pond; Yukon Property; Tully Property, Yellow Fox, Careless Cove, Jackson's Arm, and Gryba. During the three month period ended March 31, 2012, the Company incurred $6,224 (2011: $109,502) in pre-acquisiton exploration and evaluation costs which were included in expenses for the year.

In addition, the Company disposed of the Tully property to Noble Mineral Exploration Inc. (formerly Ring of Fire Resources Inc.) as described in note 5.

During the year, the Company acquired a 100% interest in three claim units in Ogden Township known as the Gryba claims. The claims are contiguous to the Ogden property. Under the terms of the agreement the Company purchased the claims for $25,000 (paid) and issued 100,000 common shares (issued) to the vendor. The vendor will retain a 1% NSR on the property. The costs associated with the Gryba claims are included in Other Properties.

7. CAPITAL AND RESERVES

i. Share Capital

At March 31, 2012, the authorized share capital comprised an unlimited number of common shares and an unlimited number of preferred shares.

To date, no preference shares have been issued.

ii. Share Purchase Warrants

Details of share purchase warrant transactions for the period are as follows:

	# of Warrants	Amount $	Wtd. Avg. Ex. Price	Expiry
Balance, December 31 ,2009	22,262,589	1,017,980		
-Pursuant to private placements (note 8(vii)(i))	4,120,000	279,659	$0.25	Aug 2012
-Broker warrants pursuant to above	388,656	26,381	$0.25	Aug 2012
-Expired in 2010	(9,297,442)	(351,062)	$0.22	
-Exercised during the period	(5,528,807)	(264,832)	$0.10	
Balance, December 31, 2010	11,944,996	708,126		
-Pursuant to private placements (note 8(vii)(ii))	10,484,500	1,819,917	$0.45	Feb 2013
-Broker warrants pursuant to above	1,900,520	362,675	$0.28	Feb 2013
-Exercised during the period	(127,503)	(4,570)	$0.29	
-Expired during the period	(7,336,340)	(396,676)	$0.30	
Balance, Dec. 31, 2011 and March 31, 2012	16,866,173	2,489,472		

For purposes of the warrants granted, the fair value of each warrant was estimated on the date of grant using an option pricing model, using the assumptions noted in note 7vi.

Pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table summarizes information about the warrants outstanding at March 31, 2012 and December 31, 2011:

Expiry Dates	Exercise Price	March 31, 2012 # of Warrants	December 31, 2010 # of Warrants
October 2, 2011	$0.30	-	-
August 3, 2012	$0.25	2,202,503	2,202,503
August 6, 2012	$0.25	2,278,650	2,278,650
February 2, 2013	$0.45	10,484,500	10,484,500
February 2, 2013	$0.28	1,900,520	1,900,520
		16,866,173	16,866,173

iii. Stock Options

Details of stock option transactions for the three month period ended March 31, 2012 and the year ended December 31, 2011 are as follows:

	# of Options	Wtd. Avg. Ex. Price
Balance, December 31, 2010	4,100,000	$0.18
Granted during the period	4,775,000	$0.16
Expired during the period	(1,185,000)	$0.255
Exercised during the period	(150,000)	$0.165
Balance, Dec. 31, 2011 and March 31, 2012	7,540,000	$0.16

The following table summarizes information about the options outstanding at March 31, 2012 and December 31, 2011:

Expiry Dates	Exercise Price	March 31, 2012 # of Options	December 31, 2011 # of Options
April 2011	$0.25	-	-
June 2011	$0.35	-	-
December 2011	$0.17	-	-
December 2012	$0.17	10,000	10,000
August 2014	$0.15	1,380,000	1,380,000
February 2015	$0.16	1,275,000	1,275,000
May 2015	$0.10	100,000	100,000
March 2016	$0.235	1,475,000	1,475,000
August 2016	$0.13	3,000,000	3,000,000
November 2016	$0.10	300,000	300,000
		7,540,000	7,540,000

The Company applies the fair value method of accounting for share-based payments using an option pricing model.

Stock options granted to directors, officers and employees vested during the three month period ended March 31, 2012 are as follows:

Grant Date	# of Options	Exercise Price	Expiry Date
March 9, 2011	91,598	$0.235	March 9, 2016
August 10, 2011	472,141	$0.13	August 10, 2016
Nov 16, 2011	119,372	$0.10	Nov 16, 2016
	683,111		

The Company has calculated $82,592 as share-based payments expense and under capital stock as reserves for the 683,111 options vesting to directors, officers and employees during the period:

- For the 1,475,000 options granted on March 9, 2011, the fair value of each option is $0.0456 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 154%, a risk-free interest rate of 2.44% and an expected life of approximately 5 years.

- For the 3,000,000 options granted on August 10, 2011, the fair value of each vested option is $0.114 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 176%, a risk-free interest rate of 1.35% and an expected life of approximately 5 years.

- For the 300,000 options granted on November 16, 2011, the fair value of each vested option is $0.0751 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 170%, a risk-free interest rate of 1.4% and an expected life of approximately 5 years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

i. Share Issuance – Mineral Property Option Agreements

The Company has issued the following shares in acquiring options on mineral properties at March 31, 2012 (nil issued) and December 31, 2011

	Number		Amount
Issued in 2011			
Tilt Cove – January 18, 2011	40,000	$	11,600
Staghorn - August 11, 2011	100,000		11,000
Gryba – December 7, 2011	100,000		7,000
Ogden - December 14, 2011	1,309,324		85,106
	1,549,324	$	114,706

ii. Shares held in escrow

Pursuant to the requirements of the Exchange on closing of the Acquisition, 1,157,171 common shares remain subject to a surplus escrow agreement.

iii. Private Placements

During the year ended December 31, 2011 the Company completed the following private placements:

(ii) The Company completed a private placement by issuing 3,787,500 flow-through common shares at a price of $0.32 per flow through share and 20,969,000 units at a price of $0.28 per unit for aggregate gross proceeds of $7,083,320. Each unit is comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire an additional common share of the Company at a price of $0.45 until February 4, 2013.

The fair value of the 10,484,500 common share purchase warrants received by investors have been estimated at $1,819,917 using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 159%, a risk-free interest rate ranging of 1.74% and an expected life of 24 months.

Arm's length parties assisting in the private placement received cash commission of $495,832 equal to 7% of gross proceeds of $7,083,320 and broker warrants to the agents entitling holders to acquire 1,900,520 common shares of the Company at a price of $0.28 until February 4, 2013. The warrants were valued at $362,675.

All securities issued in connection with the private placement were subject to a hold period which expired on June 5, 2011.

8. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties during the three month period ended March 31, 2012 and March 31, 2012:

Payee	Description of Relationship	Nature of Transaction	March 31, 2012 Amount ($)	March 31, 2011 Amount ($)
Stares Prospecting Ltd.	Company controlled by Alexander Stares, Director and Officer	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures	101,198	65,429
Eastrock Exploration/ Wayne Reid	Company controlled by Wayne Reid, Director and Officer	Payments for geological consulting services, and reimbursement of expenses capitalized in deferred development expenditures	49,024	26,274
Nick Tsimidis	Director and Officer	Payments for consulting fees and reimbursement of expenses	6,780	6,816

The purchases from/fees charged by related parties are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities at March 31, 2012 is:

- $20,150 payable to Stares Prospecting Ltd., (2011: $28,895);
- $14,221 payable to Eastrock Exploration Inc., (2011: $14,677)
- $6,780 payable to Nick Tsimidis (2011: $NIL)

Key management personnel remuneration during the period included $178,180 (March 31, 2011 - $92,188) in salaries and benefits and $36,585 (December 31, 2010 - $92,870) in share-based payments.

9. INCOME TAXES

a. Income tax recovery

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 26.25% (December 31, 2011 – 28.25%).

	March 31, 2012	March 31, 2011
Loss before taxes	$ (251,541)	$ (419,945)
Expected income tax expense (recovery) calculated using statutory rates	(66,030)	(118,634)
Non-deductible expenses and other	22,101	41,571
Share issue costs	(13,911)	(17,405)
Recognized benefit of deferred tax assets	(263,416)	(130,387)
CCA	(1,075)	-
Flow-through expenditures	-	72,779
Change in effective tax rates	12,678	25,868
Income tax expense (recovery)	$ (309,653)	$ (126,208)

b. Deferred Tax Balances

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities at the combined Canadian federal and provincial statutory tax rates are as follows:

	March 31, 2012	December 31, 2011
Non-capital losses	$ 752,616	$ 772,009
Investments	13,296	16,129
Deferred exploration expenditures	(1,328,409)	(1,054,372)
Share issue costs	155,080	168,328
Property and equipment	2,600	2,742
Valuation allowance	(22,267)	(22,267)
	$ (427,084)	$ (117,431)

c. Income Tax Information

The Company has non-capital losses which will expire, if unused, as follows:

Year of Expiry	**Amount**
2014	$ 21,566
2015	67,503
2026	50,507
2027	426,007
2028	477,824
2029	628,389
2030	595,537
2031	518,696
2032	224,433
TOTAL	**$ 3,010,462**

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income.

10. STAKING SECURITY DEPOSITS

Staking security deposits of $38,950 (December 31, 2010 – $7,150) represents security amounts paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These staking security deposits are refundable to the company upon submission by the company of a report covering the first year work requirements which meets the requirements of the Government of Newfoundland and Labrador.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2012 $	December 31, 2011 $
Shares issued for option on mineral properties	-	114,706
Broker warrants issued	-	362,675

12. LOSS PER SHARE

Basic loss per share figures are calculated using the weighted average number of common shares outstanding during the period.

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations and therefore fully-diluted loss per share is not presented.

13. COMMITMENTS

The Company leases automobiles under various operating leases, which have expiry dates ranging from August 2012 to August 2013. The future minimum annual fiscal lease payments over the term of the leases are as follows:

2012		9,326
2013		5,778
	$	15,104

The company also has commitments as described in note 6 related to mineral properties and deferred development expenditures.

During the year ended December 31, 2011, the Company announced that it had entered into an investor relations contract whereby the Company will pay the provider a monthly fee of $5,000 and grant 300,000 stock options of the Company with an exercise price of $0.10 expiring on the earlier of 5 years from the date of grant or the expiration or termination of the agreement and will vest in quarterly increments over a 12 month period. The term of the agreement is 12 months however it may be terminated by either party after 5 months provided 30 days written notice is given to the other party. Subsequent to the period ended March 31, 2012, the Company terminated the agreement.