

**White Pine Resources Inc.**  
(A Development Stage Company)

**Consolidated Financial Statements**  
**Years ending**  
**March 31, 2010 and 2009**

## **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements of White Pine Resources Inc. (formerly WSR Gold Inc.) (A Development Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the audited consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)

John Tait  
Chief Executive Officer

(signed)

Mario Miranda  
Chief Financial Officer

July 6, 2010

## AUDITOR'S REPORT

**To the Shareholders of  
White Pine Resources Inc.  
(A Development Stage Company)**

We have audited the consolidated balance sheets of White Pine Resources Inc. as at March 31, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the years ended March 31, 2010 and 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

*Collins Barrow Toronto LLP*

Licensed Public Accountants  
Chartered Accountants  
Toronto, Ontario  
May 19, 2010

**White Pine Resources Inc.**  
(A Development Stage Company)  
**Consolidated Balance Sheets**

<b>March 31,</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current assets		
Cash	\$ 1,034,033	\$ 1,017,647
Short-term investment	10,000	10,000
Sundry receivables	247,715	59,929
Prepaid expenses	18,272	152,122
	<u>1,310,020</u>	<u>1,239,698</u>
Exploration advance and supplies inventory (Note 6)	-	689,715
Equipment (Note 5)	15,685	21,434
Mining interests (Note 7)	4,001,568	3,466,860
	<u>4,017,253</u>	<u>4,178,009</u>
	<u>\$ 5,327,273</u>	<u>\$ 5,417,707</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 315,360	\$ 284,426
Exploration advances	-	447,025
	<u>315,360</u>	<u>731,451</u>
<b>Shareholders' Equity</b>		
Share capital (Note 8 (a))	31,420,502	30,013,771
Warrants (Note 8 (c))	3,777,131	2,964,543
Contributed surplus (Note 9)	4,749,029	4,113,754
Deficit	(34,934,749)	(32,405,812)
	<u>5,011,913</u>	<u>4,686,256</u>
	<u>\$ 5,327,273</u>	<u>\$ 5,417,707</u>

See accompanying notes to consolidated financial statements

Going concern (Note 1)

Approved by the board of directors

Signed "T. Pladsen"

Director

Signed "V. Vallance"

Director

**White Pine Resources Inc.**  
(A Development Stage Company)  
**Consolidated Statements of Operations and Deficit**

<b>March 31,</b>	<b>2010</b>	<b>2009</b>	<b>Cumulative since inception December 8, 2006</b>
<b>Revenue</b>			
Interest and other revenues	<u>\$ 991</u>	<u>\$ 234,214</u>	<u>\$ 357,087</u>
<b>Expenses</b>			
General and administrative	390,296	617,084	1,538,330
Stock based compensation (Note 8(b))	472,450	2,849,995	3,737,317
Depreciation	6,828	10,523	20,613
	<u>869,574</u>	<u>3,477,602</u>	<u>5,296,260</u>
Net loss before other items	(868,583)	(3,243,388)	(4,939,173)
Write down of mining interests (Note 7)	(1,618,853)	(13,554,063)	(18,990,975)
Net loss before income taxes	(2,487,436)	(16,797,451)	(23,930,148)
Future income taxes	837,175	1,013,000	2,545,175
<b>Net loss</b>	<u>(1,650,261)</u>	<u>(15,784,451)</u>	<u>(21,384,973)</u>
Warrant modification (Note 8(c))	(878,676)	-	(878,676)
Deficit, beginning of the year	<u>(32,405,812)</u>	<u>(16,621,361)</u>	<u>(12,671,100)</u>
<b>Deficit, end of the year</b>	<u>\$ (34,934,749)</u>	<u>\$ (32,405,812)</u>	<u>\$ (34,934,749)</u>
Basic and diluted loss per share (Note 10)	\$ (0.08)	\$ (1.25)	
Weighted average number of common shares (Note 10)	21,003,618	12,653,704	

**See accompanying notes to consolidated financial statements**

**White Pine Resources Inc.**  
(A Development Stage Company)  
**Consolidated Statements of Cash Flows**

<b>March 31,</b>	<b>2010</b>	<b>2009</b>	<b>Cumulative since inception December 8, 2006</b>
<b>Cash flows from operating activities</b>			
Net loss for the period	\$ (1,650,261)	\$ (15,784,451)	\$ (21,384,973)
Add items not affecting cash:			
Depreciation	6,828	10,523	20,613
Future income taxes	(837,175)	(1,013,000)	(2,545,175)
Stock-based compensation	472,450	2,849,995	3,737,317
Write-down of mineral properties	1,618,853	13,554,063	18,990,975
	<u>(389,305)</u>	<u>(382,870)</u>	<u>(1,181,243)</u>
Changes in non-cash components of working capital:			
Sundry receivables	(187,786)	7,668	(218,692)
Share subscriptions receivable	-	-	-
Prepaid expenses	133,850	(147,122)	(13,605)
Accounts payable and accrued liabilities	1,421	6,704	2,061,654
	<u>(441,820)</u>	<u>(515,620)</u>	<u>648,114</u>
<b>Financing activities</b>			
Broker warrants exercised for cash	-	-	174,375
Common shares issued for cash	290,000	5,500,000	7,081,466
Share issue costs	(193,108)	(736,835)	(983,905)
Flow-through shares issued for cash	2,193,750	5,068,748	9,336,248
Warrants exercised	35,000	469,931	3,042,431
Stock options exercised	-	18,000	18,000
Repayment of advances	-	-	(52,545)
Exploration advances received (paid)	(447,025)	447,025	-
	<u>1,878,617</u>	<u>10,766,869</u>	<u>18,616,070</u>
<b>Investment activities</b>			
Equipment purchase	(1,079)	(18,880)	(36,297)
Exploration advance and supplies inventory	207,048	(689,715)	(482,667)
Purchase of investment	-	-	(1,050,000)
Redemption of investment	-	1,000,000	1,100,000
Mining interests	(1,626,380)	(14,728,978)	(20,586,267)
	<u>(1,420,411)</u>	<u>(14,437,573)</u>	<u>(21,055,231)</u>
<b>Net change in cash</b>	<b>16,386</b>	<b>(4,186,324)</b>	<b>(1,791,047)</b>
Cash, beginning of the year	<u>1,017,647</u>	<u>5,203,971</u>	<u>2,825,080</u>
<b>Cash, end of the year</b>	<b>\$ 1,034,033</b>	<b>\$ 1,017,647</b>	<b>\$ 1,034,033</b>

# White Pine Resources Inc.

## Notes to the consolidated financial statements

### March 31, 2010 and 2009

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#### 1. Nature of operations and going concern

White Pine Resources Inc. (a development stage Company) ("WPR" or the "Company") is a publicly listed Canadian junior resource company with mining interests in Canada.

WPR is engaged in the identification, acquisition, evaluation and exploration of gold, nickel, copper, zinc, silver and other base metal properties in Canada. The Company has not determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mining interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and attaining future profitable production from the properties or proceeds from disposition.

The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mining interests. There is significant uncertainty on whether the Company will be able to further fund its exploration programs since there is no assurance it will be able to raise sufficient funds in the future.

At March 31, 2010, the Company had working capital of \$994,660 and an accumulated deficit of \$34,934,749. Management of the Company believes that it has sufficient funds to pay its ongoing expenses and to meet its liabilities for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its exploration activities is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying audited consolidated financial statements. Such adjustments could be material.

#### 2. Summary of significant accounting policies

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and reflect the following policies:

##### (a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Electrum Slater Resources Corporation, Spiral Mountain Corporation and Tupper Shields Copper Corporation. The Company's subsidiaries have currently suspended their exploration and development activities and are inactive.

##### (b) Basis of presentation

On December 16, 2008, the Company's shareholders approved a 10 for 1 consolidation of its outstanding common shares effective December 18, 2008, the day on which the Company's common shares began trading under the symbol WPR.

All references to share and per-share data, warrants and stock options for all periods presented in the financial statements have been adjusted to give effect to the 10 for 1 common share consolidation.

# White Pine Resources Inc.

## Notes to the consolidated financial statements

### March 31, 2010 and 2009

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#### **(c) Short-term investment**

Short-term investment represents an investment in a guaranteed investment certificate ("GIC") with a maturity date of more than ninety days held with a Canadian chartered bank. The GIC is held as a collateral security on Company credit cards.

#### **(d) Equipment**

Equipment is stated at cost. Equipment consists of computer equipment and furniture. Amortization is provided using the declining balance basis at the following annual rates based on the estimated useful lives of the equipment:

Computer equipment and software	45%
Furniture and equipment	20%

#### **(e) Mining interests**

The Company accounts for mining interest costs in accordance with the CICA Handbook Section 3061, "Property, Plant and Equipment" ("CICA 3061"), and abstract EIC 174, "Mining Enterprises for Exploration Costs" of the Emerging Issues Committee. CICA 3061 provides for the capitalization of acquisition and exploration costs of an exploration property where such costs are considered to have the characteristics of property, plant and equipment.

Mining interests which includes interest in mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they will be depleted on a units of production method based on proven and probable reserves. If a property is subsequently determined not to be economic, the property and related deferred costs are written down to net recoverable amount. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations in the year of sale or abandonment.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value is reduced by any option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year of impairment.

#### **(f) Asset retirement obligations**

The fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Company did not have any material asset retirement obligations as of March 31, 2010 and March 31, 2009.

# White Pine Resources Inc.

## Notes to the consolidated financial statements

### March 31, 2010 and 2009

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#### **(g) Flow-through financing**

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to mineral properties. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, taxable differences created by the renunciation will reduce share capital.

#### **(h) Stock based compensation plan**

The Company recognizes stock based compensation expense for grants of options to officers, directors and employees in the consolidated financial statements based on the estimated fair value at the grant date. Stock based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to stock options under shareholders' equity. When stock options are exercised, the corresponding value is transferred from stock options to capital stock. The Company's stock option plan is described in Note 8(b).

#### **(i) Income taxes**

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method of tax allocation, future income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantively enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that those future income tax assets will not be realized.

#### **(j) Loss per common share**

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

#### **(k) Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the report period. The most significant estimates are related to the recoverability of mining interests, valuation of stock based compensation and warrants, and valuation of future tax assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

# White Pine Resources Inc.

## Notes to the consolidated financial statements

### March 31, 2010 and 2009

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#### **(l) Investment in joint venture**

The investment in joint venture is accounted for using proportionate consolidation.

#### **(m) Financial instruments**

The Company has made the following classifications:

Cash	Held-for-trading
Short-term investment	Held-for-trading
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Transaction costs are expensed as incurred for all financial instruments and the Company had no other comprehensive income or loss transactions during the year. Accordingly, a statement of comprehensive income has not been presented.

#### **(n) Change in accounting policies**

##### **Goodwill and intangible assets**

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets" ("Section 3064") which replaces Section 3062, "Goodwill and Other Intangible Assets." Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets for profit-oriented enterprises. This standard was effective for the Company on April 1, 2009. Adoption of this standard had no impact on the Company's financial statements.

##### **Financial instruments**

During 2009, CICA Handbook Section 3862, *Financial Instruments – Disclosures* ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3: Inputs that are not based on observable market data.

At March 31, 2010 and 2009, the Company's financial instruments consisted of cash, short term investments, other current assets, accounts payable and accrued liabilities. With respect to all of these financial instruments, the Company estimates that the fair value of these financial instruments approximates the carrying values as at March 31, 2010 and March 31, 2009, respectively.

At March 31, 2010, the Company's short-term investments are classified as level 2 on the fair value hierarchy.

# White Pine Resources Inc.

## Notes to the consolidated financial statements

### March 31, 2010 and 2009

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#### **Future accounting changes**

##### **(a) International Financial Reporting Standards ("IFRS")**

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its consolidated financial statements.

##### **(b) Business combinations**

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Management is currently evaluating the impact of adopting this accounting standard on the Company's consolidated financial statements but does not expect to have any significant impact.

##### **(c) Non-controlling interests**

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this accounting standard on the Company's consolidated financial statements.

##### **(d) Consolidated financial statements**

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this accounting standard on the Company's consolidated financial statements.

##### **(e) Equity**

In August 2009, the CICA issued certain amendments to Section 3251 – "Equity". The amendments apply to entities that have adopted Section 1602 – "Non-controlling interests". The amendments require separate presentation on the statements of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interests. The amendments also require that non-controlling interests be presented separately as a component of equity. As the Company has not adopted section 1602, which is not mandatory until the year beginning January 1, 2011, the amendments are not applicable to the Company and there is no impact to the financial statements for the year ended March 31, 2010.

# White Pine Resources Inc.

## Notes to the consolidated financial statements

### March 31, 2010 and 2009

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#### **3. Capital management**

The Company's capital consists of common shares, warrants and contributed surplus totaling \$39,946,662 (March 31, 2009 \$37,092,068). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended March 31, 2010. The Company is obligated to spend funds raised through flow-through financing on qualifying expenses. At March 31, 2010 \$400,862 remained unspent in this respect.

#### **4. Property and financial risk factors**

##### **a) Property risk**

As at March 31, 2010, the Company had interests in the Lowland, Garden Island, Luc Bourdon and MZ properties (the "Properties"). 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 and non-compliance with regulatory requirements.

##### **b) Financial risk**

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

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

##### **Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and short-term investments and sundry receivables. Cash and short-term investments consist of cash on hand and short-term securities with reputable financial institutions. Amounts receivable are in good standing as of March 31, 2010. Management believes that the credit risk concentration with respect to financial instruments included in cash and short-term investments and amounts receivable is minimal.

# White Pine Resources Inc.

## Notes to the consolidated financial statements

### March 31, 2010 and 2009

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#### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company has cash and short-term investments balances of \$1,044,033 (March 31, 2009 \$1,027,647) to settle current liabilities of \$315,360 (March 31, 2009 \$731,451). Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates.

#### **Interest rate risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term securities and marketable securities which consist of certificates of deposit, banker's acceptances and discount notes ("fixed income"). The Company's cash balances and short-term investments bear interest at floating rates and as such are subject to interest rate cash flow risk resulting from market fluctuation in interest rates.

#### **c) Other risk**

##### *Commodity price risk*

WPR is exposed to price risk, mainly gold and nickel, with respect to commodity prices which affects the valuation of mining interests and share price. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. WPR closely monitors commodity prices as it relates to precious and base metals to determine the appropriate course of action to be taken.

#### **d) Sensitivity analysis**

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

As of March 31, 2010, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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

Investment is subject to floating interest rates. As at March 31, 2010, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended March 31, 2010 would have varied by approximately \$10,300, as a result of the variance in interest income from cash and cash equivalents. Similarly, as at March 31, 2010, shareholders' equity would have varied by \$10,300 as a result of the variance in interest income from cash and cash equivalents due to a 1% variance in interest rates.

White Pine Resources Inc.  
Notes to the consolidated financial statements  
March 31, 2010 and 2009

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**5. Equipment**

	March 31, 2010			March 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 4,516	\$ 3,479	\$ 1,037	\$ 3,436	\$ 2,630	\$ 806
Computer software	13,484	9,405	4,079	13,484	6,068	7,416
Furniture and equipment	17,356	6,787	10,569	17,356	4,144	13,212
	<u>\$ 35,356</u>	<u>\$ 19,671</u>	<u>\$ 15,685</u>	<u>\$ 34,276</u>	<u>\$ 12,842</u>	<u>\$ 21,434</u>

**6. Exploration advances and supplies inventory**

Exploration advances and supplies inventory consists of the following:

	3/31/2010	3/31/2009
Deposits - Garden Island project	\$ -	\$ 325,000
Deposits on Garden Island from Noront	-	207,048
Fuel supplies	-	157,667
	<u>\$ -</u>	<u>\$ 689,715</u>

**7. Mining interests**

The following schedules describe the carrying values of each property as at March 31, 2010 and year ended March 31, 2009:

	March 31, 2010				
	MZ	Lowland	Luc Bourdon	Garden Island	Total
Acquisition costs	\$ 39,825	\$ 15,854	\$ 175,000	\$ -	\$ 230,679
Exploration	65,952	13,155,607	1,118,854	325,000	14,665,413
Write-downs	-	(9,275,671)	(1,293,854)	(324,999)	(10,894,524)
	<u>\$ 105,777</u>	<u>\$ 3,895,790</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 4,001,568</u>

White Pine Resources Inc.  
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	March 31, 2009				
	Lowland	Luc Bourdon	Big Mac	Tri-Eagle	Total
Acquisition costs	\$ 15,854	\$ 175,000	\$ 1,735,518	\$ 207,124	\$ 2,133,496
Exploration	12,216,864	334,813	1,971,338	364,412	14,887,427
Write-downs	(9,275,671)	-	(3,706,856)	(571,536)	(13,554,063)
	\$ 2,957,047	\$ 509,813	\$ -	\$ -	\$ 3,466,860

### MZ (Boston Creek Gold Property)

On December 14, 2009, WPR announced the signing of an agreement for the acquisition of an option to acquire the MZ gold property ("MZ") located in the Boston Creek gold mining district south of Kirkland Lake, Ontario. The MZ gold property, consisting of 608 hectares, can be acquired from two local prospectors for consideration of cash, shares and exploration expenditures based on the following timetable:

To acquire an initial 50% interest in the property:

- On signing: \$20,000 cash plus 50,000 WPR shares, valued at \$15,000;
- By January 1<sup>st</sup>, 2011: \$20,000 cash plus 100,000 WPR shares, and incur \$100,000 in exploration expenditures;
- By January 1<sup>st</sup>, 2012: \$20,000 cash plus 100,000 WPR shares, and incur \$100,000 in exploration expenditures.
- By January 1<sup>st</sup>, 2013: incur \$150,000 in exploration expenditures.

At the option of WPR, to acquire an additional 50% interest in the property:

- By January 1<sup>st</sup>, 2013: \$20,000 cash plus 100,000 WPR shares,
- By January 1<sup>st</sup>, 2014: \$120,000 cash plus 400,000 WPR shares, and incur \$500,000 in exploration expenditures.
- By December 31, 2014: incur \$500,000 in exploration expenditures.

A 2% net smelter return royalty has been retained by the prospectors with the option of 1% being purchased by WPR for \$1 million.

### Lowland

On March 26, 2008 the Company entered into an option agreement with Metalex Ventures Ltd. ("Metalex"), and Arctic Star Diamond Corp. ("Arctic") pursuant to which WPR was granted the option to acquire a 50% interest in certain claims of Metalex's and Arctic's James Bay properties located on and around the "Ring of Fire" and covering approximately 36 square kilometers.

Under the terms of the agreement, WPR has the right to fund a maximum of \$20.0 million in expenditures on the Lowland property over a four year period. For each \$5.0 million in expenditures, WPR will acquire a 12.5% interest in the Lowland property, up to a maximum 50% interest. WPR should fund the required \$20.0 million in expenditures by way of:

- Meeting cash calls of \$5.0 million before May 16, 2009. Anytime after the first cash call has been met, the Company may elect to terminate the option agreement.

# White Pine Resources Inc.

## Notes to the consolidated financial statements

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- Meeting cash calls of \$5.0 million before May 15, 2010;
- Meeting cash calls of \$ 5.0 million before May 15, 2011;
- Meeting cash calls of \$ 5.0 million before May 15, 2012.

As at March 31, 2010 the Company has spent \$13.2 million (including \$9.3 million written-off during fiscal 2009), meeting its commitment up to May 15, 2010 and earning a 25% interest in the Lowland property. If WPR authorizes additional spending in a period they must meet all additional cash calls made to be in compliance with the agreement.

WPR may at any time prior to the termination of the option period earn a full 50% interest by making a lump sum payment to Metalex in the amount of \$20.0 million minus the amount of expenditures that WPR has funded to date.

During fiscal 2009, the Company recorded an impairment charge of \$9.3 million on this project.

#### **Luc Bourdon**

On September 11, 2008 WPR and Noront Resources Ltd. ("Noront") entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley"), providing WPR and Noront with the option to acquire from Golden Valley an aggregate 70% interest in the Luc Bourdon property located in the lowland region of James Bay, Ontario. WPR and Noront jointly control the option and WPR has accounted for the option as a joint venture.

In order to satisfy its payments under the agreement, WPR paid to Golden Valley on September 19, 2008 the amount of \$175,000 by paying \$25,000 in cash and issuing Golden Valley 34,091 WPR common shares with a fair value of \$4.40 per share.

WPR and Noront are required to incur aggregate exploration expenditures on the property of at least \$5.0 million over a three-year period, of which \$1.0 million must be expended in the first year. As at March 31, 2010 the Joint Venture has spent \$2.6 million on the project.

Upon WPR and Noront earning their collective 70% interest in the property, WPR, Noront and Golden Valley will enter into a joint venture agreement. The joint venture agreement will require WPR and Noront to fund all project costs up to the start of commercial production from the property. Following the commencement of commercial production, any remaining cash, after payment of operating expenses and third party financing costs, will be distributed to Noront and WPR until such time as the aggregate of their project costs, including interest, up to the commencement of commercial production have been repaid, following which subsequent cash flow shall be distributed to the parties on a pro rata basis.

Included in cash is \$Nil (March 31, 2009 \$500,000) in restricted cash advanced by Noront for future expenditure on the Luc Bourdon property. Included in sundry receivables there is \$43,327 receivable from Noront on project expenditures advanced by WPR.

WPR has recorded its 50% proportionate interest in the assets of the joint venture. The assets of the joint venture are as follows:

- Mining interest: \$2,587,708
- The joint venture had no revenue or expenses.
- Cash flow from investing activities: \$ (2,437,708)

During the year ended March 31, 2010 the Company incurred \$784,041 on exploration expenditures on this project.

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During fiscal 2010 WPR evaluated its investment in this property for impairment. Within the elements considered were the exploration results obtained on the property during the year, market value of its equity and value estimated in by other companies within the area. Based on these results the Company decided to write-off the full value of its investment in this property.

#### **Garden Island**

On February 25, 2009 the Company entered into an agreement (the "Garden Island Option Agreement") with TSR Resources Inc. ("TSR") where TSR granted the Company an option to acquire an individual 20% right, title and interest for a resulting aggregate 10% right, title and interest (the "Interest") in and to 296 mineral claims located in Piedmont, Courville, Pascalis and Senneville Townships of Quebec, which mineral claims are collectively known as the Garden Island Property (the "Property").

TSR and Noront entered into an option agreement dated July 6, 2007 and amended on July 10, 2008 (the "Noront Option Agreement"), pursuant to which Noront has acquired a 50% interest in the Property and upon exercise of the Garden Island Option Agreement, the Property shall thereafter be held as 50% by Noront, as to 40% by TSR and 10% by WPR.

To exercise the Option and thereby acquire the Interest, WPR shall incur expenses on the Property in the aggregate amount of \$325,000 which qualify as Canadian Exploration Expenses as defined in the Income Tax Act (Canada). On March 4, 2009 the Company advanced \$325,000 to TSR for this purpose. This amount had been included in exploration advance and supplies inventory on the balance sheet up to December 31, 2009.

Given subsequent discouraging exploration results, during fiscal 2010 the Company decided to write-down the property to a nominal amount.

#### **Tri-Eagle**

On November 1, 2007 the Company entered into an option agreement with Noront Resources Ltd. ("Noront") pursuant to which WPR was granted the option to acquire a 50% interest in Noront's Tri-Eagle property. The area included 15 Claim Blocks, approximately 4,400 hectares (9,600 acres) in the "Ring of Fire", McFauld's Lake, Ontario, near Noront's nickel copper discovery.

Given market conditions and exploration results the Company decided to discontinue its exploration efforts on this project and fully wrote off the property during fiscal 2009.

#### **Big Mac**

On February 15, 2008, the Company entered into an option agreement pursuant to which WPR agreed to acquire 75% interest in MacDonald Mines Exploration Ltd. ("MacDonald") "Big Mac" property. The Big Mac property included 51 claim blocks, approximately 11,200 hectares, in the "Ring of Fire".

Given market conditions and exploration results the Company decided to discontinue its exploration efforts on this project and fully wrote off the property during fiscal 2009.

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**8. Share capital**

**a. Capital stock**

**Common share consolidation**

On December 16, 2008, the Company's shareholders approved a 1 for 10 consolidation of its outstanding common shares effective December 18, 2008, the day on which the Company's common shares began trading on the TSX Venture Exchange under the symbol WPR. In connection with the common share consolidation, the number of shares of the Company's common stock was reduced from 113,176,617 to 11,317,660 without any change in par value. All references to share and per share data for all periods presented in the consolidated financial statements have been adjusted to give effect to the 1 for 10 common share consolidation.

The following schedule describes the Company's capital transactions for the years ended March 31, 2010 and 2009:

	<u>Common shares</u>	<u>Amount</u>
Balance March 31, 2008	9,406,265	\$ 20,943,737
Flow-through shares issued	6,858,333	5,068,748
Tax effect of flow-through shares	-	(1,013,000)
Fair value of warrants issued on flow-through shares	-	(1,157,974)
Issued under private placement	1,100,000	5,500,000
Fair value of warrants issued under private placement	-	(1,178,986)
Warrants exercised (Note 7c)	187,973	469,931
Warrants value transfer to common shares	-	187,973
Warrants expired	-	2,182,040
Issued on exercise of options	6,000	18,000
Fair value of options exercised	-	12,720
Share issue cost	-	(1,169,418)
Issue on acquisition of mineral interest (Note 7)	34,091	150,000
Fractional share adjustment	(2)	-
Balance March 31, 2009	<u>17,592,660</u>	<u>\$ 30,013,771</u>
Flow-through shares issued	4,874,999	2,193,750
Tax effect of flow-through shares	-	(805,000)
Fair value of warrants issued under private placement	-	(65,176)
Issued under private placement	725,000	290,000
Warrants exercised	100,000	35,000
Warrants value transfer to common shares	-	7,616
Issued on acquisition of mineral interest (Note 7)	50,000	15,000
Share issue cost	-	(264,459)
Balance March 31, 2010	<u>23,342,659</u>	<u>\$ 31,420,502</u>

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## Notes to the consolidated financial statements

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On April 25, 2008 the Company completed a private placement financing raising gross proceeds of \$8,999,998 by issuing 1,100,000 units ("Units") at a price of \$5.00 per Unit and 583,333 flow-through units ("FT Units") at a price of \$6.00 per FT Unit. Each Unit consists of one common share of WPR and one-half of one common share purchase warrant. Each FT Unit consists of one flow-through common share ("FT Share") and one-half of one common share purchase warrant. The warrants are exercisable at \$6.50 until April 25, 2010. In connection with this offering, the Company paid its agents a cash commission of 6.5% of the gross proceeds raised in the offering, as well as 109,417 warrants with a fair value of \$3.95 per warrant. Each compensation warrant entitles the holder to acquire one Unit at an exercise price of \$5.00 until April 25, 2010. The Company incurred \$1,127,685 in share issue costs in connection with this financing.

On December 23, 2008 WPR completed a brokered private placement financing raising gross proceeds of \$1,068,750 by issuing 4,275,000 FT Units at \$0.25 per FT Unit. Each FT Unit consists of one FT Share and one common share purchase warrant. The warrants are exercisable at \$0.35 until December 23, 2009. All securities issued in connection with this offering are subject to a statutory hold period expiring April 24, 2009. The Company incurred \$41,733 in share issue costs in connection with this financing. On January 16, 2009 the Company completed an additional \$500,000 financing, being a supplement of the December 23, 2008 brokered private placement, by issuing 2,000,000 additional FT units at \$0.25 per FT unit. The Units issued under the supplemental financing have the same features as the ones issued under the original financing.

During the year ended March 31, 2009, 6,000 options were exercised for net proceeds of \$18,000.

On August 25, 2009 the Company completed a private placement order which WPR issued 4,874,999 FT Shares at a price of \$0.45 per FT Share and 725,000 Units at a price of \$0.40 per Unit. Each unit consist of one common share and one-half of one WPR share purchase warrant, each whole such warrant entitling the holder thereof to acquire one additional WPR common share for a period of 24 month at an exercise price of \$0.65.

In connection with the offering WPR paid finder's fees to certain qualified registrants assisting in the offering in the amount of \$161,444 representing 6.5% of the gross proceeds raised by such finder, and issued 316,874 broker warrants to such finders representing 6.5% of the aggregate number of FT Shares sold by such finders in the offering. The broker warrants are exercisable at a price of \$0.45 per share, for a period of two years following the closing of the offering.

#### **b. Stock Based Compensation**

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to acquire common shares to directors, officers, employees and other ongoing service providers. During the current fiscal year, the Plan was converted into a "rolling plan" where the aggregate number of common shares which may be issued and sold under the Plan will not exceed 10% of the aggregate number of common shares issued and outstanding from time to time. The number of common shares which may be reserved for issue to any one individual under the Plan within any one-year period shall not exceed 5% of the outstanding issue. The board of directors or Committee shall determine the exercise price of options issued, as applicable, based on the market price. The options are non-assignable and may be granted for a term not exceeding five years. Options issued under the Plan may vest at the discretion of the Board of Directors. The total number of shares available for issue under the plan as at March 31, 2010 is 835,266.

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The changes in stock options for the years ended March 31, 2010 and 2009 are as follows:

	March 31, 2010		March 31, 2009	
	Number of options	Weighted average price	Number of options	Weighted average price
Outstanding, beginning of period	1,519,000	\$ 3.28	255,000	\$ 5.83
Exercised	-	-	(6,000)	3.00
Expired	(20,000)	6.00	(92,500)	6.05
Granted	-	-	1,362,500	2.99
Outstanding, end of period	1,499,000	\$ 3.24	1,519,000	\$ 3.28

The following schedule describes the remaining average life remaining on these stock options as at March 31, 2010:

Exercise price	Outstanding		Exercisable	
	Rem. Life	Units	Rem. Life	Units
\$5.00	1.03	20,000	1.03	20,000
\$6.00	2.01	139,000	2.01	139,000
\$6.70	1.13	20,000	1.13	20,000
\$8.00	3.20	435,000	3.20	435,000
\$0.35	3.89	885,000	3.89	885,000
\$3.24	3.44	1,499,000	3.44	1,499,000

On June 11, 2008, the Company granted options to directors and consultants to acquire 447,500 common shares at \$8.00 per share for five years. These options have an estimated fair value of \$2,996,993 and vest over a period of eighteen months with 25% vesting immediately and 25% every six months thereafter. The fair value was estimated using the Black-Scholes option-pricing model using the following assumptions: dividend yield 0%; expected volatility 121%; risk-free interest rate 3.45%; and an expected life of five years.

On July 16, 2008, the Company granted options to an officer of the Company to acquire 30,000 common shares at \$6.00 per share for five years. These options have an estimated fair value of \$147,393 and vest over a period of twelve months with 25% vesting immediately and 25% every four months thereafter. The fair value was estimated using the Black-Scholes option-pricing model using the following assumptions: dividend yield 0%; expected volatility 120%; risk-free interest rate 3.3%; and an expected life of five years.

On February 17, 2009, the Company granted options to officers, directors and consultants of the Company to acquire 885,000 common shares at \$0.35 per share for five years. These options have an estimated fair value of \$263,774 and vested when granted. The fair value was estimated using the Black-Scholes option-pricing model using the following assumptions: dividend yield 0%; expected volatility 127%; risk-free interest rate 1.74%; and an expected life of five years.

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**c. Warrants**

The following schedule describes the Company's warrants transactions for the year ended March 31, 2010 and the year ended March 31, 2009:

	Warrants		Broker Warrants		Total	
	Number of Warrants	Value	Number of Warrants	Value	Number of Warrants	Value
Balance at March 31, 2008	2,089,250	\$ 2,565,012	-	\$ -	2,089,250	\$ 2,565,012
Issued on private placement	7,116,667	2,336,961	-	-	7,116,667	2,336,961
Compensation warrants	-	-	109,417	432,583	109,417	432,583
Exercise of warrants	(187,973)	(187,973)	-	-	(187,973)	(187,973)
Expired during the year	(1,851,277)	(2,182,040)	-	-	(1,851,277)	(2,182,040)
Balance at March 31, 2009	7,166,667	2,531,960	109,417	432,583	7,276,084	2,964,543
Issued on private placement	362,500	65,176	-	-	362,500	65,176
Exercise of warrants	(100,000)	(7,616)	-	-	(100,000)	(7,616)
Compensation warrants	-	-	316,874	71,352	316,874	71,352
Warrants modification	-	878,676	-	-	-	878,676
Expired during the year	(50,000)	(195,000)	-	-	(50,000)	(195,000)
Balance at March 31, 2010	7,379,167	\$ 3,273,196	426,291	\$ 503,935	7,805,458	\$ 3,777,131

The following schedule describes the remaining life of these warrants as at March 31, 2010:

Exercise price	Expiry Date	Warrants	Value
\$6.50	April 25, 2010	841,667	1,823,567
\$5.00	April 25, 2010	109,417	432,583
\$0.35	December 23, 2010	4,175,000	908,615
\$0.35	January 26, 2011	2,000,000	475,838
\$0.65	August 25, 2011	362,500	65,176
\$0.45	August 25, 2011	316,874	71,352
\$1.10		7,805,458	\$ 3,777,131

During the year ended March 31, 2009, 187,973 warrants were exercised at \$2.50 per share for net proceeds of \$469,931. The fair value of these warrants is \$187,973. Also, on November 17, and December 13, 2008 1,147,527 warrants exercisable at a price of \$2.50 and 703,750 warrants exercisable at \$4.50 expired. The fair value of these expired warrants was \$1,147,527 and \$1,034,513 respectively.

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## Notes to the consolidated financial statements

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In connection with the April 25, 2008, private placement the Company issued warrants exercisable into 841,667 common shares of WPR at an exercise price of \$6.50 per share until April 25, 2010. The fair value assigned to the issued warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 118%; risk-free interest rate of 2.94% and an expected life of two years. The fair value assigned was \$1,929,250.

In connection with this offering and as described in note 8(a) the Company paid to its agents a commission of 109,417 compensation warrants, representing 6.5% of the total number of Units and FT Units sold in the offering. Each compensation warrant is exercisable to acquire one Unit at an exercise price of \$5.0 until April 25, 2009. The fair value assigned to these warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 118%; risk-free interest rate of 2.94% and an expected life of one year. The fair value assigned was \$432,583. This warrants expired unexercised.

As described in note 8, on December 23, 2008 the Company issued 4,275,000 warrants (Series 2008- II) exercisable before December 23, 2009 at an exercise price of \$0.35. The fair value assigned to the issued warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 143%; risk-free interest rate of 1.23% and an expected life of one year. The fair value assigned to these warrants was \$325,574. The terms of these warrants were modified on November 19, 2009.

On January 16, 2009 the Company issued 2,000,000 warrants (Series 2009-I) exercisable before January 16, 2010 at an exercise price of \$0.35. The fair value assigned to the issued warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 143%; risk-free interest rate of 1.23% and an expected life of one year. The fair value assigned to these warrants was \$187,818. The terms of these warrants were modified on November 19, 2009.

In connection with the August 25, 2009 financing the Company issued 362,500 share purchase warrant of WPR, each whole such warrant entitles the holder thereof to acquire one additional common share of WPR for a period of 24 month at an exercise price of \$0.65. The fair value assigned to the issued warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 141%; risk-free interest rate of 1.29% and an expected life of two year. The fair value assigned to these warrants was \$65,176.

In connection with the offering WPR paid finder's fees to certain qualified registrants assisting in the offering in the amount of \$161,444 representing 6.5% of the gross proceeds raised by such finder, and issued 316,874 broker warrants to such finders representing 6.5% of the aggregate number of FT Shares sold by such finders in the offering. The broker warrants are exercisable at a price of \$0.45 per share, for a period of two years following the closing of the offering. The fair value assigned to the issued warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 141%; risk-free interest rate of 1.29% and an expected life of two year. The fair value assigned to these warrants was \$71,352.

On November 19 2009, WPR extended the term of some of its warrants as follows:

An aggregate of 4,175,000 Series 2008-II warrants, originally issued in December 2008, exercisable at \$0.35 per share until December 23, 2009 were extended to December 23, 2010.

An aggregate of 2,000,000 Series 2009-I warrants, originally issued on January 26, 2009 and exercisable at \$0.35 per share until January 26, 2010 were extended to January 26, 2011.

The Company has recorded the incremental difference as a capital transaction based on the fair value of these warrants immediately prior to and after the modification.

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## Notes to the consolidated financial statements

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The fair value of the series 2008-II warrants was estimated using the Black-Scholes pricing model using the following assumptions prior to the date of extension: dividend yield 0%; expected volatility 95%; risk free interest rate 0.16% and expected average life of 0.09 years. The fair value was estimated using the Black-Scholes pricing model using the following assumptions as at the date of extension: dividend yield 0%; expected volatility 142%; risk free interest rate 0.47% and an expected average life of 1.09 years. The resulting incremental fair value of \$590,657 associated with the common share purchase warrants held by shareholders was recorded as a charge to retained earnings, with a corresponding entry to warrants.

The fair value of the series 2009-I warrants was estimated using the Black-Scholes pricing model using the following assumptions prior to the date of extension: dividend yield 0%; expected volatility 91%; risk free interest rate 0.22% and expected average life of 0.19 years. The fair value was estimated using the Black-Scholes pricing model using the following assumptions as at the date of extension: dividend yield 0%; expected volatility 150%; risk free interest rate 0.47% and an expected average life of 1.19 years. The resulting incremental fair value of \$288,019 associated with the common share purchase warrants held by shareholders was recorded as a charge to retained earnings, with a corresponding entry to warrants.

During the fourth quarter of fiscal 2010, 50,000 warrants exercisable at \$5.00 expired. The fair value of these warrants, which amount was credited to contributed surplus, was \$195,000.

#### 9. Contributed surplus

Balance, March 31, 2008	\$ 1,276,480
Stock based compensation	2,849,994
Options exercised during the period	<u>(12,720)</u>
Balance at March 31, 2009	4,113,754
Stock based compensation	472,450
Expiry of warrants	195,000
Tax effect of expiry of warrants	<u>(32,175)</u>
Balance March 31, 2010	<u>\$ 4,749,029</u>

#### 10. Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Under this method, it is assumed that proceeds on the exercise of stock options and warrants are used by the Company to repurchase Company common shares at the average market price. Stock options and warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

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**11. Income taxes**

**a) Future tax balances**

The tax effects of temporary differences that give rise to future tax assets and future tax liabilities at March 31, 2010 are as follows:

**Future tax balances**

	<u>2010</u>	<u>2009</u>
Resource expenditures pools	\$ 4,147,700	\$ 5,574,000
Non-capital tax loss carry-forwards	910,200	647,000
Share issue costs	189,000	361,000
Valuation allowance	(5,246,900)	(6,582,000)
	<u>\$ -</u>	<u>\$ -</u>

**b) Provision for income taxes**

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 33% (2009 – 33%) to the net loss for the year. The reason for the difference is as follows:

	<u>2010</u>	<u>2009</u>
Loss before income taxes	\$ (2,487,436)	\$ (16,797,451)
Expected tax recovery at statutory rates	(815,000)	(5,543,000)
<i>Increase (decrease) resulting from:</i>		
Stock based compensation	155,000	940,500
Share issue costs	(110,000)	(172,000)
Capital gain on expired warrants	32,175	-
Change in tax rate and other	1,235,750	692,500
Change in valuation allowance	(1,335,100)	3,069,000
	<u>\$ (837,175)</u>	<u>\$ (1,013,000)</u>

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**c) Losses carried forward**

As at March 31, 2010, the Company has non-capital losses carried forward of approximately \$3,641,000 which have not been recognized in these financial statements. The right to use these losses expires as follows:

<b>Losses carry forward</b>	
<b>Year</b>	<b>Tax loss</b>
2014	100,000
2015	333,000
2026	452,000
2027	892,000
2028	555,000
2029	678,000
2030	631,000
Loss carried forward at March 31, 2010	<u>\$ 3,641,000</u>