Pebble Creek Mining Ltd.

(An Exploration Stage Company)

Consolidated Financial Statements
Years Ended March 31,2009 and 2008

HAY & WATSON | Chartered Accountants
1822 West 2nd Avenue, Vancouver, BC, Canada V6J 1H9
P 604 732 1466 F 604 732 3133 E info@hay-watson.bc.ca

AUDITORS' REPORT

To the Shareholders of
Pebble Creek Mining Ltd.

We have audited the consolidated balance sheets of Pebble Creek Mining Ltd. as at March 31, 2009 and 2008 and the consolidated statements of loss and deficit, cash flows and mineral property expenditures for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial positions of the Company as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Hay + Watson

Chartered Accountants
Vancouver, British Columbia
July 21, 2009

Pebble Creek Mining Ltd.

Consolidated Balance Sheets

(see Note 1 – Operations and Going Concern Uncertainty)

March 31, 2009 and 2008

		2009		2008
ASSETS				
Current				
Cash and cash equivalents	**$**	**61,827**	$	1,066,193
Accounts receivable		**3,051**		41,833
Inventory		**1,295**		2,630
Prepaid expenses		**37,382**		24,329
		103,555		1,134,985
Long-term Deposits		**99,740**		99,827
Mineral Property Interests (Note 3 and Statement)		**5,109,360**		4,263,748
Other Capital Assets (Note 6)		**174,208**		204,892
	$	**5,486,863**	$	5,703,452
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**249,886**	$	85,544
Payable to directors		**196,290**		15,430
		446,176		100,974
SHAREHOLDERS' EQUITY				
Share Capital				
Authorized				
Unlimited number of preferred shares without par value				
Unlimited number of common shares without par value				
Issued and fully paid (Note 7)		**7,291,357**		7,048,434
Contributed Surplus (Note 7)		**2,345,440**		1,933,044
Deficit		**(4,596,110)**		(3,379,000)
		5,040,687		5,602,478
	$	**5,486,863**	$	5,703,452

APPROVED BY THE BOARD

"Andrew E. Nevin" Director

"Gyan C. Singhai" Director

Pebble Creek Mining Ltd.

Consolidated Statements of Loss and Deficit
Years Ended March 31, 2009 and 2008

	2009	2008
EXPENSES		
Amortization	**$ 5,933**	$ 7,423
Bank charges and interest	**1,004**	2,171
Corporate development	**54,067**	83,978
Foreign exchange	**26,407**	(2,088)
Insurance	**17,250**	14,389
Legal and audit	**119,737**	89,902
Management fees	**215,460**	210,960
Office	**25,171**	33,465
Rent	**48,667**	46,608
Salaries	**60,528**	76,978
Share-based compensation	**410,406**	297,563
Shareholder costs	**86,072**	51,083
Travel	**42,522**	145,963
Telephone	**15,141**	23,056
Write-down of mineral properties (Note 3)	**97,911**	509,791
	1,226,276	1,591,242
Interest income	**(9,166)**	(36,543)
NET LOSS AND COMPREHENSIVE LOSS	**1,217,110**	1,554,699
DEFICIT, Beginning of Year	**3,379,000**	1,824,301
DEFICIT, End of Year	**$ 4,596,110**	$ 3,379,000
Loss Per Share – Basic and Fully Diluted	**$ (0.04)**	$ (0.06)
Weighted Average Number Of Shares Outstanding	**30,188,403**	24,498,085

Pebble Creek Mining Ltd.

Consolidated Statements of Cash Flows
Years Ended March 31, 2009 and 2008

		2009		2008
Cash Flows From (Used In) Operating Activities				
Interest income	**$**	**9,166**	$	36,543
Cash paid for supplies and services		**(339,762)**		(820,317)
		(330,596)		(783,774)
Cash Flows From (Used In) Financing Activities				
Shares issued, net of issue costs		**244,913**		3,288,298
Cash Flows From (Used In) Investing Activities				
Long term deposits		**87**		(1,478)
Mineral property interests				
Acquisiton costs		**(73,006)**		(84,522)
Exploration costs		**(833,752)**		(2,266,836)
Purchase of other capital assets		**(12,012)**		(30,888)
		(918,683)		(2,383,724)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,004,366)**		120,800
CASH AND CASH EQUIVALENTS, Beginning of Year		**1,066,193**		945,393
CASH AND CASH EQUIVALENTS, End of Year	**$**	**61,827**	$	1,066,193
CASH AND CASH EQUIVALENTS COMPOSED OF:				
Cash	**$**	**61,827**	$	464,598
Short-term deposits		**-**		601,595
	$	**61,827**	$	1,066,193
Supplemental disclosure of non-cash transactions				
Shares issued as finder’s fee (Note 7)	**$**	**-**	$	54,810

Pebble Creek Mining Ltd.

Consolidated Statement of Mineral Property Expenditures
Years Ended March 31, 2009 and 2008

	Askot	Gadarwara	Banda	Other	Total
Balance, March 31, 2007	$ 2,254,891	$ 91,453	$ 30,403	$ 22,235	$ 2,398,982
Option proceeds	-	-	-	-	-
Acquisition costs					
Geological fees and travel expenses	63,167	5,205	6,420	9,730	84,522
Consulting engineers fees	-	-	-	-	-
Exploration					
Geological fees and travel expenses	75,420	3,600	11,977	-	90,997
Assays	7,522	-	-	-	7,522
Drilling	1,062,007	386,298	-	-	1,448,305
Engineering equipment and supplies	2,905	499	-	-	3,404
Office	264,385	1,511	1,816	-	267,712
Professional fees	135,008	1,972	2,264	-	139,244
Salaries	164,266	812	-	-	165,078
Telephone	12,920	44	995	-	13,959
Travel and promotion	50,454	8,303	2,229	-	60,986
Miscellaneous	3,892	39	-	-	3,931
Underground rehabilitation and exploration	78,842	10,055	-	-	88,897
Property write down	-	(509,791)	-	-	(509,791)
Balance, March 31, 2008	4,175,679	-	56,104	31,965	4,263,748
Option proceeds	-	-	-	-	-
Acquisition costs					
Geological fees and travel expenses	52,059	-	-	3,901	55,960
Compliance costs	16,873	-	-	172	17,046
Exploration					
Geological fees and travel expenses	123,247	-	111	-	123,358
Assays	33,439	-	-	-	33,439
Drilling	-	35,181	-	-	35,181
Engineering equipment and supplies	130	-	433	-	563
Office	335,069	1,483	1,901	-	338,453
Professional fees	5,156	-	-	-	5,156
Salaries	147,395	-	883	-	148,278
Telephone	9,366	-	121	-	9,487
Travel and promotion	45,182	-	1,695	-	46,877
Miscellaneous	7,496	-	-	-	7,496
Underground rehabilitation and exploration	122,231	-	-	-	122,231
Property write down		(36,663)	(61,248)	-	(97,911)
Balance, March 31, 2009	$ 5,073,322	$ -	$ -	$ 36,038	$ 5,109,360

1. OPERATIONS AND GOING CONCERN UNCERTAINTY

Pebble Creek Resources Ltd. ("PCR") was incorporated in the Province of British Columbia on April 29, 1993 and to 1996 investigated opportunities in the energy sector under the name Pebble Creek Power Company Ltd. Since that time, PCR has investigated mining prospects for the purposes of the acquisition, exploration, development and mining of gold, copper, silver and other precious and base metals and diamonds. The Company's current minerals properties are all located in India.

PCR incorporated two subsidiary companies in India to acquire rights to the properties under Indian law (Note 3). One of the subsidiary companies, Adi Gold Mining Private Ltd ("Adi"), was incorporated in 1996 for the purposes of acquiring and holding the interests in the Askot Tenure and in the Gadarwara Tenure . A second subsidiary, Hirakund Diamond Exploration Private Ltd. ("Hirakund"), was incorporated in 2003 for the purpose of acquiring and holding the interest in the Banda Prospect.

PCR entered into an agreement with Broadcast Capital Corp. ("Broadcast") dated October 6, 2006 and amended on October 24, 2006, pursuant to which the shareholders of PCR acquired control of Broadcast, a company listed for trading on the TSX Venture Exchange, through a "reverse take over" ("RTO"). PCR and Broadcast completed the plan of arrangement on December 15, 2006, following which Broadcast and PCR were amalgamated under the name Pebble Creek Mining Ltd. (the "Company").

On January 8, 2008 two directors of the Company incorporated an Indian company, Narsinghpur Gold Mining Private Limited ("NGM"). The directors expect to transfer all the outstanding shares of NGM, at cost, to Pebble Creek Mining Ltd. The Company expects to use NGM as a vehicle for certain property acquisitions.

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain economically recoverable reserves of ore. The Company has not earned any revenues from its mineral properties and is considered to be in the exploration stage.

These financial statements have been prepared on the basis that the Company is a going concern, which presumes that the company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a net loss of $1,217,110 for the year ended March 31, 2009 and a working capital deficiency of $342,621 at March 31, 2009. The ability of the Company to continue as a going concern is in substantial doubt and is dependent upon the continued support from its directors and its ability to continue to raise adequate financing. Management is currently seeking equity financing and joint venture opportunities, the outcome of which cannot be predicted at this time. These financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue operations.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Consolidation

These consolidated financial statements include the accounts of Pebble Creek Mining Ltd. and its wholly-owned subsidiaries, Adi Gold Mining Private Ltd., Hirakund Diamond Exploration Private Ltd., and Narsinghpur Gold Mining Private Ltd. (individually and collectively referred to as the "Company").

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

Assets and liabilities of integrated foreign subsidiary operations and foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Foreign currency denominated revenues and expenses are translated at the average exchange rate for the reporting period. Gains or losses on translation are reported in operations for the period.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly-liquid term deposits that can be converted to cash on demand.

Mineral Property Interests

The Company's mineral property interests are composed of rights to explore for, develop and mine minerals under permit and licences from or leases with governments in India. These agreements require fees, rentals, deposits and work commitments. The Company's rights to mineral properties are described in Note 3.

The Company accounts for its mineral property interests whereby costs relative to the acquisition, exploration and development of these properties are capitalized by property. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to operations. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant dispositions of reserves. Once commercial production commences, these net costs will be charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties are charged to operations.

The Company is currently in the exploration stage.

The amounts shown for mineral property interests represent acquisition, holding and exploration costs, and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders, including shareholders, who are providing this financing and upon future profitable production.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Capital Assets

Other capital assets are recorded at cost. Amortization is provided using the declining balance method and at the following annual rates:

Furniture	20%
Computer	30%
Website	20%
Vehicles	26%
Equipment	14%

The Company reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and is amortized to operations over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

Financial Assets and Financial Liabilities

The Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income during the fiscal year ended March 31, 2008.

The Company's financial assets and financial liabilities, other than cash, are classified as:
Cash equivalents are classified as "held to maturity". They are measured at amortized cost. At March 31, 2009 and 2008 the recorded amounts approximate fair value.
Accounts receivable are classified as "loans and receivables". They are measured at amortized cost. At March 31, 2009 and 2008 the recorded amounts approximate fair value.
Accounts payable and payable to directors are classified as "other financial liabilities" and are measured at amortized cost. At March 31, 2009 and 2008 the recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Compensation

The Company recognizes all share-based compensation using the fair value method. Under the fair value method, compensation costs, equal to the fair value of share purchase options on the date of grant, are recorded with an offsetting credit to contributed surplus. Consideration received upon exercise of the options is recorded as share capital and the contributed surplus related to the recognized fair value of the options which have been exercised is transferred to share capital.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Using this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Company and their respective tax bases and for losses carried forward, using enacted or substantially enacted income tax rates. The effect of a change in income tax rates on future tax assets and liabilities is recognized in operations in the period in which the change occurs. A future income tax asset is reduced by a valuation allowance when the probability of the realization is other than more likely than not.

Comprehensive Income

Comprehensive income is composed of the Company’s excess of revenue over expenditures and other comprehensive income. Other comprehensive income represents changes in net assets during a period arising from non-owner sources and, for the Company, would principally include unrealized gains and losses on available for sale financial assets. As the Company does not hold any available for sale financial assets, there is no balance of accumulated other comprehensive income and comprehensive loss is equal to net loss.

Loss Per Share

The basic loss per share is calculated using the weighted average number of common shares of the Company that were outstanding in each reporting period. The diluted loss per share, which is disclosed only if dilutive, includes the potential dilution from outstanding options and share purchase warrants, calculated using the treasury stock method, in the weighted average number of shares outstanding.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates used in these financial statements include, among others, the recoverability of accounts receivable, share-based compensation, the fair value of warrants issued, and the estimated future operating results and net cash flows from mineral property interests.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards

On February 1, 2008, the Company adopted four new accounting standards described in Section 1400 *General Standards of Financial Statement Presentation*, Section 1535 *Capital Disclosures*, Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* of the CICA Handbook. The requirements of these new standards are:

Going Concern
Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of this standard did not have a material effect on the consolidated financial statements, as the Company already includes disclosure of its ability to continue as a going concern in Note 1 to the consolidated financial statements.

Capital Disclosures
Section 1535 requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any external capital requirements and, if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management has been included in Note 4 to the financial statements.

Financial Instruments - Disclosures and Financial Instruments – Presentation
Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments - Disclosure and Presentation* revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosure which enable users to evaluate the significance of financial instruments for the entity's financial position and performance, the nature and extent of and exposure to risks arising from financial instruments and how the entity manages those risks. As a result of the adoption of this standard, additional disclosure on these risks has been included in Note 5 to the financial statements.

Section 3863 establishes standards for the presentation and classification of financial instruments and non-financial derivatives. The adoption of this standard did not have any impact on the classification or presentation of the Company's financial instruments.

New accounting pronouncements issued by the CICA and which the Company intends to evaluate and, if required, adopt in the preparation of its future financial statements are:

Goodwill and intangible assets
In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

This section is effective in the first quarter of the 2010 fiscal year. The adoption of this section is not currently expected to affect the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards (continued)

Business combinations
The proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date subsequent to the effective date. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

This section is applicable to business combinations after January 1, 2011. Adoption of this section is not expected to affect the Company.

Convergence with International Financial Reporting Standards
In 2006, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with International Financial Reporting Standards (“IFRS”) over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board also has projects currently under way which should result in new pronouncements which will be included in the convergence process.

The Company is conducting a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying the timing of the implementation of the transition, major differences in accounting policies and selecting the policies which are appropriate for the Company, identifying the appropriate disclosure in financial statements prepared under IFRS and developing an implementation plan.

3. MINERAL PROPERTY INTERESTS

Mineral property interests for which rights are held by Adi and Hirakund are located in India and are regulated by Indian mining law.

The principal mining legislation of India includes The Mines & Minerals (Development & Regulation) Act, 1957, Mineral Concession Rules, 1960 (amended in 2001) and the Mineral Conservation & Development Rules, 1988. Under the Mines & Minerals (Development & Regulation) Act, 1957, minerals are vested within the individual states of India, whereas core mining law is regulated by the central government in New Delhi and administered by the states under the central government's regulation.

There are three forms of tenure under Indian mining legislation, Reconnaissance Permits ("RP"), Prospecting Licences ("PL") and Mining Leases ("ML"). Tenures are only issued to Indian companies, individuals or partnerships.

An RP cannot exceed 5,000 square kilometers ("km"). Any company and its affiliates are limited to holding a maximum of 10,000 square km in any one state. The term of an RP is three years, with a reduction in area mandatory at the second anniversary. The reduction is to 1,000 square km or 50 percent, whichever is less. The holder of an RP also holds preferential rights to a PL within its boundaries.

A PL is generally limited to 25 square km. Any company and its affiliates are limited to holding a maximum of 25 square km in any one state unless the Indian Ministry of Mines waives these limits in the interest of proper resource exploration and development. However, pending legislation before the current session of the Indian parliament proposes to increase the limit on the size of the PL to 500 square km, where that PL derives from an RP, and to similarly increase the state-wide limit. The term of a PL is three years and can be renewed for two additional years. The holder of a PL also holds preferential rights to an ML within its boundaries. The legislation now pending before the government also proposes to change the "preferential" rights to guaranteed rights of RP holders to acquire one or more PLs within their RP areas, and for PL holders to acquire MLs within their PL areas.

An ML is generally limited to 10 square km. A company and its affiliates are limited to holding a maximum of 10 square km in any one state unless the the Indian Ministry of Mines waives the limit in the interest of proper resource development and extraction. The term of an ML is 20 years or 30 years, and can be renewed twice in increments of 20 years. The granting or renewal of an ML requires a mining plan approved by the Government of India.

Surface rights are excluded in all forms of tenure. As work progresses, the mineral tenure holder must reach accommodation with the holder of surface rights, viz. the land owner. In the event a land owner is unreasonably intransigent, the government is empowered to act on behalf of the mineral tenure holder.

Askot Property

In 1996, Adi applied for a Prospecting Licence covering 7.93 square km of the Askot prospect, located in the Pithoragarh district of the state of Uttarakhand. The Prospecting Licence Deed was issued to Adi on June 12, 2000, and was initially valid until June 12, 2003.

The Prospecting Licence was renewed in 2003. The Company subsequently applied to the State government to reduce the PL area to 4.84 square kilometers, however the proposed reduction became a moot point after a Mining Lease application was submitted in 2005 and the State did not follow through. The PL reached the end of the fixed term on June 12, 2005. On March 11, 2005 Adi submitted an application for a 30-year Mining Lease covering 3.86 square kilometers within the Prospecting Licence area.

3. MINERAL PROPERTY INTERESTS (continued)

Askot Property (continued)

Indian law provides that if a Prospecting Licence holder files a Mining Lease application before 90 days prior to the expiry of the Prospecting Licence, the Prospecting Licence continues uninterrupted until the Mining Lease is granted or otherwise disposed of.

Following June 12, 2005, Adi continued its exploration activities. The State approved the ML application in due course and on September 26, 2007 the Government of India cleared it and returned it to the State for granting. On December 26, 2007 the State issued the Company a formal "Letter of Intent" to grant the Mining Lease. All other permits required for executing the ML Deed and starting commercial production are in hand except one. The Company has held the required public hearing, obtained Pollution Control Board No-Objection Certificate, Good Character Certificate, No Taxes Owing Certificate, and Indian Bureau of Mines approval of Mining Plan.

In events subsequent to March 31, 2009, the Company obtained Environmental Clearance (on June 12, and posted the terms and conditions on the Company's web site as required by the Ministry of Environment and Forests). On July 14 the Company filed the final Stage 2 Forest Clearance application with the authorities. Forest Clearance is the last significant permit. On the signing of the ML Deed, the Company will be required to make a payment to the authorities, currently estimated as $1,200,000, for the alienation of forest lands.

Since 2000 the Company has explored the Askot property by geological, geochemical and geophysical studies; drilling and assaying; and driving a tunnel to install underground drill stations. In August 2008 the Company received a National Instrument 43-101 compliant independent mineral resource estimate, which identified five metals of economic significance on the property and supported further exploration. Work is progressing as of March 31, 2009.

The Company has also applied for an RP on 200 square kilometers surrounding the Askot Mining Lease application as a buffer zone and for future exploration.

Acquisition and exploration expenditures to March 31,2009 on this property amounted to $5,073,321.

Gadarwara Property

The Company deferred exploration on this property indefinitely when the RP expired on December 24, 2007 and wrote off all expenditures on the property. However the Company applied for a Prospecting Licence on 70 square kilometers on December 26, 2007 which is still pending, and was granted a Reconnaissance Permit on the surrounding 3,884 square kilometers subsequent to year end, on May 25, 2009. The Company has not yet executed that RP and has no immediate plans for either area.

Banda Prospect

In May 2006 the Company acquired a Reconnaissance Permit for diamonds on a 2,012 square km tract in the Banda District of Uttar Pradesh. After modest exploration activity, the Company entered into a joint venture agreement with De Beers India Private Limited ("DBIPL"). DBIPL terminated the joint venture after limited further exploration work. The Company surrendered the RP to the UP government on March 22, 2009.

The cumulative acquisition and exploration expenditures to March 31, 2009 on this property of $61,248 were considered not to have any potential future benefit and were written off at that date.

3. MINERAL PROPERTY INTERESTS (continued)

Other Prospects

The Company has considered dozens of other prospects and has selected 13 for additional investigation. The Company has applied for these RPs in the states of Andhra Pradesh, Karnataka, Jharkhand and Madhya Pradesh, for a total of approximately 13,000 square kilometers. None of these RPs has been granted to date. The cumulative acquisition and exploration expenditures on these prospects to March 31, 2009 amounted to $36,038.

4. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company measures its capital as its shareholders' equity when considering management of capital.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire, dispose of or joint venture certain of its assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments with maturities of 90 days or less. When utilized, these instruments are selected with regard to the expected timing of expenditures for continuing operations.

The Company will have to raise additional capital resources to meet its planned operations and administrative overhead expenses.,The future exploration and development of the Company's mineral properties in the near and long term will depend on the Company's ability to obtain additional funding through equity or debt financing or through the joint venture of projects. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

5. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, which include currency risk, credit risk, interest rate risk, liquidity risk and market risk.

Currency Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations of foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada and India. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to Indian rupees whenever exchange rates are favourable.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at major financial institutions. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

5. MANAGEMENT OF FINANCIAL RISK (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as the Company only invests in highly liquid securities with short-term maturities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 4).

Market risk

The Company is exposed to market risk related to the fluctuation in the market price of its investments. The Company minimizes this risk by only investing in highly liquid securities with short term maturities.

6. OTHER CAPITAL ASSETS

March 31, 2009

	Cost	Accumulated Amortization	Net Book Value
Furniture	**$ 74,510**	**$ 22,950**	**$ 51,560**
Computers	**89,975**	**61,220**	**28,755**
Website	**10,800**	**540**	**10,260**
Vehicles	**71,164**	**42,312**	**28,852**
Equipment	**80,134**	**25,353**	**54,781**
	$ 326,583	**$ 152,375**	**$ 174,208**

March 31, 2008

	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 76,390	$ 17,371	$ 59,019
Computers	87,453	45,221	42,232
Vehicles	71,164	32,182	38,982
Equipment	79,563	14,904	64,659
	$ 314,570	$ 109,678	$ 204,982

7. SHARE CAPITAL

Share Capital

Issued and allotted	Number of Common Shares		Amount
Balance, March 31, 2007	20,062,590	$	5,150,188
Issued for cash on private placement, net of share issue costs of $98,957 and $512,388 allocated to the issue of warrants	3,306,599		545,964
Issued for cash on private placement, net of share issue costs of $37,663 and $931,818 allocated to the issue of warrants	5,270,000		1,138,519
Issued for cash on exercise of warrants	357,030		107,109
Issued for cash on exercise of options, including transfer from contributed surplus of $54,154	175,000		106,654
Balance, March 31, 2008	**29,171,219**		**7,048,434**
Issued for cash on private placement, net of share issue costs of $17,857	**3,221,157**		**191,519**
Issued for cash on private placement, net of share issue costs of $8,947 and $1,990 allocated to the issue of warrants	**850,000**		**51,404**
Balance, March 31, 2009	**33,242,376**	**$**	**7,291,357**

Contributed Surplus

Balance, March 31, 2007	$	245,429
Allocated to warrants and broker options and warrants on the issue of shares for cash		1,444,026
Share-based compensation expense		297,563
Transferred to share capital on the exercise of options		(54,154)
Balance, March 31, 2008		**1,933,044**
Allocated to warrants on the issue of shares for cash		**1,990**
Share-based compensation expense		**410,406**
Balance, March 31, 2009	**$**	**2,345,440**

Of the issued and outstanding shares of the Company, 3,510,019 were held in escrow at March 31,2009, to be released upon the approval of regulatory authorities in stages, ranging from 6 months to 6 years from the closing of the RTO (Note 1).

The Company implemented a rolling share purchase option plan which allows the Company to reserve up to 10% of the issued and outstanding shares of the Company for granting share purchase options. These options vest immediately for directors and officers. Options for employees and consultants vest either immediately or over the course of one year depending on their history of service. The plan was approved by the TSX Venture Exchange on August 13, 2007.

7. SHARE CAPITAL (continued)

The Company has estimated the fair value of options, warrants and broker options using the Black-Scholes option pricing model. The following weighted-average assumptions were used:

	2009	2008
Average risk-free interest rate	**2.92%**	4.62%
Expected share price volatility	**111%**	123%
Expected average period until exercise	**4.47 years**	2.34 years
Expected dividend yield	**$nil**	$nil

Share purchase option transactions which occurred during the last two fiscal years were:

Options

	March 31, 2009			March 31, 2008		
	Number of Shares		**Weighted Average Exercise Price**	Number of Shares		Weighted Average Exercise Price
Balance, beginning of year	**1,128,340**	**$**	**0.59**	1,017,507	$	0.50
Granted	**1,990,000**		**0.24**	1,075,000		0.60
Exercised	**-**		**-**	(175,000)		0.30
Expired	**(108,340)**		**0.69**	(789,167)		0.55
Balance, end of year	**3,010,000**	**$**	**0.36**	1,128,340	$	0.59
Options exercisable, end of year	**2,890,000**	**$**	**0.37**	964,840	$	0.61

The contractual weighted average remaining life of the outstanding options at March 31, 2009 is 4.09 years (2008 – 4.15 years).

The following share purchase options are outstanding at March 31, 2009:

	Number of Shares	Price Per Share	Expiry Date	Date Granted or Issued
Options	795,000	$0.60	August 10, 2012	August 10, 2007
Options	225,000	$0.60	January 18, 2013	January 18, 2008
Options	1,890,000	$0.24	August 25, 2013	August 25, 2008
Options	100,000	$0.24	August 25, 2013	August 25, 2008
	3,010,000			

The options granted to brokers for the purchase of 83,340 shares at $0.75 were not exercised and expired on June 22, 2008. Options to purchase 55,000 shares at $0.60 also expired during the year upon the resignation of employees.

7. SHARE CAPITAL (continued)

The following warrants, which entitle the holder to purchase common shares of the Company, were outstanding at March 31, 2009:

Warrants

Number of Shares	Price Per Share	Expiry Date	Date Granted
78,300	$0.65	June 22, 2009[3]	June 22, 2007
78,300	$1.00	June 22, 2009	June 22, 2007
1,575,000	$0.65	June 22 and July 13, 2009[1]	June 22 and July 13, 2007
1,575,000	$1.00	June 22 and July 13, 2009[1]	June 22 and July 13, 2007
2,635,000	$0.75	December 14, 2009[2]	December 14, 2007
2,635,000	$1.50	December 14, 2009	December 14, 2007
425,000	$0.15	March 24, 2011	March 29, 2009
9,001,600			

[1] The Company has extended the terms of these warrants by two years and has applied to regulatory authorities to reprice the warrants to $0.10 from $0.65 and to $0.20 from $1.00. The Company also requires the approval of all warrant holders for the repricing and acceptance that $0.10 warrants expire automatically 37 days after a closing price of $0.135 or more for 10 consecutive trading days and that the $0.20 warrants expire automatically 37 days after a closing price of $0.27 or more for the same period.

2. If the closing trading price is $1.00 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term to expire within 30 days of notice to the holders

3. The warrants to purchase 78,300 shares at $0.65 per share and 78,300 shares at $1.00 per share were not exercised and expired on June 22, 2009.

Warrants

Number of Shares						
Beginning of Year	Granted	Exercised	Expired	End of Year	Price Per Share	Expiry Date
458,370	-	-	458,370	-	$0.75 Cdn	June 29, 2008
78,300	-	-	-	78,300	$0.65 Cdn	June 22, 2009
78,300	-	-	-	78,300	$1.00 Cdn	June 22, 2009
2,635,000	-	-	-	2,635,000	$0.75 Cdn	December 14, 2009
2,635,000	-	-	-	2,635,000	$1.50 Cdn	December 14, 2009
-	425,000	-	-	425,000	$0.15 Cdn	March 24, 2011
1,575,000	-	-	-	1,575,000	$0.65 Cdn	June 22, 2011
1,575,000	-	-	-	1,575,000	$1.00 Cdn	July 13, 2011
9,034,970	425,000	-	458,370	9,001,600		

8. INCOME TAXES

The Company's net future income tax assets are:

	March 31, 2009	March 31, 2008
Future income tax assets		
Other capital assets	**$ 7,212**	$ 6,441
Tax loss carry forwards	**1,029,766**	861,471
Total future income tax assets	**1,036,977**	867,912
Valuation allowance	**(1,036,977)**	(867,912)
Net future income tax assets	**$ -**	$ -

The reconciliation of the provision for income taxes is:

	March 31, 2009	March 31, 2008
Loss before income taxes	**$ 1,217,110**	$ 1,554,699
Statutory income tax rates	**30.0%**	31.0%
Recovery of income taxes based on statutory income tax rates	**365,133**	481,957
Deduct:		
Net effect of non-deductible items	**(122,758)**	(99,803)
Tax effect of current period losses not recognized	**242,375**	382,154
Provision for income taxes	**$ -**	$ -

As at March 31, 2009, the Company had losses available for deduction against future years' taxable incomes amounting to approximately $3,433,000. The benefit from these losses has not been recorded in these financial statements. If unused, these losses will expire as follows:

2010	$	150,000
2014		228,000
2015		243,000
2026		263,000
2027		669,000
2028		1,072,000
2029		808,000

9. ENVIRONMENTAL

The Company's exploration activities in India are subject to Indian environmental laws and regulations governing the protection of the environment. Currently, Indian law only requires US $500 for an environmental bond on an exploration property. However, this is expected to increase to an amount more in line with international standards.

The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The ultimate amount of reclamation and other future site restoration costs to be incurred for the Company's existing mineral property interests is currently uncertain.

10. RELATED PARTY TRANSACTIONS

The Company paid fees of $53,728 for the year ended March 31, 2009 (2008 - $90,726) for legal expenses and share issue costs to a legal firm in which one of the officers of the Company is a partner. As at March 31, 2009 accounts payable included $22,257 payable to this legal firm (2008 - $5,569).

The Company also paid management, accounting and consulting fees of $215,460, included in general and administrative expenses, and geological and engineering fees of $114,540, included in mineral property acquisition and exploration costs, to directors and officers during the year ended March 31, 2009 (2008 - $210,960 and $113,040, respectively). At March 31, 2009 $196,290 is accrued and included in payable to directors (2008 - $15,430).

These transactions have been measured at the exchange amounts agreed to by the parties.

11. SEGMENTED INFORMATION

The Company's worldwide operations are all conducted in one industry segment, the exploration and development of mineral property interests.

The Company's assets by geographic segment are:

	March 31, 2009		March 31, 2008	
	Canada	India	Canada	India
Cash and cash equivalents	**$ 19,089**	**$ 42,738**	$ 659,444	$ 406,749
Mineral property interests	**-**	**5,109,360**	-	4,263,748
Other capital assets	**32,404**	**141,804**	26,249	178,643
Accounts receivable, inventory, prepaid expenses, and long-term deposits	**12,670**	**128,797**	26,159	142,460
	$ 64,163	**$ 5,422,699**	$ 711,852	$ 4,991,600

12. PREMISES LEASES

The Company has relocated to a new office in Vancouver, Canada which has a monthly rental of $650 and a 60 day notice of termination. The Company's lease agreement for its old office in Vancouver is still in force and the Company is in the process of finding a new tentant to sublease it. The lease expires in August 2011 and it requires an estimated minimum annual rental payment of $50,150.

The Company has also entered into leases in New Delhi, India, for office premises and staff accommodation, expiring in August 2010 and May 2011, which require estimated minimum annual rental payments of $160,000.

13. CONTINGENCY

The Company had previously reported that the Government of Uttaranchal (now Uttarakhand) may claim an 11% carried interest in the Askot project. This possible claim arose from a Memorandum of Understanding ("MOU") executed between the Company and the government-owned Uttar Pradesh State Mineral Development Corporation ("UPSMDC") in 1997, before the state of Uttaranchal was formed from part of Uttar Pradesh on November 9, 2000. UPSMDC has certain obligations under the MOU in return for its proposed 11% carried interest.

After formation of Uttaranchal, Askot was located in the new state. Both the Company and UPSMDC believed that whatever benefits and obligations that would accrue to UPSMDC under the MOU would transfer to Uttaranchal or its government-owned development company. Officers of the Company and UPSMDC jointly met with the Uttaranchal government and its government-owned development corporation on December 6, 2003. Uttaranchal rejected any involvement in the Askot project at that time. That action, and two legal opinions obtained by the Company stating that the MOU gave no other party any rights, resulted in the Company believing that the matter was closed. In addition, UPSMDC never performed any of its duties as described in the MOU.

However on April 24, 2008, UPSMDC wrote to the Company demanding that the Company follow up the MOU with an agreement granting UPSMDC an 11% carried interest in the Askot project.

The Company has engaged legal counsel and responded to the demand, citing the "UP Reorganization Act, 2000" and other legal arguments, and believes that this demand has no merit. At this time the outcome of this claim is not determinable and no amount has been accrued in the financial statements.

14. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified where necessary to conform with the presentation used in the current year.