

**Andover Ventures Inc.**  
Consolidated Financial Statements

March 31, 2011

To the Shareholders of Andover Ventures Inc:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP ("MNP"), an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

July 29, 2011

**"Gordon Blankstein"**

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Chief Executive Officer

**"Roland Vetter"**

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Chief Financial Officer

## Independent Auditors' Report

To the Shareholders' of Andover Ventures Inc:

We have audited the accompanying consolidated financial statements of Andover Ventures Inc. and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of operations, deficit, comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Andover Ventures Inc. and its subsidiaries as at March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 to these financial statements, which states that Andover Ventures Inc. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters as described in Note 1, indicate the existence of a material uncertainty which may cast doubt about the ability of Andover Ventures Inc. to continue as a going concern. Our opinion is not qualified in respect of this matter.



MNP LLP

Chartered Accountants

July 29, 2011  
Vancouver, BC

**ANDOVER VENTURES INC.**  
**Consolidated Balance Sheets**

As at March 31

	2011	2010
	(Audited)	(Audited)
<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current</b>		
Cash and cash equivalents	\$ 424,187	\$ 11,457
Marketable securities	6	19
Accounts receivable	9,493	7,740
Prepaid expenses and advances	117,441	50,640
	<u>551,127</u>	<u>69,856</u>
Property and equipment, net (Note 7)	1,550,664	1,593,263
Other long term assets (Note 10)	590,563	496,015
Mineral Properties (Note 8)	27,633,217	27,234,300
	<u>\$ 30,325,571</u>	<u>\$ 29,393,434</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft	\$ -	\$ 5,187
Accounts payable and accrued liabilities	987,107	1,074,094
Loan payable	140,000	114,294
Asset retirement obligation (Note 10)	554,235	562,454
Short term portion of EPA settlement obligation (Note 11)	218,655	1,142,775
Short term portion of notes payable (Note 12)	2,000,000	3,000,000
Due to related parties	-	78,801
Subscription received in advance	192,780	233,500
	<u>4,092,777</u>	<u>6,211,105</u>
<b>Long-term</b>		
Note payable	-	2,000,000
Long term portion of EPA settlement obligation (Note 11)	575,391	
	<u>\$ 4,668,168</u>	<u>\$ 8,211,105</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 13)	28,410,724	19,830,180
Authorised:		
200,000,000 common shares without par value		
50,000 Class A preferred shares without par value		
50,000 Class B preferred shares without par value		
Issued and outstanding:		
96,057,518(2010-62,781,786 common shares)		
<b>Contributed surplus</b>	10,125,362	8,757,899
<b>Adjustment to shareholder's equity arising from acquisition of additional interest in subsidiary</b> (Note 6)	(3,793,500)	
<b>Defecit</b>	(9,085,182)	(7,405,750)
	<u>25,657,404</u>	<u>21,182,329</u>
	<u>\$ 30,325,572</u>	<u>\$ 29,393,434</u>

Nature of operations (Note 1)  
 Going Concern (Note 2)  
 Subsequent events (Note 17)

ON BEHALF OF THE BOARD

"Gordon Blankstein" Director

" Peter Legault" Director

- See Accompanying Notes-

## ANDOVER VENTURES INC.

### Consolidated Statements of Loss, Comprehensive

#### Loss and Defecit

For the Year Ended March 31

	2011	2010
<b>Expenses:</b>		
Amortization	\$ 80,883	96,235
Accounting and legal	183,592	287,558
Accretion expense	16,883	17,612
Accretion of EPA	9,262	-
Bad debt	-	19,815
Consulting fees	340,415	248,535
General explration	-	-
Insurance	16,236	55,919
Management and other professional fees	425,061	384,312
Office expenses	177,140	209,559
Salaries	73,978	32,403
Stock-based compensation(Note 13)	770,894	393,730
transfer agent and filing fees	123,459	70,270
Travel and promotion	450,660	251,095
<b>Total Expenses</b>	<b>(2,668,462)</b>	<b>(2,067,043)</b>
<b>Other Items</b>		
Foreign exchange gain(loss)	50,439	374,000
Interest income (expense)	(204,341)	(289,778)
Fair value gain on EPA Settlement Obligation	-	50,790
Gain on debt settlement	1,045,614	67,468
Loss on disposition of property, plant and equipment	-	(15,225)
Write down of Korea Zinc purchase obligation	-	928,226
Fair value adjustment on investments held	96,300	(991)
Foreign exchange- translation	-	-
Other income	1,016	-
Write-down of mineral properties (Note 8)	-	(737,847)
Financing expenses	-	-
	989,028	376,643
<b>Loss and Comprehensive Loss for the Year</b>	<b>(1,679,434)</b>	<b>(1,690,400)</b>
Deficit, Beginning of Year	(7,405,750)	(5,715,350)
<b>Deficit, End of Year</b>	<b>\$ (9,085,184)</b>	<b>(7,405,750)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.02)</b>	<b>(0.03)</b>
<b>Weighted average number of common shares</b>	<b>79,314,608</b>	<b>54,614,202</b>

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

**ANDOVER VENTURES INC.**  
**Consolidated Statements of Cash Flows**  
For the Year Ended March 31

	2011	2010
<b>Cash Resources provided by (used in):</b>		
<b>Operating Activities:</b>		
Loss and comprehensive loss for the period	\$ (1,679,434)	(1,690,400)
Items not affecting cash:		
Amortization	80,883	96,235
Bad debt		19,815
Stock-based compensation(Note 13)	770,894	393,730
Fair value loss on investments held	13	991
Write-down on mineral properties	-	737,847
Accretion expense and interest expense	-	74,920
Fair value adjustment on EPA obligation		(50,790)
Gain on debt settlement	(1,000,000)	(67,468)
Loss on property , plant and equipment disposal	-	15,225
Write-down of Korea Zinc purchase obligation		(928,226)
Foreign exchange- translation	(121,560)	(162,394)
Reclamation fund deposit Foreign Exchange revaluation		
	<u>(1,949,204)</u>	<u>(1,560,515)</u>
Changes in non-cash operating working capital		
Accounts receivable	(1,753)	1,082
Prepaid expenses and advances	(66,801)	49,774
Other long term assets	(94,548)	
Accounts payable and accrued liabilities	(86,987)	(31,995)
Asset retirement obligation	(8,219)	-
EPA settlement obligation	8,856	-
Related party payable	1,089,501	-
EPA obligation paid	(218,655)	-
	<u>(1,327,810)</u>	<u>(1,541,654)</u>
<b>Investing Activities</b>		
Mineral property expenditures	(477,882)	(674,191)
Loan receivable	(1,166,332)	
Purchase of property , plant and equipment	(38,284)	(9,709)
Investment in Chief Consolidated Mining Company	(3,714,535)	
	<u>(5,397,033)</u>	<u>(683,900)</u>
<b>Financing Activities:</b>		
Increase in bank overdraft	(5,187)	2,520
Due to related parties	258,645	(164,966)
Repayment of loan		(1,000,000)
Loan payable	(252,280)	
Note payable	(2,000,000)	
SI Proceeds from share Subscription in advance	(40,721)	2,799,150
Proceeds from exercise of option		130,000
SI Share capital issued for cash net received	9,177,113	233,500
	<u>7,137,570</u>	<u>2,000,204</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>412,727</b>	<b>(225,350)</b>
Cash and Cash Eequivalents, Beginning of Year	11,457	236,807
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 424,184</b>	<b>11,457</b>

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

**ANDOVER VENTURES INC.**  
**Notes to Consolidated Financial Statements**  
March 31, 2011

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**1. Nature of Operations**

Andover Ventures Inc. ("the Company") was incorporated under the Laws of British Columbia, Canada on February 12, 2003. The Company's common shares trade on the TSX Venture Exchange.

The Company is a development stage company and engages principally in the acquisition, exploration and development of resource properties, in Alaska and Utah, USA. The recovery of the Company's investment in its resource properties is dependent upon the discovery, development and ultimate sale of ore resources and the ability to raise sufficient capital to finance this operation.

**2. Going Concern**

These financial statements have been prepared on a "going concern" basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

	<b>March 31 2011 \$</b>	<b>March 31 2010 \$</b>
Deficit	(9,085,182)	(7,405,750)
Working capital (deficit)	(3,541,650)	(6,141,249)

These consolidated financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate because management believes that the actions already taken and or planned, will mitigate any adverse conditions and events that raise doubts about the validity of the "going concern" assumption used in preparing these consolidated financial statements.

If the "going concern" assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used.

**3. Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

***Basis of presentation***

These consolidated financial statements include the accounts of the Company and its subsidiaries, Andover (Alaska) Inc., which was incorporated in the State of Alaska and Chief Consolidated Mining Company (78.53%). All significant inter-company accounts and transactions have been eliminated upon consolidation.

***Use of estimates***

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Amounts recorded for amortization are based on the estimated lives of property, plant and equipment. Stock-based compensation is based upon expected volatility and option life estimates. Asset retirement obligations are based on estimates of abandonment costs, timing of abandonment, inflation and interest rates. Provision for income taxes is based on judgments in applying income tax law and estimates on the timing and likelihood of reversal of temporary differences between the accounting and tax basis of assets and liabilities.

**3. Significant Accounting Policies (continued)**

**ANDOVER VENTURES INC.**  
**Notes to Consolidated Financial Statements**  
March 31, 2011

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***Foreign currency translation***

The Company's functional and reporting currency is the Canadian Dollar. The Company uses the temporal method of foreign currency translation, as the Company's subsidiaries are integrated foreign operations. Monetary assets and liabilities are translated at the rate of exchange at the balance sheet date and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

***Cash and cash equivalents***

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value.

***Marketable securities***

All marketable securities are classified as held-for-trading financial instruments as the Company intends to sell them in the near future or due to their nature. Unrealized gains and losses related to held-for-trading investments are included in the statement of loss, comprehensive loss and deficit.

The Company estimates the fair value of marketable securities at the balance sheet date using quoted market prices for equity securities and the Black-Scholes pricing model for warrants held.

***Property, plant and equipment***

Property, plant and equipment are recorded at cost. The Company provides for amortization on office equipment and leasehold improvements using the straight-line method over their useful lives of three to five years. Land is periodically assessed for impairment of value and any losses are expensed to the income statement at the time of impairment. Property and equipment is amortized over its estimated useful life of five years.

***Mineral properties***

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

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the units of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of the mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and obtaining permits necessary to complete the development and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties and its option agreements are in good standing.

**3. Significant Accounting Policies (continued)**

**ANDOVER VENTURES INC.**  
**Notes to Consolidated Financial Statements**  
March 31, 2011

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***Asset retirement obligations***

The Company's mineral exploration and development activities are subject to various laws and regulations regarding protection of the environment. As a result the Company incurs expenses from time to time to discharge its obligations under these laws and regulations. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

***Stock-based compensation***

The Company follows the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-based compensation and other stock-based payments". This Section establishes accounting standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions. The Company, as required by Handbook Section 3870, accounts for all stock options granted to non-employees and employees by applying the fair value based method of accounting.

***Future income taxes***

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

***Financial instruments***

Fair value

CICA Sections 3855, *Financial Instruments – Recognition and Measurement*, 3865, Hedges and 1530, *Comprehensive Income*, address the classification, recognition, and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income.

The Sections require financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when the Company becomes a party to contractual provisions of the financial instrument or derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held to maturity, loans and receivables or other liabilities.

Held-for-trading financial assets and liabilities are measured at fair value with gains and losses recognized in the Company's loss for the period. Financial assets held-to maturity, loans and receivables and financial liabilities, other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, are recognized in other comprehensive income upon adoption.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts. Changes in fair values of derivative instruments are recognized in the Company's loss for the period.

**3. Significant Accounting Policies (continued)**

**ANDOVER VENTURES INC.**  
**Notes to Consolidated Financial Statements**  
March 31, 2011

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***Financial instruments (continued)***

The Company has classified all of its financial assets and liabilities as follows:

Cash and cash equivalents	Held-for-trading Fair Value
Marketable securities	Held-for-trading Fair Value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable	Other financial liabilities
Note payable	Other financial liabilities
Due to related parties	Other financial liabilities
EPA settlement obligation	Other financial liabilities

***Basic and diluted loss per share***

The Company uses the treasury stock method to compute the dilutive effect of options, warrants or similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at an average market price during the year.

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

**4. Adoption of New Accounting Policies**

***Goodwill and intangible assets***

Effective April 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets", which replaces CICA Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs", as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". The provisions relating to the definition and initial recognition of intangible assets under these new standards reduce the differences with International Financial Reporting Standards ("IFRS") in accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2011.

***Fair value hierarchy and liquidity risk disclosure***

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements in fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending March 31, 2011. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

**4. Adoption of New Accounting Policies (continued)**

**ANDOVER VENTURES INC.**  
**Notes to Consolidated Financial Statements**  
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	Level 1 \$	Level 2 \$	Level 3 \$
Cash			-
Marketable securities			-

The fair value of other financial instruments, which include amounts due to related parties, accounts payable and other accrued liabilities, notes payable, and loan payable approximates their carrying amounts due to the relatively short period to maturity.

***EIC – 174, “Accounting by Mining Enterprises for Exploration Costs”***

Effective April 1, 2009, the Company adopted CICA Emerging Issues Committee (“EIC”) 174, “Accounting by Mining Enterprises for Exploration Costs”, which replaces EIC-126, “Accounting by Mining Enterprises for Exploration Costs”, to provide additional guidance for mining exploration enterprises on the accounting for capitalization of costs and when an impairment test of these costs is required. The adoption of this standard did not have a material effect on the Company’s financial statements.

***EIC – 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”***

The guidance requires that an entity’s own credit risk and credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The adoption of this new standard did not have a material impact on the Company’s financial statements.

**5. 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 and to maintain a flexible capital structure which optimizes the costs of the capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders’ equity, as well as the cash and cash equivalents and marketable securities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to any externally imposed capital requirements.

**6. Acquisition of Controlling Interest in Chief Consolidated Mining Company**

During the three months ended December 31, 2008, the Company advanced funds to Chief Consolidated Mining Company (“Chief”) of \$670,858 (US\$544,145). These advances were converted into 5,441,445 common shares of Chief at a deemed value of US\$0.10 per Chief common share.

On November 28, 2008, the Company received 1,500,000 common shares of Chief in consideration for the payment of \$186,780(US\$150,000) to Korea Zinc on November 23, 2008 (see Note 9).

On December 2, 2008 the Company participated in a Chief Private Placement. 210,000 Units were purchased at a cost of \$26,126 (US\$21,000). Each Unit consisted of one common share in Chief and one share purchase warrant exercisable at a price of US\$0.15 per common share of Chief over a period of 36 months from the date of closing of the Private Placement.

The investment was recorded at cost totalled \$ 883,764 for the purchase of Chief’s treasury shares.

During 2008, the Company entered into various agreements and amended agreements with Genco Resources Ltd (“Genco”), a publicly traded company listed on the TSX to purchase Genco’s 6,477,241 convertible common shares of Chief and their 13,034,769 common shares of Chief. In December 2008, Genco sued the Company. On March 24, 2009, the Company reached a settlement with Genco and under the terms of the settlement, Genco agreed to terminate all previous agreements and sell 6,477,241

**6. Acquisition of Controlling Interest in Chief Consolidated Mining Company (continued)**

**ANDOVER VENTURES INC.**  
**Notes to Consolidated Financial Statements**  
 March 31, 2011

convertible common shares of Chief for \$2,572,500 which was comprised of \$2,000,000 in cash, net of \$100,000 account payable offset (\$1,900,000) and 2,000,000 Andover common shares (\$672,500) received prior to the settlement and a \$5,000,000 note payable due September 24, 2010.

The price of the 2,000,000 Andover shares was determined in an agreement with Genco. The initial price of these 2,000,000 shares was recorded at \$875,000 and then this value was adjusted downward by \$185,000 for fair market value adjustment and \$17,500 for assumption of Genco's accounts payable between the companies.

The \$5,000,000 note payable to Genco was to acquire 13,034,769 shares of Chief common stock. The \$5,000,000 note payable was settled as follows: The Company paid \$1,300,000 on July 19, 2010, \$700,000 on October 31, 2010; \$1,000,000 was forgiven on July 19, 2010. The company currently owes Genco \$ 2,000,000 due on September 24, 2011. The acquisition price was reduced by \$78,965 for accounts payable by Chief to Genco that was off set in the settlement.

Based on above transactions, the total acquisition price was \$8,377,299 and is comprised of the following. \$883,764 paid for Chief treasury shares, \$2,572,500 paid for the acquisition of Chief's convertible shares from Genco and \$5,000,000 note payable for acquiring 13,034,769 common shares of Chief from Genco .

During the quarter ending December 31, 2010, the Company acquired a further 14,050,000 Chief's shares from shareholders for \$3,793,500. The price paid for these shares was US\$0.25 (CAD 0.27) per share, being the same price as was paid to Genco. Acquiring these 14,050,000 shares in Chief increased the company's stake in Chief from 51.84% to 78.53%.

This acquisition was accounted for using the purchase method whereby assets acquired and liabilities assumed were recorded at their fair value at the date of acquisition. Due to a shareholders' deficit in Chief, the Company does not reflect a non-controlling interest in its records. Accordingly, the Company has reflected the fair value of Chief's assets and liabilities in its records as if it were a wholly owned subsidiary.

The following sets forth the purchase price allocation to the assets acquired and liabilities assumed:

	\$
Purchase Price:	
Common shares	672,500
Cash	2,783,764
Note payable (Note 12)	5,000,000
Adjustment in acquisition price( note 6)	<u>(78,965)</u>
	<u>8,377,299</u>
Net assets acquired:	
Cash	115,021
Mineral interests	9,016,431
Property, plant and equipment	827,170
Other assets	340,308
Current liabilities	(840,385)
Reclamation obligation	(334,126)
Off set accounts payable	(78,965)
EPA settlement obligation (Notes 11)	(668,155)
	<u>8,377,299</u>

As at March 31, 2010, the Company owned 27,287,605 common shares of Chief Consolidated Mining Company. During the year ended March 31, 2011, the company acquired a further 14, 050,000 shares of Chief for \$3,793,500. As at December 31, 2010, the Company owned 41,337,605 common shares of Chief. This represents a 78.53% ownership stake in Chief. The \$3,793,500 is presented as an adjustment to shareholders' equity arising from acquisition of additional interest in subsidiary.

The Company does not reflect a non-controlling interest in its records. Accordingly, the Company has reflected the fair value of Chief's assets and liabilities in its records as if it were a wholly owned subsidiary.

**7. Property, Plant and Equipment**

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	Cost	Accumulated Amortization	March 31, 2011	March 31, 2010
Computers	\$ 5,587	\$ 5,587	\$ 0	\$ 518
Furniture and Fixtures	56,001	42,934	13,067	24,267
Land	1,491,700	-	1,491,700	1,491,700
Plant and equipment	147,103	141,439	5,663	67,783
Equipment	38,284	3,190	35,094	-
Leasehold Improvements	19,277	14,137	5,140	8,995
	<u>\$ 1,719,668</u>	<u>\$ 207,287</u>	<u>\$ 1,550,664</u>	<u>\$ 1,593,263</u>

The Land and Plant and equipment were acquired as part of the acquisition of Chief Consolidated Mining Company. They are recorded at their fair value at the date of acquisition. The increase in the plant and equipment is related to purchase of equipment (loader) for using in Sun project. Amortization of property, plant and equipment amounted to \$80,883 (2010 - \$96,235).

**8. Mineral Properties**

	March 31, 2010	Expenditures	March 31, 2011
<b>Sun Property</b>			
Acquisition costs	\$ 13,039,794	\$ -	\$ 13,039,794
Deferred exploration costs:			
Accommodation and travel	65,118	-	65,118
Assays	45,475	-	45,475
Drilling	1,165,144	-	1,165,144
Exploration salaries and wages	542,785	-	542,785
Field, camp and exploration costs	2,338,432	-	2,338,432
Geological consulting	33,523	10,681	44,204
Professional fees	188,700	2,533	191,233
Other	8,261	15,766	24,027
	<u>17,427,232</u>	<u>28,980</u>	<u>17,456,212</u>
<b>Kamishak Property</b>			
Acquisition costs	106,825	-	-
Deferred exploration costs:			
Assays	10,384	-	-
Drilling	215,694	-	-
Exploration salaries and wages	16,362	-	-
Field, camp and exploration costs	229,991	-	-
Geological consulting	98,367	-	-
Professional fees	24,085	-	-
Other	36,138	-	-
Write-down of mineral interests	(737,846)	-	-
<b>Chief Consolidated Mining Interests</b>			
Acquisition costs	9,150,000	(78,965)	9,071,035
Deferred exploration costs:			
Accommodation and travel	18,830	30,669	40,499
Assays	239	-	239
Drilling	505,528	-	505,528
Exploration salaries and wages	62,100	105,699	167,799
Field, camp and exploration costs	81,250	195,299	276,549
Geological consulting	18,651	117,235	135,886
Foreign exchange	(29,531)	-	(29,531)
	<u>9,807,067</u>	<u>369,937</u>	<u>10,177,005</u>
<b>Total</b>	<b>\$ 27,234,300</b>	<b>\$ 398,917</b>	<b>\$ 27,633,217</b>

**8. Mineral Properties (continued)**

**ANDOVER VENTURES INC.**  
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	March 31, 2009	Expenditures	March 31, 2010
<b>Sun Property</b>			
Acquisition costs	\$ 13,039,794	-	\$ 13,039,794
Deferred exploration costs:			
Accommodation and travel	65,118		65,118
Assays	45,475	-	45,475
Drilling	1,165,144	-	1,165,144
Exploration salaries and wages	542,785		542,785
Field, camp and exploration costs	2,321,310	17,122	2,338,432
Geological consulting	33,523	-	33,523
Professional fees	188,700	-	188,700
Other	8,261	-	8,261
	<u>17,410,110</u>	<u>17,122</u>	<u>17,427,232</u>
<b>Kamishak Property</b>			
Acquisition costs	106,825	-	106,825
Deferred exploration costs:			
Assays	10,384	-	10,384
Drilling	215,694	-	215,694
Exploration salaries and wages	16,362	-	16,362
Field, camp and exploration costs	229,991	-	229,991
Geological consulting	98,367	-	98,367
Professional fees	24,085	-	24,085
Other	36,138	-	36,138
Write-down of mineral interests	-		(737,846)
	<u>737,846</u>		<u>-</u>
<b>Chief Consolidated Mining Interests</b>			
Acquisition costs	9,150,000	-	9,150,000
Deferred exploration costs:			
Accommodation and travel	-	18,830	18,830
Assays	-	239	239
Drilling	-	505,528	505,528
Exploration salaries and wages	-	62,100	62,100
Field, camp and exploration costs	-	81,250	81,250
Geological consulting	-	18,651	18,651
Foreign exchange	-	(29,531)	(29,531)
	<u>9,150,000</u>	<u>657,067</u>	<u>9,807,067</u>
<b>Total</b>	<u>\$ 27,297,956</u>	<u>\$ 674,189</u>	<u>\$ 27,234,300</u>

***Sun Property***

On November 29, 2006, the Company acquired a 50% interest in the Sun Property located in the Ambler District of Alaska. The purchase price was \$3,000,000 and the property has a 1.5% net smelter royalty. On March 30, 2007 the Company exercised its option to acquire the remaining 50% of the Sun Property. The total purchase price for the 100% interest in the Sun Property was \$13,000,000.

**8. Mineral Properties (continued)**

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***Kamishak Property***

The Company entered into a property option agreement, dated March 27, 2006, with Full Metal Minerals Ltd. ("FMM") whereby the Company could earn a 60% interest in the Kamishak Property, which is located southwest of Anchorage, Alaska. The Company and Full Metal Minerals terminated this agreement and on January 24, 2008 the Company and Alix Resources Corp. ("Alix") reached an agreement, by which the Company would retain a 20% interest in the Kamishak property and Alix would acquire the remaining 80% interest in the property. After Alix spends US\$1,000,000 on the property the Company and Alix agree to pay their proportional share of all costs moving forward. In the year ended March 31, 2011 Alix and the Company decided to terminate the project, resulting in a write-down of the asset of \$737,846. No further obligations exist.

**Chief Consolidated Mining Interests**

The Company purchased a controlling interest in Chief on March 24, 2009 (see No 6).

Chief is the owner of or has vested interests in approximately 16,000 acres of patented mining property in the Tintic Mining Districts in Utah County and Juab County, Utah, USA. Chief operates as a mineral resource company seeking to engage in the exploration and development of their mining claims and properties. These mining lands include the Burgin Mine and Trixie Mine, neither of which is currently in production and the Big Hill project.

*(a) Korea Zinc*

On August 27, 2008, the Company, Chief and Korea Zinc Co. Ltd. ("Korea Zinc") entered into an agreement ("Tintic Utah Option Agreement") by which the Company would purchase Korea Zinc's 25% interest in Tintic Metals LLC ("Tintic Utah") and an agreement known as the "Operating Agreement of Tintic Utah Metals LLC" ("Operating Agreement"). Tintic Utah and the Operating Agreement are a partnership between Chief and Korea Zinc under which Chief owns 75% and Korea Zinc owns 25%. Chief accrued US \$850,000 related to this option agreement.

In the fiscal year ended March 31, 2010, the Company decided to terminate the agreement. No further obligations exist. The Company recognized a gain of \$928,226 (US\$850,000) on the reversal of its purchase option obligation.

*(b) Tintic Utah Metals Joint Ventures*

The Company owns approximately 83.29% interest in Tintic Utah Metals LLC ("Tintic"). The Company's Burgin Mine and Mill are located on property owned by Tintic. The remaining 16.7% is owned by Korea Zinc and is subject to dilution for non payment of operating costs.

*(b) Big Hill Joint Venture with Kennecott Exploration Co.*

On August 20, 2010 Kennecott Exploration Company, a subsidiary of Rio Tinto and Chief signed a contract to develop the Big Hill porphyry copper project on the Companies land. Kennecott can earn 51% by delivering a Pre-Feasibility Study for the Big Hill project or incurring an aggregate explanation of \$20,000,000 US, whichever comes first. Kennecott can earn a further 4% interest in the project by completing a Feasibility Study. Chief retains a 45% carried interest.

**ANDOVER VENTURES INC.**  
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**9. Loan Payable**

In September, 2008, SNS provided the Company with a \$2,000,000 bridge loan secured by all of the assets of Andover. On March 16, 2009, both parties agreed to extend the maturity date of the loan to September 22, 2009.

In addition to the original terms of the loan agreement, the Company and SNS agreed to the following terms for the loan extension:

1. The Company warrants that 50% of all funds raised, either debt or equity, will be forwarded to SNS to reduce funds due under the Loan Agreement including both principal and interest, until the entire debt is retired.
2. The Company agrees to raise the interest cost of the loan by one (1%) percent from the current borrowing rate of prime plus two percent.
3. SNS will have the option of appointing one nominee to the Andover Board of Directors.
4. The Company will pay an Extension Fee of Two Hundred and Fifty (250,000) thousand common shares of Company to SNS subject to the approval of the TSX Venture Exchange.

On March 25, 2009, TSX Venture Exchange approval was obtained. Interest of \$56,986 has been accrued in the year ended March 31, 2009.

On September 1, 2009, the Company and SNS agreed to the settlement of the principal loan of \$2,000,000 as follows:

1. 4,000,000 common shares in the Company were issued to SNS at a deemed value of \$0.25 per share. These common shares were issued on September 18, 2009 (see Note 13).
2. A cash payment of \$1,000,000. The Company paid cash of \$225,000 on September 22, 2009. The remaining principal loan amount of \$775,000 was paid on October 23, 2009.
3. Interest accrued and due on the loan to be repayable by March 31, 2010.

On October 1, 2009, the Company and SNS agreed to extend the due date for the interest accrued from March 31, 2010 to March 31, 2011. As at March 31, 2011 \$140,000 of interest (as of March 31, 2010 \$114,293) was accrued.

**10. Asset Retirement Obligation**

	March 31, 2011	March 31, 2010
Balance, beginning of period	\$ 562,454	\$ 671,704
Accretion expense	16,144	17,612
Foreign exchange	(24,363)	(126,862)
Asset retirement obligation acquired	-	-
Balance, ending of year	<u>\$ 554,235</u>	<u>\$ 562,454</u>

The asset retirement obligation was acquired as part of the acquisition of Chief (Note 6). The Company has a reclamation obligation relating to the Burgin Mine. In addition, the Company also holds a small mining permit and reclamation obligation in connection with its Chief Gold properties.

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**10. Asset Retirement Obligation (continued)**

The Company has cash held in escrow in the form of reclamation bonds with the State of Utah to settle the obligations when all mining efforts have been abandoned. The Company has issued a bond to the State of Utah totalling \$502,656 (\$496,015 –March 31, 2010 ,difference is due to foreign exchange revaluation) and on March 14, 2011 the company paid US 106,800 as reclamation surety deposit to State of Utah . As March 31, 2011, the balance of reclamation funds on deposit is \$590,563(US 607,700).

The asset retirement obligation is based upon the following assumptions:

1. The Company's undiscounted cash flow required to settle the obligation is approximately \$726,993
2. The obligation payments are expected to occur based on the Company's individual property closure plans.
3. A credit adjusted risk-free rate of 3% has been used to discount cash flows.

**11. EPA settlement Obligation – Chief Consolidated Mining Company (Note 6)**

During 2001, the U.S. Environmental Protection Agency (“EPA”) placed the “Eureka Mills Superfund Site” (the “Site”) on the National Priorities List. According to the EPA, samples indicate that, approximately 150 acres of soil in the Town of Eureka, Utah, the location of Chief's principal operations, were contaminated with lead and, to a lesser extent, arsenic.

On February 9, 2005, Chief agreed to a judgment with the EPA in the amount of US\$60 million. The judgment will remain in effect until the Company has complied with all the requirements of the related consent decree. However, as outlined below, such judgment will be satisfied by Chief complying with all material obligations under the consent decree, namely:

- Chief must provide a report to the EPA each year for five years listing insurance claims, the action the Company is taking to recover the amounts, and any recovery obtained.
- Chief agrees to use its best efforts to sell its property, other than any geologically prospective properties and the Burgin and Trixie Mines, and pay the EPA 100% of net sales proceeds up to US\$350,000, and then 50% thereafter.
- Chief agrees to pay the EPA 15% of its net income in excess of US\$2 million during any calendar year until February 2010.
- Chief agrees to pay the EPA 15% of any proceeds in excess of US\$2 million for a sale of Chief or all or substantially all of its assets until February 2010.

The Company has renegotiated the settlement with the EPA and the United States District Court approved the agreement in May 2010. Under the court approved agreement, Chief must pay to the EPA five payments each \$225,000 per year the first payment to be made before November 30, 2010, (paid) and the remaining four payments to be made on before November 30<sup>th</sup> of each year thereafter. The net present value of the remaining payments is \$794,046.

**12. Note payable**

As March 31, 2011, the Company has a \$2,000,000 note payable to Genco. During the quarter ended December 31, 2010, the company paid \$ 700,000 and interest of \$26,465 to Genco.

The note is interest bearing at a rate of Unites States prime plus 2%, subject to a minimum rate of 4% per year, with interest payable quarterly. Repayment is at any time prior to September 24, 2011.

**13. Share Capital**

Details are as follows:

	Number of Shares	Amount	Contributed Surplus	Total
Authorized:				

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200,000,000 common shares without par value				
50,000,000 Class A preferred shares without par value				
50,000,000 Class B preferred shares without par value				
Issued and fully paid:				
Balance: March 31, 2008	41,812,286	\$ 14,507,942	\$ 7,510,959	\$ 22,018,901
Units issued for private placements	2,766,667	1,219,928	127,572	1,347,500
Shares issued as finder's fees	24,500	12,250	-	12,250
Shares issued for purchase of Chief (Note 6)	2,000,000	857,500	-	857,500
Share issuance costs	-	(76,705)	-	(76,705)
Shares issued for SNS loan extension (Note 10)	250,000	42,500	-	42,500
Stock-based compensation	-	-	48,253	48,253
Balance: March 31, 2009	46,853,453	16,563,415	7,686,784	24,250,199
Exercise of stock options	650,000	222,105	(92,105)	130,000
Shares issued for SNS loan settlement (Note 10)	4,000,000	1,000,000	-	1,000,000
Units issued for private placements	11,233,334	2,150,510	769,490	2,920,000
Share issuance costs		(120,850)		(120,850)
Share issued for debt	45,000	15,000	-	15,000
Stock-based compensation	-	-	393,730	393,730
Balance : March 31, 2010	62,781,787	19,830,180	8,757,899	28,588,079
Units issued for private placements	29,018,772	6,616,537	930,908	7,547,445
Shares issued as finder's fees	90,125	28,840		28,840
Share issuance costs		(66,898)		(66,898)
Share issued for Warrant exercised	4,020,834	1,927,774	(304,149)	1,623,625
Stock-based compensation			770,894	791,656
Share issued for option exercised	126,000	74,290	(30,190)	44,100
Adjustment of option cancelled				
Balance March 31, 2011	96,037,518	\$ 28,410,723	\$ 10,125,362	\$ 38,536,085

On May 2, 2008, the Company closed a private placement for a total of 716,667 shares priced at \$0.45 totalling \$322,500. A finder's fee of 7% was paid to Nighthawk Capital Corp.

On July 31, 2008, the Company closed a private placement for a total of 1,920,000 units at a price of \$0.50 per unit totalling \$960,000. Each unit consisted of one common share and one half of one share purchase warrant. Each full warrant will entitle the holder to purchase one common share of the Company at a price of \$0.75 per share for a period of 18 months from the closing date. A 7% finder's fee was paid in a combination of cash and shares.

The fair value attributable to the common shares and warrants was \$840,381 and \$119,619 respectively.

The fair value of the common share purchase warrants was determined using the Black-Scholes pricing model using the following assumptions

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**13. Share Capital (continued)**

Average risk-free interest rate	3.28% to 4.34%
Expected dividend yield	0%
Expected stock price volatility	80% to 108%
Expected life of warrants	2 years

On August 5, 2008, the Company closed a private placement for a total of 130,000 units at a price of \$0.50 per unit totalling \$65,000. Each unit consisted of one common share and one half of one share purchase warrant. Each full warrant will entitle the holder to purchase one common share of the Company at a price of \$0.75 per share for a period of 18 months from the closing date. A 7% finder's fee was paid in a combination of cash and shares.

The fair value attributable to the common shares and warrants was \$57,048 and \$7,952 respectively.

The fair value of the common share purchase warrants was determined using the Black-Scholes pricing model using the following assumptions:

Average risk-free interest rate	3.28% to 4.34%
Expected dividend yield	0%
Expected stock price volatility	80% to 108%
Expected life of warrants	2 years

On November 9, 2009, the Company closed a non-brokered private placement for gross proceeds of \$2,250,000. The Company issued 9,000,000 units at a price of \$0.25 per unit. 3,460,000 units were issued and fully paid on September 21, 2009 with the remaining units being used and fully paid on November 9, 2009. Each unit consisted of one common share and one share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$0.40 per share for a period of 24 months from the closing date.

A finder's fee of \$87,050 was paid. The fair value attributable to the warrants was \$677,700.

The fair value of the common share purchase warrants was determined using the Black-Scholes pricing model using the following assumptions:

Average risk-free interest rate	3.85%
Expected dividend yield	0%
Expected stock price volatility	83% to 91%
Expected life of warrants	2 years

On December 16, 2009, the Company issued 45,000 common shares to a supplier at a deemed price of \$0.333 per common share to settle outstanding debt of \$15,000. TSX Venture Exchange approval was obtained.

On January 18, 2010, the Company closed a non-brokered private placement for gross proceeds of \$670,000. The Company issued 2,233,334 units at a price of \$0.30 per unit. 1,896,667 units were issued and fully paid by December 31, 2009 with the remaining units being used and fully paid on January 18, 2010. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$0.45 per share for a period of 18 months from the closing date.

A finder's fee of \$20,440 was paid. The fair value attributable to the warrants was \$91,790.

The fair value of the common share purchase warrants was determined using the Black-Scholes pricing

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model using the following assumptions:

Average risk-free interest rate	3.85%
Expected dividend yield	0%
Expected stock price volatility	83% to 91%
Expected life of warrants	2 years

During Three months ended June 30, 2010, the Company closed two private placements for total gross proceeds of \$362,125. On April 21, 2010 the Company issued 1,200,000 units at a price of \$0.25 per unit (proceeds of \$300,000). Each unit consisted of one common share and one share purchase warrant with the exercise price of \$0.35 and expiry date of twenty four months. On June 8, 2010 the Company issued 248,500 units at a price of \$0.25 per unit (proceeds of \$62,125). Each unit consisted of one common share and one share purchase warrant with the exercise price of \$0.35 and expiry date of twenty four months.

The fair value of the common share purchase warrants was determined using the Black-Scholes pricing model using the following assumptions:

Average risk-free interest rate	1.67% to 2.05%
Expected dividend yield	0%
Expected stock price volatility	95.86% to 97.17%
Expected life of warrants	2 years

During Three months ended September 30, 2010 the Company closed one private placement. On July 12, 2010 the Company closed a private placement for gross proceed of \$2,030,220. The Company issued 9,228,272 units at a price of \$0.22 per unit. Each unit consisted of one common share and one share purchase warrant with the exercise price of \$0.30 and expiry date of twenty four months. The fair value attributable to the warrants was 631,274.

The fair value of the common share purchase warrants was determined using the Black-Scholes pricing model using the following assumptions:

Average risk-free interest rate	1.68%
Expected dividend yield	0%
Expected stock price volatility	95.15%
Expected life of warrants	2 years

On October 27, 2010, the Company closed a private placement for a total of 14,287,000 units at a price of \$0.27 per unit totalling \$3,857,500.

On October 29, 2010, the Company closed a private placement for a total of 4,145,125 units at a price of \$0.32 per unit totalling \$1,326,440; each unit consisted of one common share and one half of one share purchase warrant. Each full warrant will entitle the holder to purchase one common share of the Company at a price of \$0.40 per share for a period of 24 months from the closing date. The fair value attributable to the warrants was \$382,287

The fair value of the common share purchase warrants was determined using the Black-Scholes pricing model using the following assumptions:

Average risk-free interest rate	1.41%
Expected dividend yield	0%
Expected stock price volatility	85.29%
Expected life of warrants	2 years

**13. Share Capital (continued)**

During year ended March 31, 2011, 3,565,000 shares were issued for the exercise of share purchase warrants exercisable at \$0.40 per share, 405,834 shares were issued for the exercise price of share purchase warrants exercisable at \$0.45 per share and 50,000 shares were issued for the exercise of share purchase warrants exercisable at \$0.30 per share for total proceeds of \$1,623,625.

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**Share Purchase Options**

Pursuant to the rules of the TSX, the Company has an incentive stock option plan in place which authorized the granting of options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum term of five years with vesting provisions determined by the board of directors.

A summary of the Company's options at March 31, 2011 and March 31, 2010 and the changes for the periods ending are as follows:

	Number of Options	Weighted Avg. Exercise Price
March 31, 2008	1,836,500	\$ 0.70
Cancelled	(1,241,500)	0.67
March 31, 2009	595,000	0.74
Granted	3,100,000	0.21
Exercised	(650,000)	0.20
Cancelled	(400,000)	0.35
March 31, 2010	2,645,000	0.31
Granted	4,325,000	0.40
Cancelled	(475,000)	0.25
Expired	30,000	0.23
Exercised	(126,000)	0.35
March 31, 2011	6,399,000	\$ 0.38

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

Exercise Prices	Options Outstanding	Options Exercisable	Expiry Dates
\$0.50	10,000	10,000	August 24, 2011
\$0.50	50,000	50,000	November 29, 2011
\$0.50	50,000	50,000	January 11, 2012
\$0.90	275,000	275,000	April 27, 2012
\$0.67	190,000	190,000	October 10, 2012
\$0.20	1,275,000	1,091,667	April 2, 2014
\$0.35	474,000	74,000	April 20, 2014
\$0.35	350,000	0	October 1, 2015
\$0.30	2,600,000	2,200,000	September 17, 2015
\$0.57	625,000	500,000	December 9, 2015
\$0.70	250,000	250,000	January 12, 2016
\$0.80	150,000	37,500	March 11, 2016
\$0.80	100,000	25,000	March 31, 2016
	6,399,000	4,753,167	

On April 2, 2009, the Company granted 2,500,000 stock options to Directors and employees at an exercise price of \$0.20 per share. The share options vest over a period of up to three years.

On April 20, 2009, the Company granted 600,000 stock options to consultants of the Company at an exercise price of \$0.35 per share.

On May 25, 2009, a Director of the Company exercised 350,000 stock options at an exercise price of \$0.20 per share, for gross proceeds of \$70,000. Also on this date, a consultant exercised 300,000 stock options at an exercise price of \$0.20 per share, for gross proceeds of \$60,000.

The fair value of the stock options granted was determined using the Black-Scholes Option Pricing Model and resulted in a value of \$159,860 based on the following assumptions: risk-free interest rate of 3.28%, expected term of 5 years, weighted average stock volatility of 95.32%, and expected future dividends of nil per share.

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On September 17, 2010, the Company granted 2,850,000 stock options to Directors, investor relation professionals and employees at an exercise price of \$0.30 per share. On October 1, 2010 the Company granted 350,000 stock options to an employee at an exercise price of \$0.35 per share. The share options vest over a three year period.

**13. Share Capital (continued)**

The fair value of the stock options granted was determined using the Black-Scholes Option Pricing Model and resulted in a value of \$359,191 based on the following assumptions: risk-free interest rate of 1.98%, expected term of 5 years, weighted average stock volatility of 88.50%, and expected future dividends of nil per share

On December 10, 2010, the Company granted 625,000 stock options to Directors and one consultant at an exercise price of \$0.57 per share. The fair value of the stock options granted was determined using the Black-Scholes Option Pricing Model and resulted in a value of \$182,686 based on the following assumptions: risk-free interest rate of 2.26%, expected term of 5 years, weighted average stock volatility of 67.60%, and expected future dividends of nil per share.

On January 12, 2011 the company granted 250,000 stock options to a director at an exercise price of \$0.70 with expiry date of Jan 12,2016. The fair value of the stock options granted was determined using the Black-Scholes Option Pricing Model and resulted in a value of \$109,250 based on the following assumptions: risk-free interest rate of 2.31%, expected term of 5 years, weighted average stock volatility of 75.43%, and expected future dividends of nil per share

On March 11, 2011, the company granted 150,000 stock options to a director at an exercise price of \$0.80 with expiry date of March 11,2016. The fair value of the stock options granted was determined using the Black-Scholes Option Pricing Model and resulted in a value of \$83,400 based on the following assumptions: risk-free interest rate of 2.34%, expected term of 5 years, weighted average stock volatility of 86.29%, and expected future dividends of nil per share

On March 31, 2011, the company granted 100,000 stock options to a director at an exercise price of \$0.80 with expiry date of March 31,2016. The fair value of the stock options granted was determined using the Black-Scholes Option Pricing Model and resulted in a value of \$42,900 based on the following assumptions: risk-free interest rate of 2.44%, expected term of 5 years, weighted average stock volatility of 75.79%, and expected future dividends of nil per share

During the year ended March 31, 2011, 475,000 options were cancelled with an average exercise price of \$0.25.

**Share Purchase Warrants**

A summary of the Company's share purchase warrants at March 31, 2011 and the changes for the pervious periods ending are as follows:

	Number of Warrants	Weighted Avg. Exercise Price
March 31, 2008	23,106,072	\$ 0.67
Issued	1,025,000	0.75
Expired	(10,370,000)	0.66
March 31, 2009	13,761,072	0.74
Issued	10,116,668	0.41
Expired	(13,761,072)	0.74
March 31, 2010	10,116,668	0.41
Issued	12,749,335	0.32
Exercised	(4,020,834)	0.40
March 31, 2011	18,845,169	\$ 0.35

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**13. Share Capital (continued)**

The following table summarizes information about the share purchase warrants outstanding and exercisable at December 31, 2010:

Exercise Prices	Warrants Outstanding	Expiry Dates
\$0.40	5,435,000	September 21, 2011
\$0.45	553,334	June 10, 2011
\$0.45	157,500	June 10, 2011
\$0.35	1,200,000	April 21, 2012
\$0.35	248,500	May 12, 2012
\$0.30	9,178,272	July 12, 2012
\$0.40	2,072,563	November 1, 2012
	18,845,169	

During year ended March 31, 2011, the company issued common share purchase warrants as follows:

Date of issue	Number of Warrants	Exercise price	Expiry date
April 21, 2010	1,200,000	\$0.35	April 21, 2012
June 08, 2010	248,000	\$0.35	May 12, 2012
July 12, 2010	9,228,272	\$0.30	July 12, 2012
October 29, 2010	2,072,563	\$0.40	November 1, 2012
	12,748,835		

**13. Share Capital (continued)**

During the year ended March 31, 2011, 4,020,834 share purchase warrants were exercised as follows:

warrant exercised during year ended March 31, 2011

Number of Warrants	Exercise price
3,565,000	\$0.40
395,000	\$0.45
10,834	\$0.45
50,000	\$0.30
4,020,834	

Subsequent to year ended March 31, 2011, 1,973,834 share purchase warrants were exercised as follows:

warrant exercised subsequent to year ended March 31, 2011

Number of Warrants	Exercise price
1,263,000	\$0.40
710,834	\$0.45
1,973,834	

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***Stock-Based Compensation***

The Company has established a share purchase option plan whereby the Company's directors may from time to time grant options to directors, employees or consultants. The maximum term of any option may be ten years, but generally options are granted for five years or less. The exercise price of an option must be determined by the Board of Directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the Board of Directors may determine the time during which options shall vest and the method of vesting.

The fair value of options granted during year ended March 31, 2011 was estimated on their grant date using the Black-Scholes option-pricing model with the following assumptions:

	2011
Expected dividend yield	0.00%
Expected stock price volatility	67.60% - 88.50%
Risk-free interest rate	1.98% - 2.48%
Expected life of options	3-5 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

As of March 31, 2011, the total stock-based compensation related to non-vested options was \$290,279 which will be recognized over the next fiscal years.

***Deficit on acquisition of further shares in subsidiary***

The company acquired a further 14,050,000 shares of Chief for \$3,793,500. As at March 31, 2011, the Company owned 41,337,605 common shares of Chief. This represents a 78.53% ownership stake in Chief. The amount of \$3,793,500 was presented as an adjustment to shareholders' equity arising from acquisition of additional interest in subsidiary.

**14. Future Income Taxes**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2011	2010
Loss before income taxes	\$ (1,679,434)	\$ (1,690,400)
Statutory tax rate	28.00%	29.63%
Expected income tax recovery	\$ (470,242)	\$ (500,781)
Effect of reduced tax rate	366,320	358,049
Expiry of tax losses	395,378	437,049
Expenses not deductible for tax purposes	344,447	117,680
Effect of subsidiary taxed at higher rate	(4,551)	(13,610)
Change in valuation allowance	(631,352)	(398,388)
Total income taxes (recovery)	\$ -	\$ -

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The significant components of the Company's income tax assets and liabilities are as follows:

	2010	2010
Future income tax assets		
Non-capital losses	\$ 9,640,133	\$ 9,990,310
Share issuance costs	66,701	113,998
Tax value of mineral properties in excess of book value	1,828,118	1,990,598
Other	529,495	600,893
	<u>12,064,447</u>	<u>12,695,799</u>
Valuation allowance	(12,064,447)	(12,695,799)
	<u>\$ -</u>	<u>\$ -</u>

Future income tax assets are not recorded due to the uncertainty of their recovery. As at March 31, 2011 the Company had \$ 31,262,969 (2009 - \$30,327,617) in non-capital taxable losses for Canadian and US income tax purposes, subject to final determination by taxation authorities and expiring as follows:

2012	838,545
2015	171,602
2016	231,746
2018	992,000
2019	1,085,000
2020	2,161,000
2021	3,457,000
2022	2,765,000
2023	1,745,000
2024	1,854,000
2025	2,267,000
2026	1,796,000
2027	3,665,351
2028	3,408,072
2029	1,396,817
2030	1,826,483
2031	1,602,353

**15. Related Party Transactions**

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended March 31, 2011, the Company paid or accrued management ,consulting and legal fees of \$332,341 (2010 - \$360,000) and the Company prepaid \$40,500 for professional fee ( 2010-Nil) to Directors and Officers of the Company or to companies controlled by common Directors.

As at March 31, 2011, the company has balances payable of \$45,220 (2010 - \$50,077) to Directors and Officers of the company or to companies controlled by common Directors. These transactions took place in the normal course of operations.

**16. Segmented Information**

The Company has one operating segment, which is mineral exploration. All of the Company's exploration expenses as disclosed on the exploration cost schedule are incurred in Alaska and Utah. All Land, Plant and equipment are located in Alaska and Utah. All of the Company's assets and other expenses are located or incurred in Canada and the United States.

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The Company has one operating segment, which is mineral exploration. The Company's long-lived assets by geographic location are as follows:

	<b>December 31</b>	<b>March 31</b>
	<b>2010</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Canada	18,206	33,779
United States	29,743,992	29,433,446

**17. Subsequent Events**

- 1) Subsequent to the year ended March 31, 2011, the company issued 2,023,834 shares for warrants which exercised as follows: 1,263,000 warrants exercised at an exercise price of \$0.40 per share and 710,834 warrants at an exercise price of \$0.45 per share.
- 2) Subsequent to the year ended March 31, 2011, the company granted 450,000 options on April 21, 2011 at an exercise price of \$0.70 and expiry date of April 21, 2016.
- 3) Subsequent to the year ended March 31, 2011, the Company issued 200,000 shares per \$0.70 for total amount of \$ 140,000 to Gold Finders Inc. (previously named SNS) for loan settlement on May 31, 2011.
- 4) On June 20, 2011, the Company entered into a joint-marketing agreement with RedChip Companies Inc. Upon the execution of this agreement, the Company has agreed to pay RedChip the following:
  - a. \$10,000 per month for RedChip Investor Relation services
  - b. \$18,000 for RedChip Research Visibility Package, due immediately upon execution of this agreement
  - c. In addition, the Company shall issue RedChip, as a service provider of consulting services, stock options to purchase up to four hundred thousand shares of the Company's common stock, with an exercise price of \$0.65 per share with a cashless exercise option.

**18. contingencies**

On April 23, 2007, Leonard Weitz filed a complaint against Chief Consolidated Mining Company in the Fourth Judicial District in and for Utah County, Utah (Case No. 07010174). An amended complaint was filed on June 23, 2007. The complaint is seeking money damages in the amount of \$726,000 for alleged breach of contract arising out of Mr. Weitz's employment agreement with Chief. A scheduling order has been proposed by plaintiff's attorney and is under consideration by Chief. Chief believes it has meritorious defenses to the claims asserted in the action and intends to vigorously defend the matter. No accrual regarding this matter has been made by Chief as of December 31, 2010.

Hackworth Drilling filed a complaint against Chief Consolidated Mining Company in the Fourth Judicial District in and for Juab County, Utah (Case No. 020600124). On October 8, 2002, Hackworth Drilling obtained a judgment against Chief in the amount of \$37,193.14, which accrued interest at the rate of 1.5% per month. Chief has made a partial payment on the obligation. On September 23, 2010, Hackworth Drilling has filed a complaint to review the judgment for \$37,697. Chief has recorded \$ US 38, 147 as accounts payable to Hackworth in 2008.

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**19. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.

**20. Recent Accounting Pronouncements**

**a) Business combinations**

CICA Handbook Section 1582 *Business Combinations*, replaces Section 1581 - *Business Combinations* and

provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - *Business Combinations*. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard for its year ended March 31, 2012. The Company is currently assessing the impact to the financial statements in fiscal 2012 upon adoption of this pronouncement.

**b) Consolidated statements and non-controlling interests**

Section 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", change the accounting and reporting ownership in interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position (balance sheet) within equity, but separately from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of operations. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interest of the non-controlling owners. The Company is currently assessing the impact to the financial statements in fiscal 2012 upon adoption of this pronouncement.

**c) International Financing Reporting Standards**

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of the International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year.

The changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Company's reported financial position and reported results of operations. During its fiscal quarter ended March 31, 2011, the Company completed its changeover plan, identified specific Canadian GAAP and IFRS differences, and selected ongoing IFRS policies. The Company is currently implementing changes to internal controls and external stakeholder communication. Additionally, the Company will monitor standards development as issued by the IASB and the AcSB as well as regulatory developments by the Canadian Securities Administrators (CSA), which may affect the timing, nature, or disclosure of the adoption of IFRS.

The Company's first reporting period under IFRS will be for its fiscal year ended March 31, 2012, with comparative IFRS information for its fiscal year ended March 31, 2011.

**21. Financial Instruments**

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are described below.

**Fair Value**

The Company's financial instruments include cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities, loans payable and notes payable. Management believes that the fair values of these financial instruments approximate their carrying values.

The Company has classified all of its financial assets and liabilities as follows:

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Cash and cash equivalents	Held-for-trading Fair Value
Marketable securities	Held-for-trading Fair Value
Accounts payable and accrued liabilities	Other financial liabilities
Loans payable	Other financial liabilities
Note payable	Other financial liabilities
Due to related parties	Other financial liabilities
EPA settlement obligation	Other financial liabilities

Held for trading financial assets and liabilities, including derivative financial instruments, are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs. Changes in fair value of held for trading financial instruments are recorded in net earnings. Loans and receivables and other financial liabilities are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated in effective cash flow hedges.

**Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial statement fails to meet its contractual obligations.

Financial instruments that are potentially subject to credit risk relate to cash. A significant portion of the Company's cash is held at one institution and as a result the Company is exposed to the risks of that institution.

The carrying amount of cash and short-term investment held for trading represents the Company's maximum credit exposure.

**21. Financial Instrument (continued)**

**Foreign exchange risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company raises money primarily in Canadian dollars and has US Dollar denominated liabilities through its US subsidiaries. A significant change in the currency exchange rates between the Canadian Dollar relative to the

US dollar could have an effect on the Company's results from operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

Financial instruments that subject the Company to a concentration of currency risk are accounts payable and accrued liabilities, asset retirement obligation, and EPA settlement obligation. Accounts exposed to foreign exchange risk as of March 31, 2011 are:

	March 31, 2011	
	USD Balance in CAD	
Cash and cash equivalents	\$	54,438
Other receivables		48,323
Accounts payable and accrued liabilities		(464,339)

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EPA settlement obligation		(794,046)
<b>Total</b>	<b>\$</b>	<b>(1,155,624)</b>

All US dollar balances are shown in Canadian dollar equivalents.

**Foreign currency exchange risk sensitivity analysis**

The following table details the Company's sensitivity analysis to a 10% strengthening in the US Dollar on foreign currency denominated monetary items and adjusts their translation at the balance sheet date for a 10% change in foreign currency rates. For a 10% weakening of the US Dollar against the Canadian Dollar, there would be an equal and opposite impact on net loss for the period.

Change in foreign exchange gain/(loss) resulting from currency fluctuations at March 31, 2011:

		March 31, 2011
		USD Balance in CAD
Cash and cash equivalents	\$	5,444
Other receivables		4,832
Accounts payable and accrued liabilities		(46,434)
EPA settlement obligation		(79,404)
<b>Total</b>	<b>\$</b>	<b>(115,562)</b>

**21. Financial Instrument (continued)**

**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 by managing adequate cash and cash equivalent balances and by raising equity or debt financing. The Company has no assurance that such financing will be available on favourable terms. The Company believes it is subject to liquidity risk through its working capital deficit. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares.

**22. Supplementary cash flow information**

	March 31, 2011 \$
<b>Cash paid during the period for:</b>	
Interest	135,695

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