BEARCLAW CAPITAL CORP.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Bearclaw Capital Corp.

We have audited the accompanying financial statements of Bearclaw Capital Corp., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bearclaw Capital Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
April 18, 2012
Vancouver, Canada

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BEARCLAW CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2011	December 31, 2010 (Note 18)	January1, 2010 (Note 18)
ASSETS				
Current assets				
Cash and cash equivalents	4	$ 664,362	$ 682,518	$ 451,702
Marketable securities	5	246,123	248,000	498,850
Receivables	6	999,142	235,076	426,369
Prepaid expenses		11,144	5,636	5,029
		1,920,771	1,171,230	1,381,950
Non-current assets				
Exploration and evaluation assets	7	399,205	504,134	1,415,113
Total assets		$ 2,319,976	$ 1,675,364	$ 2,797,063
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	8	$ 36,790	$ 37,314	$ 29,238
Total liabilities		36,790	37,314	29,238
Equity				
Share capital	9	7,748,505	7,738,505	7,722,505
Share-based payments reserve	10	299,424	280,150	237,368
Accumulated other comprehensive income		160,278	166,416	314,006
Deficit		(5,925,021)	(6,547,021)	(5,506,054)
Total equity		2,283,186	1,638,050	2,767,825
Total liabilities and equity		$ 2,319,976	$ 1,675,364	$ 2,797,063

Commitments (Note 7 and 16)

Event after the reporting period (Note 17)

The financial statements were authorized for issue by the board of directors on April 18, 2012 and were signed on its behalf by:

"Scott Ross" Director
Chief Executive Officer

"Arthur Lilly" Director
Chief Financial Officer

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

BEARCLAW CAPITAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31

	Note	2011	2010 (Note 18)
EXPENSES			
Accounting and audit		$ 44,000	$ 39,318
Consulting		26,638	50,010
Filing and transfer agent fees		15,647	14,104
Insurance		11,161	8,931
Management fees		52,000	40,000
Legal fees		19,459	22,130
Office and miscellaneous		7,314	6,751
Property investigation		-	10,303
Rent		15,268	13,724
Shareholder information		1,893	2,706
Share-based payments	10	19,274	42,782
Travel		2,535	-
Loss before other items		(215,189)	(250,759)
OTHER ITEMS			
Interest income		7,239	4,925
Gain on sale of marketable securities		62,396	287,931
Gain on sale of mineral property interest	7	767,554	-
Write-off of exploration and evaluation assets	7	-	(1,083,064)
		837,189	(790,208)
Net income (loss) for the year		622,000	(1,040,967)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain on marketable securities		56,258	140,341
Reclassification adjustments of gain realized on sale of marketable securities		(62,396)	(287,931)
		(6,138)	(147,590)
Comprehensive income (loss) for the year		$ 615,862	$ (1,188,557)
Basic and diluted income (loss) per common share	9	$ 0.03	$ (0.04)
Weighted average number of common shares outstanding		24,255,553	24,117,128

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

BEARCLAW CAPITAL CORP.
STATEMENTS OF CHANGES IN EQUITY

	Note	Number of Shares		Share capital		Share-based payments reserve		Accumulated other comprehensive income		Deficit		Total equity
Balance, January 1, 2010		24,046,991	$	7,722,505	$	237,368	$	314,006	$	(5,506,054)	$	2,767,825
Comprehensive loss												
Loss for the year		-		-		-		-		(1,040,967)		(1,040,967)
Other comprehensive loss for the year		-		-		-		(147,590)		-		(147,590)
Comprehensive loss for the year		-		-		-		(147,590)		(1,040,967)		(1,188,557)
Transactions with owners												
Acquisition of mineral property interest	7	200,000		16,000		-		-		-		16,000
Share-based payments	10	-		-		42,782		-		-		42,782
Transactions with owners		200,000		16,000		42,782		-		-		58,782
Balance, December 31, 2010		24,246,991		7,738,505		280,150		166,416		(6,547,021)		1,638,050
Comprehensive loss												
Income for the year		-		-		-		-		622,000		622,000
Other comprehensive loss for the year		-		-		-		(6,138)		-		(6,138)
Comprehensive loss for the period		-		-		-		(6,138)		622,000		615,862
Transactions with owners												
Acquisition of mineral property interest	7	125,000		10,000		-		-		-		10,000
Share-based payments	10	-		-		19,274		-		-		19,274
Transactions with owners		-		-		19,274		-		-		29,274
Balance, December 31, 2011		24,371,991	$	7,748,505	$	299,424	$	160,278	$	(5,925,021)	$	2,283,186

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

BEARCLAW CAPITAL CORP.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the year		$ 622,000	$ (1,040,967)
Items not affecting cash:			
Share-based payments		19,274	42,782
Gain on sale of marketable securities		(62,396)	(287,931)
Gain on sale of mineral property interest		(767,554)	-
Write-off of exploration and evaluation assets		-	1,083,064
Changes in non-cash working capital items:			
Receivables		(10,395)	191,293
Prepaid expenses		(5,508)	(607)
Accounts payable and accrued liabilities		6,162	(502)
Net cash used in operating activities		(198,417)	(12,868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of marketable securities		58,135	391,191
Proceeds from sale of mineral property interest		300,000	-
BC mining exploration tax credit refund		39,611	-
Exploration and evaluation costs		(217,485)	(147,507)
Net cash provided by investing activities		180,261	243,684
Change in cash and cash equivalents during the year		(18,156)	230,816
Cash and cash equivalents, beginning of the year		682,518	451,702
Cash and cash equivalents, end of the year	4	$ 664,362	$ 682,518

Supplemental cash flow information (Note 12)

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

1. NATURE OF BUSINESS

Bearclaw Capital Corp. (the "Company") was incorporated on August 11, 1999 under the laws of British Columbia, Canada and maintains its head office at Suite 214, 3540 West 41st Avenue, Vancouver, British Columbia, Canada, V6N 3E6. Its registered office is located at Suite 1900, 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H3. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties in Canada. The Company is listed on the TSX Venture Exchange (TSX-V) under the symbol "BRL" and on the Frankfurt Stock Exchange under the symbol "5BQ".

2. BASIS OF PREPARATION

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's financial statements for the year ending December 31, 2011 are the first annual financial statements that comply with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The impact of the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS is explained in note 18.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale, which are stated at their fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Going concern

The Company is an exploration stage company. The Company has a history of losses with no operating revenue. The ability of the Company to recover the costs it has incurred to date on the evaluation and exploration assets is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the properties.

The Company's ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, shareholders and other investors and/or to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in which case the Company may be unable to meet its obligations. The Company continues to seek joint venture partners to further its mineral properties. Management believes that the current cash position will be sufficient to fund the Company's operating and capital requirements for the next 12 months. The directors, after reviewing the current cash position and having considered the Company's ability to raise funds in the short term, adopt the going concern basis in preparing the accounts.

These financial statements do not include adjustments that would be required if going concern is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

2. BASIS OF PREPARATION (cont'd…)

Reclassification

Certain comparative figures have been reclassified to conform to the presentation of the current period financial statements. The following is a summary of the main changes:

(i) Receivables and taxes recoverable have been grouped as receivables as these items are similar in nature and historically not individually material.

(ii) The Company has renamed certain line items on the statement of financial position. Mineral properties have been renamed as exploration and evaluation assets. Contributed surplus has been renamed as share-based payments reserve. Accounts payable and accrued liabilities have been renamed as trade and other payables.

Use of estimates and judgements

The preparation of the financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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 areas requiring the use of management estimates include:

(i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests has been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.
(ii) The determination of the fair value of stock options and warrants using stock pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
(iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
(iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Once a license to explore an area has been secured, all direct costs related to the acquisition, exploration and evaluation of mineral property interests are capitalized into intangible assets on a property by property basis until such time that technical feasibility and commercial viability of extracting a mineral resource has been determined for a property, in which case the capitalized exploration and evaluation costs are transferred and capitalized into property, plant and equipment. The Company records expenditures on exploration and evaluation activities at cost.

Proceeds received from a partial sale or option of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs, the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transfer takes place. No initial value is assigned to any retained royalty interest. A royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

When entitled, the Company records mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the properties.

Management assesses the exploration and evaluation assets for impairment at least annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. 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 recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Provision for decommissioning and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2011, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost less any impairment. The Company's loans and receivables comprise cash and cash equivalents and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Subsequent to initial recognition, changes in the fair value of available-for-sale financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. When available-for-sale financial asset are sold, the accumulated fair value adjustments recognized in other comprehensive income are transferred to profit and loss. The Company's available-for-sale assets include marketable securities in equity securities of other listed entities.

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities which include trade and other payables. Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired.

Loans and receivables

For loans and receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as default or delinquency by a debtor, the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the agreement. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Available-for-sale financial assets

For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The Company will measure impairment on the basis of an instrument's fair value using an observable market price. An amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Impairment losses recognised on equity instruments are not reversed through profit or loss if the unrealized fair value of the impaired equity instruments increases.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade and other payables. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Earnings / loss per share

Basic earnings/loss per share is calculated by dividing the earnings/loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the earnings/loss attributable to common shareholders equals the reported earnings/loss attributable to owners of the Company. The diluted earnings/loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and the share purchase warrants were anti-dilutive for the years ended December 31, 2010 and 2011.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments

Share-based payments to employees and others providing similar services are measured at the grant date fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of options expected to vest. The offset to the recorded cost is to share-based payments reserve. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

Income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting pronouncements

i) Amendments to IFRS 7 *Financial Instruments: Disclosures* (IFRS 7) have been issued to require additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are applicable for annual periods beginning on or after July 1, 2011, with early adoption permitted.

ii) Amendments to IAS 12 *Income Taxes* (IAS 12) have been issued to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendments are applicable for annual periods beginning on or after January 1, 2012, with early adoption permitted.

iii) New standard IFRS 11 *Joint Arrangements* (IFRS 11) has been issued to replace IAS 31 *Interests in Joint Ventures*. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

iv) New standard IFRS 12 *Disclosure of Interest in Other Entities* (IFRS 12) has been issued to set out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in ISA 28, *Investments in Associates*. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

v) New standard IFRS 13 *Fair Value Measurement* (IFRS 13) has been issued to provide a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

vi) Amendments to IAS 32 *Financial Instruments: Presentation* (IAS 12) have been issued to clarify requirements for offsetting of financial assets and financials liabilities. The amendments are applicable for annual periods beginning on or after January 1, 2014, with early adoption permitted.

vii) New standard IFRS 9 *Financial Instruments* (IFRS 9) has been issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted.

The Company has not early adopted these revised standards and is currently assessing the impact of these standards on the Company’s financial statements.

4. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Cash	$ 128,106	$ 3,361	$ 1,312
Guaranteed investment certificates	-	-	161,820
Money market instruments	536,256	679,157	288,570
	$ 664,362	$ 682,518	$ 451,702

5. MARKETABLE SECURITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Common shares in listed Canadian companies	$ 246,123	$ 248,000	$ 498,850

Marketable securities are measured at fair value which is determined using quoted closing prices of the shares on the exchange where they are listed, at the end of each reporting period. A change in fair value of the marketable securities is included as a component of other comprehensive income.

6. RECEIVABLES

	December 31, 2011	December 31, 2010	January 1, 2010
GST/HST recoverable	$ 42,808	$ 32,413	$ 85,265
BC mining exploration tax credit receivable	53,671	-	-
Quebec mining exploration tax credit receivable	202,663	202,663	241,104
Mineral property sale/option proceeds receivable (Note 7)	700,000	-	100,000
	$ 999,142	$ 235,076	$ 426,369

The Company anticipates full recovery of its receivables and therefore no impairment has been recorded against these amounts.

7. EXPLORATION AND EVALUATION ASSETS

2011	Lov Property	Axe Property	Other BC Properties	Total
Acquisition costs				
Cash payments	$ 21,780	$ -	$ 10,114	$ 31,894
Share payments	10,000	-	-	10,000
	31,780	-	10,114	41,894
Deferred exploration expenditures				
Assays	14,710	-	(5,403)	9,307
Consulting	26,750	-	-	26,750
Drilling	79,911	-	-	79,911
Geochemical	14,995	-	-	14,995
Miscellaneous	9,621	-	-	9,621
Transportation	38,321	-	-	38,321
BC mining exploration tax credit	(85,401)	-	(7,881)	(93,282)
	98,907	-	(13,284)	85,623
Net costs for the year	130,687	-	(3,170)	127,517
Balance, beginning of the year	119,928	104,042	280,164	504,134
Sale of mineral property interest	-	-	(232,446)	(232,446)
Balance, December 31, 2011	$ 250,615	$ 104,042	$ 44,548	$ 399,205

2010	Lov Property	Axe Property	Other BC Properties	James Bay Property	Total
Acquisition costs					
Cash payments	$ 3,564	$ -	$ 4,648	$ -	$ 8,212
Share payments	16,000	-	-	-	16,000
	19,564	-	4,648	-	24,212
Deferred exploration expenditures					
Assays	4,872	-	11,100	-	15,972
Consulting	8,700	-	15,158	-	23,858
Geochemistry	6,900	-	7,250	-	14,150
Geophysical survey	65,418	-	-	-	65,418
Miscellaneous	12,606	-	1,939	-	14,545
Project administration	-	-	4,854	-	4,854
Transportation	1,868	-	7,208	-	9,076
	100,364	-	47,509	-	147,873
Net costs for the year	119,928	-	52,157	-	172,085
Balance, beginning of the year	-	104,042	228,007	1,083,064	1,415,113
Write-off of property costs	-	-	-	(1,083,064)	(1,083,064)
Balance, December 31, 2010	$ 119,928	$ 104,042	$ 280,164	$ -	$ 504,134

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Title to mineral 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 mineral 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 is in good standing.

Lov Property, British Columbia

On August 9, 2010 the Company signed an option agreement with SG Spirit Gold Inc. (formerly Ruby Red Resources Inc.) ("SG") whereby the Company has the option to acquire up to an 80% interest in certain mineral claims located in the Fort Steele Mining Division of British Columbia. Pursuant to the amendments signed during the year ended December 31, 2011, to earn the initial 65% interest in the property, the Company is required to make cash payments of $70,000 ($20,000 paid), issue 575,000 common shares (325,000 shares issued with a fair value of $26,000) and fulfill work commitments of $880,000 ($284,672 completed) by October 31, 2014. The remaining option terms are due as follows:

- Pay $15,000, issue an additional 125,000 shares, and incur additional work costs of $95,328 by October 31, 2012;
- Pay $35,000, issue an additional 125,000 shares, and incur additional work costs of $200,000 by October 31, 2013;
- Incur additional work costs of $300,000 by October 31, 2014.

The Company also has the right to earn an additional 15% interest in the property by making an additional cash payment of $50,000, issuing an additional 200,000 common shares and delivering a positive pre-feasibility study to SG by October 31, 2016.

Once the Company has earned its 65%, the Company and SG will jointly fund and manage the property in accordance with their participating interests held. If a party's interest is at any time diluted below 20%, then such party's interest shall be converted to a 0.4% production royalty interest.

Axe Property, British Columbia

During the year ended December 31, 2005, the Company signed an option agreement with Weststar Resources Corp. ("Weststar") whereby Weststar had an option to earn a 70% interest in the property, located in the Similkameen Mining Division of British Columbia. Weststar earned its 70% interest by spending $500,000 of exploration expenditures on the property and by making certain cash payments and share issuances required under the agreement.

The Company and Weststar have executed the joint venture agreement, as amended, contemplated by the 2005 option agreement. Each party has the right to elect to contribute to the costs of a proposed program and budget in an amount up to its proportionate interest. If a party elects to contribute a lesser amount, then its interest in the mineral properties will be diluted. If a party's interest is reduced below 10%, then its interest will be automatically converted to a carried interest. As at December 31, 2011, the Company held a 30% interest in the property. Subsequent to December 31, 2011, the Company and Weststar entered into an agreement with Xstrata Copper Canada ("Xstrata"), a division of Xstrata Canada Corporation whereby Xstrata was granted an option to earn up to a 75% interest in the property (Note 17).

Other British Columbia properties

The Company holds a 100% interest in the Aplite, Bam, Castle, and Rey Lake properties. The Company also retains a 1% net smelter returns royalty ("NSR") in the Gnat Pass property, 1.25% NSR in the Man/Prime property and a 2.25% NSR in the Capoose property.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Other British Columbia properties (cont'd…)

The Company has entered into the following property agreements in two of these BC properties as follows:

Gnat Pass Property

On October 4, 2011, the Company signed an agreement with Finsbury Exploration Ltd. ("Finsbury") to sell a 100% interest in its Gnat Pass property. In consideration of the 100% interest, Finsbury agreed to the following terms:

i) Finsbury will pay the Company $300,000 on October 31, 2011 (received) and a further $700,000 on October 31, 2012 (Note 6);

ii) Finsbury will issue to the Company up to 1,000,000 common shares of Finsbury concurrent with the consummation of a plan of arrangement and qualifying transaction ("QT") that Finsbury proposes to undertake in the future, involving Finsbury, a capital pool company, and the shareholders of Finsbury;

iii) Finsbury will grant the Company an option to acquire common shares in Finsbury with an aggregate subscription price of up to $150,000 as part of a private placement or other financing that is proposed to close prior to or concurrently with the QT; and

iv) Finsbury will grant to the Company a 1% NSR, up to a maximum aggregate amount of $7,500,000.

Castle Property

On December 5, 2011, the Company entered into an option agreement with West Cirque Resources Ltd. ("West Cirque") whereby the Company granted West Cirque an option to acquire a 100% interest in the Castle property. Under the terms of the option agreement, West Cirque can earn a 100% interest in the property by making cash payments of $175,000, issuing 500,000 shares, and incurring aggregate exploration expenditures of $2,000,000 over a three year period as follows:

- Pay $50,000 and issue 100,000 shares upon the TSX-V approval (subsequently received);
- Pay $25,000, issue additional 100,000 shares, and incur additional work costs of $500,000 by January 10, 2013;
- Pay $25,000, issue additional 100,000 shares, and incur additional work costs of $500,000 by January 10, 2014;
- Pay $75,000, issue additional 200,000 shares, and incur additional work costs of $1,000,000 by January 10, 2015.

The Company retains a 2% NSR which can be purchased by West Cirque for $4,000,000.

The transaction is subject to the TSX-V approval, which was subsequently obtained on January 10, 2012.

Capoose Property

During the year ended December 31, 2008, the Company entered into an agreement with Silver Quest Resources Ltd. ("SQI") whereby SQI can earn up to a 100% interest in the property, located in the Omineca Mining Division of British Columbia. During the year ended December 31, 2009, SQI acquired an initial 60% interest in the property by making cash payments of $240,000, issuing 1,040,000 common shares and incurring $1,000,000 in exploration expenditures.

Upon SQI exercise of the initial option, the parties formed a joint venture with each party responsible for their share of approved costs related to the project. During the year ended December 31, 2010, SQI approved a $2,200,000 of exploration program. The Company did not participate in funding and as a result, the Company's interest in the property was diluted and converted to a 2.25% NSR.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Other British Columbia properties (cont'd…)

Man/Prime Property

The Company retains a 1.25% NSR in the property, which can be purchased by Candorado Operating Company Ltd. at any time prior to the beginning of commercial production for $1,250,000.

James Bay Property, Quebec

During the year ended December 31, 2007, the Company entered into an agreement to acquire a 100% interest in four mineral properties in the James Bay region in Quebec. The Company acquired a 100% interest in the property by paying $1,400,000 and issuing 3,000,000 common shares to the vendors. The Company paid $75,000 and issued 201,250 common shares as a finder's fee in connection with the acquisition. The property is subject to a 2% to 3% royalty and a 2% NSR.

In fiscal 2008 and 2009, the Company wrote off a total of $3,208,048 of acquisition and exploration costs as a result of consultations with independent consultants concerning the exploration results and potential of the property. During the year ended December 31, 2010, the Company decided not to proceed with further exploration of the property and accordingly wrote off the remaining capitalized costs of $1,083,064.

8. TRADE AND OTHER PAYABLES

The Company's trade and other payables are broken down as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 2,122	$ 1,840	$ 398
Amounts due to related parties (Note 11)	6,784	3,685	56
Accrued liabilities	27,884	31,789	28,784
	$ 36,790	$ 37,314	$ 29,238

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days. At December 31, 2011, all trade payables were outstanding less than 30 days.

9. SHARE CAPITAL

Authorized share capital

The Company has authorized 100,000,000 common shares with no par value.

Issued share capital

At December 31, 2011, the Company had 24,371,991 common shares outstanding (December 31, 2010 - 24,246,991).

9. SHARE CAPITAL (cont'd…)

Share issuance

During the year ended December 31, 2011, the Company issued 125,000 common shares pursuant to the Lov property option agreement with a total fair value of $10,000.

During the year ended December 31, 2010, the Company issued 200,000 common shares pursuant to the Lov property option agreement with a total fair value of $16,000.

Basic and diluted earnings/loss per share

The calculation of basic and diluted earnings/loss per share for the year ended December 31, 2011 was based on the income attributable to common shareholders of $622,000 (2010 - loss of $1,046,132) and a weighted average number of common shares outstanding of 24,255,553 (2010 - 24,117,128).

At December 31, 2011, 1,850,000 stock options (2010 - 1,850,000) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

10. SHARE-BASED PAYMENTS

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

The options outstanding at December 31, 2011 have an exercise price in the range of $0.10 to $0.25 (2010 - $0.10 to $0.25) and a weighted average remaining contractual life of 3.11 years (2010 - 3.92 years).

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding, December 31, 2009	815,000	$ 0.16
Options granted	1,200,000	0.10
Expired	(165,000)	0.17
Options outstanding, December 31, 2010	1,850,000	0.12
Options granted	300,000	0.10
Cancelled	(300,000)	0.10
Options outstanding, December 31, 2011	1,850,000	$ 0.12
Options exercisable at December 31, 2011	1,280,000	$ 0.13
Weighted average fair value of options granted during the year	$ 0.045	(2010 - $0.044)

10. SHARE-BASED PAYMENTS (cont'd…)

The total fair value of stock options granted during the year was $13,520 (2010 - $52,239) using the Black-Scholes option pricing model. For the year ended December 31, 2011, the Company expensed $19,274 (2010 - $42,782) for the vesting portion of stock options.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2011	2010
Risk-free interest rate	2.23%	2.75%
Expected life of options	5 Years	5 Years
Annualized volatility	113.29%	107.59%
Forfeiture rate	Nil	Nil
Dividend rate	Nil	Nil

11. RELATED PARTY TRANSACTIONS

Key management includes directors (executive and non-executive) of the Company. The compensation paid or payable to key management personnel during the years ended December 31 is as follows:

	2011	2010
Short-term employee benefits	$ -	$ -
Share-based payments	17,394	40,659
Total	$ 17,394	$ 40,659

The Company entered into the following related party transactions during the year ended December 31, 2011:

a) Paid or accrued management fees of $52,000 (2010 - $40,000) to a company controlled by the President of the Company for management services provided.

b) Paid or accrued consulting fees of $4,000 (2010 - $6,000) to a company controlled by the Chief Financial Officer of the Company for corporate consulting services provided.

c) Paid or accrued consulting fees of $12,000 (2010 - $nil) to a close family member of the Chief Financial Officer of the Company for corporate consulting services provided.

d) Paid or accrued consulting fees of $9,409 (2010 - $40,226), office administration fees of $561 (2010 - $2,457), property investigation fee of $nil (2010 - $325) and evaluation and exploration costs of $nil (2010 - $52,157) to a company controlled by a director of the Company for general and geological consulting services provided.

These transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Included in trade and other payables is $6,784 (2010 - $3,685) owing to related parties for expenses paid on behalf of the Company and is unsecured, non-interest bearing, and has no specific terms of repayment.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	2011	2010
Cash paid for income taxes during the year	$ -	$ -
Cash paid for interest during the year	$ -	$ -

Significant non-cash transactions during the year ended December 31, 2011 included:

a) The Company issued 125,000 common shares pursuant to Lov property option agreement with a total value of $10,000.

b) Included in exploration and evaluation assets are $1,892 related to trade and other payables.

c) Included in exploration and evaluation cost recovery are $53,671 related to receivables.

Significant non-cash transactions during the year ended December 31, 2010 included:

a) The Company issued 200,000 common shares pursuant to Lov property option agreement with a total value of $16,000.

b) Included in exploration and evaluation assets are $8,578 related to trade and other payables.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its 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 capital at an acceptable risk. In the management of capital, the Company includes shareholders' equity in the definition of capital.

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 its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in highly liquid investments which are readily convertible into cash with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

There were no changes in the Company's approach to capital management during the year ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

14. INCOME TAXES

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

	2011	2010
Income (loss) before income taxes	$ 622,000	$ (1,040,967)
Corporate tax rate	26.5%	28.5%
Expected income tax expense (recovery) at statutory rates	$ 164,830	$ (296,675)
Permanent differences	(4,819)	(35,482)
Impact on changes in tax rate	(9,056)	40,791
Current year unrecognized temporary differences	(164,959)	291,087
Other	14,004	279
Total income tax expense	$ -	$ -

Details of unrecognized deferred income tax assets are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Non-capital loss carryforwards	$ 521,553	$ 457,100	$ 412,685
Exploration and evaluation assets	758,747	950,600	679,870
Marketable securities	10	900	-
Share issuance costs	-	36,600	73,271
Net unrecognized deferred income tax assets	$ 1,280,310	$ 1,445,200	$ 1,165,826

The Company has available for deduction against future taxable income non-capital losses of approximately $2,086,000. These losses, if not utilized, will expire through 2031. Subject to certain restrictions, the Company also has resource expenditures of approximately $3,434,000 available to reduce taxable income in future years. Deferred tax assets which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements as the Company determined that, as at December 31, 2011, their realization is uncertain.

15. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash and cash equivalents and receivable classified as loans and receivables and measured at amortized cost; marketable securities as available-for-sale and measured at fair value; trade and other payables as other financial liabilities and measured at amortized cost. The carrying amount of financial assets and liabilities carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments.

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Available-for-sale financial assets				
Marketable securities	$ 246,123	$ -	$ -	$ 246,123
December 31, 2010				
Available-for-sale financial assets				
Marketable securities	$ 248,000	$ -	$ -	$ 248,000

A market is regarded as active if quoted prices are readily and regularly available from an exchange. The quoted market prices used for marketable securities are the closing price on the TSX-V at December 30, 2011.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents, marketable securities and receivables. The credit risk with respect to its cash and cash equivalents and marketable securities are minimal as they are held with high-credit quality financial institutions. The Company's receivables consist of harmonized sale tax ("HST") and mining exploration tax credit refunds due from the federal and provincial governments of Canada. Management does not expect these counterparties to fail to meet their obligations.

15. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash available to fund its projects and operations. As at December 31, 2011, the Company had a cash and cash equivalents balance of $664,362 to settle current liabilities of $36,790. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature and maturity.

16. COMMITMENTS

On September 14, 2011, the Company entered into an office lease agreement for its office premises commencing December 1, 2011 and ending November 30, 2014. The annual minimum lease commitments under the lease are as follows:

2012	$	7,461
2013	$	7,709
2014	$	7,274
	$	22,444

17. EVENT AFTER THE REPORTING PERIOD

Subsequent to December 31, 2011, the Company and Weststar entered into an agreement with Xstrata Copper Canada ("Xstrata"), a division of Xstrata Canada Corporation whereby Xstrata was granted an option to earn up to a 75% interest in the Axe property. To earn an initial 51% interest in the property, Xstrata is required to make cash payments of $180,000 ($25,000 paid) and incur exploration expenditures of $3,000,000 over a four year period. Upon earning a 51% interest in the property, the parties to the agreement will form a joint venture to fund and manage the property in accordance with their participating interests held, being 51% by Xstrata, 34.3% by Weststar, and 14.7% by the Company. In addition, Xstrata has the option to earn additional 24% interest in the property by completing a feasibility study or incurring additional exploration expenditures of $15,000,000.

18. TRANSITION TO IFRS

As a result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in its financial statements for the year ended December 31, 2011, making them the first annual financial statements of the Company under IFRS. The Company previously applied the available standards under Canadian GAAP that were issued by the Accounting Standards Board of Canada. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance and cash flows is set out in this note.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of the opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

IFRS initial elections upon adoption

IFRS 1 *First-time Adoption of International Financial Reporting Standards* generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle. The IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS are as follows:

i) Share-based payment transactions

The Company has elected under IFRS 1 to not apply IFRS 2 *Share-based Payment* to equity instruments granted on or before November 7, 2002 or to instruments that were granted subsequent to November 7, 2002 and vested prior o the date of transition to IFRS. As a result of this exemption, the Company was only required to calculate the impact of any share-based payments that were unvested at January 1, 2010.

ii) Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to create or revise estimates.

Adjustments on transition to IFRS

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change the Company's cash flows, it resulted in changes to the Company's statements of financial position and statements of comprehensive loss as set out below:

(a) The Company grants stock options that have a graded vesting schedule. Under IFRS 2 *Share-based Payment*, each tranche of an award with different graded vesting is accounted for as a separate award and the fair value is amortized over the vesting period of the respective tranches. Under Canadian GAAP, the Company was accounting for the entire grant as a single award and amortized the expense on a straight line basis.

The Company has elected under IFRS 1 to apply the provision of IFRS 2 only to all outstanding stock options that were unvested at January 1, 2010. As at January 1, 2010, 380,000 stock options were unvested. Under IFRS, the transition change is to increase share-based payments reserve and deficit by $5,165. There are no changes to the net equity as at January 1, 2010 and December 31, 2010.

18. TRANSITION TO IFRS (cont'd…)

(b) Flow-through share agreements transfer the rights to income tax deductions on the Canadian exploration expenditures from the Company to the flow-through shareholders. Under Canadian GAAP the funds received were recorded as share capital at the time of issue. At the time the expenditures were renounced to the shareholders, the Company recorded a deferred income tax liability and a share issuance cost. IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby share capital is recorded at the trading value of an ordinary common share and the difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. When the flow-through expenditures are renounced, the loss of tax benefits is recorded as a deferred income tax liability with an offsetting reduction of the flow-through share premium liability and the difference between the share premium liability and the deferred income tax liability on the renounced expenditures is expensed.

The expenditures for the flow-through shares issued since inception had been fully incurred and renounced prior to the Company's date of transition. As a result, the net effect of this transition change is to increase share capital and deficit by $26,725 at January 1, 2010 and December 31, 2010.

A reconciliation of the above noted changes is included in the following balance sheets and statements of comprehensive loss for the dates noted below.

18. TRANSITION TO IFRS (cont'd…)

Reconciliations of Canadian GAAP to IFRS

A reconciliation of equity as at January 1, 2010 reported under the Canadian GAAP to equity under IFRS is as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 451,702	$ -	$ 451,702
Marketable securities		498,850	-	498,850
Receivables		100,000	-	100,000
Taxes recoverable		326,369	-	326,369
Prepaid expenses		5,029	-	5,029
		1,381,950	-	1,381,950
Mineral properties		1,415,113	-	1,415,113
Total assets		$ 2,797,063	$ -	$ 2,797,063
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 29,238	$ -	$ 29,238
Equity				
Share capital		7,695,780	26,725	7,722,505
Contributed surplus	18(a)	232,203	5,165	237,368
Accumulated other comprehensive income		314,006	-	314,006
Deficit	18(a)&(b)	(5,474,164)	(31,890)	(5,506,054)
		2,767,825	-	2,767,825
Total liabilities and equity		$ 2,797,063	$ -	$ 2,797,063

18. TRANSITION TO IFRS (cont'd…)

Reconciliations of Canadian GAAP to IFRS (cont'd…)

A reconciliation of shareholders' equity as at December 31, 2010 reported under the Canadian GAAP to equity under IFRS is as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 682,518	$ -	$ 682,518
Marketable securities		248,000	-	248,000
Taxes recoverable		235,076	-	235,076
Prepaid expenses		5,636	-	5,636
		1,171,230	-	1,171,230
Mineral properties		504,134	-	504,134
Total assets		$ 1,675,364	$ -	$ 1,675,364
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 37,314	$ -	$ 37,314
Equity				
Share capital		7,711,780	26,725	7,738,505
Contributed surplus		280,150	-	280,150
Accumulated other comprehensive income		166,416	-	166,416
Deficit	18(b)	(6,520,296)	(26,725)	(6,547,021)
		1,638,050	-	1,638,050
Total liabilities and equity		$ 1,675,364	$ -	$ 1,675,364

Reconciliation of cash flow statements

The transition from Canadian GAAP to IFRS has had no effect on the reported cash flows of the Company for the year ended December 31, 2010. As the reconciling items between the Canadian GAAP presentation and the IFRS presentation have no net impact on the cash flows generated, no reconciliations have been presented.

18. TRANSITION TO IFRS (cont'd…)

Reconciliations of Canadian GAAP to IFRS (cont'd…)

The Canadian GAAP statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES				
Accounting and audit		$ 39,318	$ -	$ 39,318
Consulting		50,010	-	50,010
Filing and transfer agent fees		14,104	-	14,104
Insurance		8,931	-	8,931
Management fees		40,000	-	40,000
Legal fees		22,130	-	22,130
Office and miscellaneous		6,751	-	6,751
Property investigation		10,303	-	10,303
Rent		13,724	-	13,724
Shareholder information		2,706	-	2,706
Stock-based compensation	18(a)	47,947	(5,165)	42,782
Loss before other items		(255,924)	5,165	(250,759)
OTHER ITEMS				
Interest income		4,925	-	4,925
Gain on sale of marketable securities		287,931	-	287,931
Write-off of mineral properties		(1,083,064)	-	(1,083,064)
		(790,208)	-	(790,208)
Net loss for the year		(1,046,132)	5,165	(1,040,967)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain on marketable securities		140,341	-	140,341
Realized gain on sale of marketable securities		(287,931)	-	(287,931)
		(147,590)	-	(147,590)
Comprehensive loss for the year		$ (1,193,722)	$ 5,165	$ (1,188,557)
Basic and diluted loss per common share		$ (0.04)	$ -	$ (0.04)
Weighted average number of common shares outstanding		24,117,128	-	24,117,128