

**BEARCLAW CAPITAL CORP.**

CONDENSED INTERIM FINANCIAL STATEMENTS

Nine Months Ended September 30, 2011

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT**

The accompanying unaudited interim financial report of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report in accordance with securities legislation and the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**BEARCLAW CAPITAL CORP.**  
**CONDENSED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)

	Note	September 30, 2011	December 31, 2010	January 1, 2010
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	4	\$ 572,026	\$ 682,518	\$ 451,702
Marketable securities	5	217,000	248,000	498,850
Receivables	6	225,553	235,076	426,369
Prepaid expenses		<u>10,543</u>	<u>5,636</u>	<u>5,029</u>
		1,025,122	1,171,230	1,381,950
<b>Non-current assets</b>				
Exploration and evaluation assets	7	<u>547,136</u>	<u>504,134</u>	<u>1,415,113</u>
<b>Total assets</b>		<b>\$ 1,572,258</b>	<b>\$ 1,675,364</b>	<b>\$ 2,797,063</b>

**LIABILITIES AND EQUITY**

<b>Current liabilities</b>				
Trade and other payables	8	\$ <u>25,568</u>	\$ <u>37,314</u>	\$ <u>29,238</u>
<b>Total liabilities</b>		<b>25,568</b>	<b>37,314</b>	<b>29,238</b>
<b>Equity</b>				
Share capital	9	7,711,780	7,711,780	7,695,780
Share-based payments reserve		295,854	280,150	237,368
Accumulated other comprehensive income		141,904	166,416	314,006
Deficit		<u>(6,602,848)</u>	<u>(6,520,296)</u>	<u>(5,479,329)</u>
<b>Total equity</b>		<b><u>1,546,690</u></b>	<b><u>1,638,050</u></b>	<b><u>2,767,825</u></b>
<b>Total liabilities and equity</b>		<b>\$ 1,572,258</b>	<b>\$ 1,675,364</b>	<b>\$ 2,797,063</b>

Event after the reporting period (Note 15)

The financial statements were authorised for issue by the board of directors on November 28, 2011 and were signed on its behalf by:

“Scott Ross”  
Chief Executive Officer

Director

“Arthur Lilly”  
Chief Financial Officer

Director

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

**BEARCLAW CAPITAL CORP.**  
**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited – Prepared by Management)

	Note	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
<b>EXPENSES</b>					
Accounting and audit		\$ 3,700	\$ 5,565	\$ 17,400	\$ 14,008
Consulting	11	6,149	9,801	18,035	42,702
Filing and transfer agent fees		1,737	1,919	14,030	13,026
Insurance		2,872	2,286	8,149	6,280
Management fees	11	12,000	12,000	36,000	28,000
Legal fees		5,455	4,375	10,293	22,130
Office and miscellaneous		1,652	831	5,319	2,516
Project investigation		-	-	-	6,871
Rent		3,803	3,816	11,400	9,933
Shareholder information		156	51	955	1,696
Stock-based compensation	10	3,570	7,901	15,704	35,106
Travel		1,519	114	2,481	308
<b>Loss before other items</b>		<u>(42,613)</u>	<u>(48,659)</u>	<u>(139,766)</u>	<u>(182,576)</u>
<b>OTHER ITEMS</b>					
Interest income		1,900	1,442	5,587	2,995
Gain on sale of marketable securities		<u>51,627</u>	<u>121,422</u>	<u>51,627</u>	<u>273,414</u>
		<u>53,527</u>	<u>122,864</u>	<u>57,214</u>	<u>276,409</u>
<b>Net income (loss) for the period</b>		10,914	74,205	(82,552)	93,833
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Unrealized gain (loss) on marketable securities		(54,385)	96,856	27,115	96,824
Reclassification adjustments of gain realized on sale of marketable securities		<u>(51,627)</u>	<u>(121,422)</u>	<u>(51,627)</u>	<u>(273,414)</u>
		<u>(106,012)</u>	<u>(24,566)</u>	<u>(24,512)</u>	<u>(176,590)</u>
<b>Comprehensive income (loss) for the period</b>		\$ (95,098)	\$ 49,639	\$ (107,064)	\$ (82,757)
<b>Basic and diluted loss per common share</b>					
	9	\$ 0.00	\$ 0.00	\$ (0.00)	\$ 0.00
<b>Weighted average number of common shares outstanding</b>					
		24,246,991	24,125,252	24,246,991	24,117,128

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

**BEARCLAW CAPITAL CORP.**  
**CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – Prepared by Management)

	Note	Number of Shares	Share capital	Share-based payments reserve	Accumulated other comprehensive income	Deficit	Total equity
Balance, January 1, 2010		24,046,991	\$ 7,695,780	\$ 237,368	\$ 314,006	\$ (5,479,329)	\$ 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	7	200,000	16,000	-	-	-	16,000
Stock-based compensation	10	-	-	42,782	-	-	42,782
Transactions with owners		200,000	16,000	42,782	-	-	58,782
Balance, December 31, 2010		24,246,991	7,711,780	280,150	166,416	(6,520,296)	1,638,050
Comprehensive loss							
Loss for the period		-	-	-	-	(82,552)	(82,552)
Other comprehensive loss for the period		-	-	-	(24,512)	-	(24,512)
Comprehensive loss for the period		-	-	-	(24,512)	(82,552)	(107,064)
Transactions with owners							
Stock-based compensation	10	-	-	15,704	-	-	15,704
Transactions with owners		-	-	15,704	-	-	15,704
Balance, September 30, 2011		24,246,991	\$ 7,711,780	\$ 295,854	\$ 141,904	\$ (6,602,848)	\$ 1,546,690

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

**BEARCLAW CAPITAL CORP.**

## CONDENSED STATEMENTS OF CHANGES IN EQUITY (cont'd...)

(Unaudited – Prepared by Management)

	Note	Number of Shares	Share capital	Share-based payments reserve	Accumulated other comprehensive income	Deficit	Total equity
Balance, January 1, 2010		24,046,991	\$ 7,695,780	\$ 237,368	\$ 314,006	\$ (5,479,329)	\$ 2,767,825
Comprehensive loss							
Net income for the period		-	-	-	-	93,833	88,891
Other comprehensive loss for the period		-	-	-	(176,590)	-	(176,590)
Comprehensive loss for the period		-	-	-	(176,590)	93,833	(87,699)
Transactions with owners							
Acquisition of mineral property	7	200,000	16,000	-	-	-	16,000
Stock-based compensation	10	-	-	35,106	-	-	40,048
Transactions with owners		-	16,000	35,106	-	-	56,048
Balance, September 30, 2010		24,046,991	\$ 7,711,780	\$ 272,474	\$ 137,416	\$ (5,385,496)	\$ 2,736,174

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

**BEARCLAW CAPITAL CORP.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED SEPTEMBER 30,**  
(Unaudited – Prepared by Management)

	Note	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) for the period		\$ (82,552)	\$ 93,833
Items not affecting cash:			
Gain on sale of marketable securities		(51,627)	(273,414)
Stock-based compensation	10	15,704	35,106
Changes in non-cash working capital items:			
Receivables		9,523	208,850
Prepaid expenses		(4,907)	(2,652)
Accounts payable and accrued liabilities		<u>(15,623)</u>	<u>(19,306)</u>
Net cash provided by (used in) operating activities		<u>(129,482)</u>	<u>42,417</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of marketable securities		58,115	375,924
Mineral properties		<u>(39,125)</u>	<u>(5,681)</u>
Net cash provided by (used in) investing activities		<u>18,990</u>	<u>370,243</u>
<b>Change in cash and cash equivalents during the period</b>		(110,492)	412,660
<b>Cash and cash equivalents, beginning of the period</b>		<u>682,518</u>	<u>451,702</u>
<b>Cash and cash equivalents, end of the period</b>	4	\$ 572,026	\$ 864,362

**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 41<sup>st</sup> 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, development and production 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

These financial statements of the Company have been prepared by management 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 will be the first annual financial statements that comply with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied for the interim and annual reporting periods. The impact of the transition from Canadian Generally Accepted Accounting Principles (Canadian GAAP) to IFRS is explained in note 16. These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and do not include all of the disclosures required for a complete set of annual financial statements.

### **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 mineral properties 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 aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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...)**

**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 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, 2013, 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.

**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 done 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 or 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.

**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.

**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.

**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.

**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.

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. 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 recognised.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**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 September 30, 2011, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

**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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are initially recognized at fair value 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. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

(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.

*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.

(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 realise the asset and settle the liability simultaneously.

**Share capital**

The Company records proceeds from 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.

**Loss per share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. The diluted 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 three and nine month periods ended September 30, 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 grant date at the 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**

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. 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.

**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.

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**4. CASH AND CASH EQUIVALENTS**

	September 30, 2011	December 31, 2010	January 1, 2010
Cash	\$ 37,442	\$ 3,361	\$ 1,312
Guaranteed investment certificates	-	-	161,820
Money market instruments	534,584	679,157	288,570
	<b>\$ 572,026</b>	<b>\$ 682,518</b>	<b>\$ 451,702</b>

**5. MARKETABLE SECURITIES**

	September 30, 2011	December 31, 2010	January 1, 2010
Common shares in listed Canadian companies	\$ 217,000	\$ 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**

	September 30, 2011	December 31, 2010	January 1, 2010
GST/HST recoverable	\$ 22,890	\$ 32,413	\$ 85,265
Quebec mining exploration tax credit receivable	202,663	202,663	241,104
Mineral property option proceed receivable	-	-	100,000
	<b>\$ 225,553</b>	<b>\$ 235,076</b>	<b>\$ 426,369</b>

The Company anticipates full recovery of its receivables and therefore no impairment has been recorded against these amounts. The credit risk on the GST/HST recoverable and Quebec mining exploration tax credit receivable has been further discussed in Note 13.

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**7. EXPLORATION AND EVALUATION ASSETS**

2011	Lox Property	Axe Property	Other BC Properties	Total
Acquisition costs				
Cash payments	\$ 20,000	\$ -	\$ 5,618	\$ 25,618
Share payments	-	-	-	-
	<u>20,000</u>	<u>-</u>	<u>5,618</u>	<u>25,618</u>
Deferred exploration expenditures				
Assays	-	-	(5,403)	(5,403)
Consulting	16,300	-	-	16,300
Geochemistry	14,060	-	-	14,060
Miscellaneous	2,869	-	-	2,869
Transportation	29,169	-	-	29,169
BC mining exploration tax credit	(26,885)	-	(12,726)	(39,611)
	<u>35,513</u>	<u>-</u>	<u>(18,129)</u>	<u>17,384</u>
Net costs for the year	55,513	-	(12,511)	43,002
Balance, beginning of the year	119,928	104,042	280,164	504,134
Write off of property	-	-	-	-
Balance, September 30, 2011	\$ 175,441	\$ 104,042	\$ 267,653	\$ 547,136

2010	Lox 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
	<u>19,564</u>	<u>-</u>	<u>4,648</u>	<u>-</u>	<u>24,212</u>
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
	<u>100,364</u>	<u>-</u>	<u>47,509</u>	<u>-</u>	<u>147,873</u>
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	-	-	-	(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. To earn the initial 65% interest in the property, the Company is required to make cash payments of \$90,000 (\$20,000 paid), issue 800,000 common shares (200,000 shares issued with a fair value of \$16,000) and fulfill work commitments of \$1,190,000 (\$90,000 completed) over three years. Pursuant to the amendment signed during the first quarter of 2011, the remaining option terms are due as follows:

- Issue an additional 200,000 shares (subsequently issued), and incur additional work costs of \$90,000 by October 31, 2011 (subsequently incurred);
- Pay \$20,000, issue an additional 200,000 shares, and incur additional work costs of \$300,000 by October 31, 2012;
- Pay \$50,000, issue an additional 200,000 shares, and incur additional work costs of \$300,000 by October 31, 2013;
- Incur additional work costs of \$410,000 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 September 30, 2011, the Company held a 30% interest in the property.

**Other British Columbia properties**

The Company holds a 100% interest in the Aplite, Bam, Castle, Gnat Pass and Rey Lake properties. The Company also retains a 1.25% net smelter returns royalty (“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 granted property options to acquire interests in three of these BC properties as follows:

***Rey Lake Property***

The Company holds an amended option agreement with Keyser Resources Inc. (“KRI”) whereby KRI may earn up to a 90% interest in the property located in southern British Columbia between Merritt and Logan Lake. To earn its 90% interest in the property, KRI is required to make cash payments totaling \$12,500 (received) and incur \$150,000 in exploration expenditures. During the year ended December 31, 2010, KRI decided not to proceed with the option agreement. The property thus reverted 100% back to the Company.

***Man/Prime Property***

In January 2007, the Company entered into an option agreement with Candorado Operating Company Ltd. (“CDO”) whereby CDO had an option to earn up to an 80% interest in the property, located in the Similkameen Mining Division of British Columbia. Under the agreement, CDO acquired an initial 51% interest in the property by making a cash payment of \$50,000, issuing 700,000 common shares and incurring \$800,000 in exploration expenditures. During fiscal 2008 and 2009, the Company sold its remaining 49% interest in the property to CDO for consideration of \$300,000 and 450,000 shares of CDO.

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

***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.

**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.

**BEARCLAW CAPITAL CORP.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2011  
(Unaudited – Prepared by Management)

---

---

**8. TRADE AND OTHER PAYABLES**

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

---

---

	September 30, 2011	December 31, 2010	January 1, 2010
Trade payables	\$ 18,920	\$ 1,840	\$ 398
Amounts due to related parties (Note 14)	2,385	3,685	56
Accrued liabilities	4,263	31,789	28,784
	<u>\$ 25,568</u>	<u>\$ 37,314</u>	<u>\$ 29,238</u>

---

---

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and accrued liabilities for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days. At September 30, 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 September 30, 2011, the Company had 24,246,991 common shares outstanding (December 31, 2010 - 24,246,991).

**Share issuance**

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 loss per share**

The calculation of basic and diluted loss per share for the nine month period ended September 30, 2011 was based on the loss attributable to common shareholders of \$82,552 (2010 - income of \$10,914) and a weighted average number of common shares outstanding of 24,246,991 (2010 - 24,117,128).

At September 30, 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.

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**10. SHARE-BASED PAYMENTS**

The Company has a stock option plan under which it is authorized to grant options to executive officers and 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 September 30, 2011 have an exercise price in the range of \$0.10 to \$0.25 (December 31, 2010 - \$0.10 to \$0.25) and a weighted average remaining contractual life of 3.36 years (December 31, 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	<u>(165,000)</u>	0.17
Options outstanding, December 31, 2010	1,850,000	0.12
Options granted	300,000	0.10
Cancelled	<u>(300,000)</u>	0.10
Options outstanding, September 30, 2011	1,850,000	\$ 0.12
Options exercisable at September 30, 2011	1,280,000	\$ 0.13
Weighted average fair value of options granted during the period	\$ 0.045	(2010 - \$0.046)

The total stock-based compensation calculated for stock options granted during the period under the fair value method was \$13,520 (2010 - \$55,559) using the Black-Scholes option pricing model. For the nine month period ended September 30, 2011, the Company expensed \$15,704 (2010 - \$40,048) for the vesting portion of stock options to operations.

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

	2011	2010
Risk-free interest rate	2.23%	2.75%
Expected life of options	5 Years	5 Years
Annualized volatility	113.29%	123.94%
Dividend rate	Nil	Nil

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**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 nine month periods ended September 30 is as follows:

	2011	2010
Short-term employee benefits	\$ -	\$ -
Share-based payments	13,871	26,008
<b>Total</b>	<b>\$ 13,871</b>	<b>\$ 26,008</b>

The Company entered into the following related party transactions during the nine month periods ended September 30, 2011:

- a) Paid or accrued management fees of \$36,000 (2010 - \$28,000) to a company controlled by the President of the Company for management services provided.
- b) Paid or accrued consulting fees of \$12,086 (2010 - \$40,407) and geological consulting fees of \$nil (2010 - \$15,816) to two companies controlled separately by the chief financial officer and a non-executive 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 \$2,385 (December 31, 2010 - \$3,685) owing to related parties for services rendered to 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 period	\$ -	\$ -
Cash paid for interest during the period	\$ -	\$ -

Significant non-cash transactions during the nine month period ended September 30, 2011 included:

- a) Included in mineral property costs are \$12,455 related to accounts payable and accrued liabilities.

Significant non-cash transactions during the nine month period ended September 30, 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 mineral property costs are \$30,611 related to accounts payable and accrued liabilities.

**13. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows: cash and cash equivalents and receivable are 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 balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Available-for-sale				
Marketable securities	\$ 217,000	\$ -	\$ -	\$ 217,000

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 September 30, 2011.

**Financial risk management**

The Company’s financial risks arising from its financial instruments are credit risk, liquidity risk, 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 Quebec 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. The Company’s credit risk has not changed significantly during the nine month period ended September 30, 2011.

**13. 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 September 30, 2011, the Company had a cash and cash equivalents balance of \$572,026 to settle current liabilities of \$25,568. The Company's financial liabilities include 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 cash flow. 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.

**14. 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 nine month period ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

**15. EVENT AFTER THE REPORTING PERIOD**

Subsequent to September 30, 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;
- 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.

The transaction was approved by the TSX-V on October 19, 2011.

## 16. TRANSITION TO IFRS

As 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 ending December 31, 2011, making them the first annual financial statements of the Company under IFRS. The Company previously applied the available standards under Canadian generally accepted accounting principles ("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 period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and in the preparation of an opening IFRS balance sheet 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 all stock options that vested before the date of transition. As a result of applying this exemption, the Company has applied the provision of IFRS 2 to all outstanding stock options that were unvested prior to 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 resulting 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 expense on a straight line basis.

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



**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**16. 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
<b>ASSETS</b>				
<b>Current assets</b>				
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		<u>5,029</u>	<u>-</u>	<u>5,029</u>
		1,381,950	-	1,381,950
<b>Mineral properties</b>		<u>1,415,113</u>	<u>-</u>	<u>1,415,113</u>
<b>Total assets</b>		\$ 2,797,063	\$ -	\$ 2,797,063
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 29,238	\$ -	\$ 29,238
<b>Equity</b>				
Share capital		7,695,780	-	7,695,780
Contributed surplus	16(a)	232,203	5,165	237,368
Accumulated other comprehensive income		314,006	-	314,006
Deficit	16(a)	<u>(5,474,164)</u>	<u>(5,165)</u>	<u>(5,479,329)</u>
		<u>2,767,825</u>	<u>-</u>	<u>2,767,825</u>
<b>Total liabilities and equity</b>		\$ 2,797,063	\$ -	\$ 2,797,063

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**16. TRANSITION TO IFRS (cont'd...)**

**Reconciliations of Canadian GAAP to IFRS (cont'd...)**

A reconciliation of equity as at September 30, 2010 reported under the Canadian GAAP to equity under IFRS is as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		\$ 864,362	\$ -	\$ 864,362
Marketable securities		219,750	-	219,750
Taxes recoverable		217,519	-	217,519
Prepaid expenses		<u>7,681</u>	<u>-</u>	<u>7,681</u>
		1,309,312	-	1,309,312
<b>Mineral properties</b>		<u>1,467,405</u>	<u>-</u>	<u>1,467,405</u>
<b>Total assets</b>		<u>\$ 2,776,717</u>	<u>\$ -</u>	<u>\$ 2,776,717</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 40,543	\$ -	\$ 40,543
<b>Equity</b>				
Share capital		7,711,780	-	7,711,780
Contributed surplus	16(a)	272,251	223	272,474
Accumulated other comprehensive income		137,416	-	137,416
Deficit	16(a)	<u>(5,385,273)</u>	<u>(223)</u>	<u>(5,385,496)</u>
		<u>2,736,174</u>	<u>-</u>	<u>2,736,174</u>
<b>Total liabilities and equity</b>		<u>\$ 2,776,717</u>	<u>\$ -</u>	<u>\$ 2,776,717</u>

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**16. 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
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		\$ 682,518	\$ -	\$ 682,518
Marketable securities		248,000	-	248,000
Taxes recoverable		235,076	-	235,076
Prepaid expenses		<u>5,636</u>	<u>-</u>	<u>5,636</u>
		1,171,230	-	1,171,230
<b>Mineral properties</b>		<u>504,134</u>	<u>-</u>	<u>504,134</u>
<b>Total assets</b>		\$ 1,675,364	\$ -	\$ 1,675,364
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 37,314	\$ -	\$ 37,314
<b>Equity</b>				
Share capital		7,711,780	-	7,711,780
Contributed surplus		280,150	-	280,150
Accumulated other comprehensive income		166,416	-	166,416
Deficit		<u>(6,520,296)</u>	<u>-</u>	<u>(6,520,296)</u>
		<u>1,638,050</u>	<u>-</u>	<u>1,638,050</u>
<b>Total liabilities and equity</b>		\$ 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 nine month period ended September 30, 2010 and 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.

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**16. 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
<b>EXPENSES</b>				
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	16(a)	47,947	(5,165)	42,782
<b>Loss before other items</b>		<u>(255,924)</u>	<u>5,165</u>	<u>(250,759)</u>
<b>OTHER ITEMS</b>				
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)
		<u>(790,208)</u>	<u>-</u>	<u>(790,208)</u>
<b>Net loss for the year</b>		(1,046,132)	5,165	(1,040,967)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized gain on marketable securities		140,341	-	140,341
Realized gain on sale of marketable securities		(287,931)	-	(287,931)
		<u>(147,590)</u>	<u>-</u>	<u>(147,590)</u>
<b>Comprehensive loss for the year</b>		\$ (1,193,722)	\$ 5,165	\$ (1,188,557)
<b>Basic and diluted loss per common share</b>				
		\$ (0.04)	\$ -	\$ (0.04)
<b>Weighted average number of common shares outstanding</b>				
		24,117,128	-	24,117,128

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**16. TRANSITION TO IFRS (cont'd...)**

**Reconciliations of Canadian GAAP to IFRS (cont'd...)**

The Canadian GAAP statement of comprehensive loss for the three months ended September 30, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>EXPENSES</b>				
Accounting and audit		\$ 5,565	\$ -	\$ 5,565
Consulting		9,801	-	9,801
Filing and transfer agent fees		1,919	-	1,919
Insurance		2,286	-	2,286
Management fees		12,000	-	12,000
Legal fees		4,375	-	4,375
Office and miscellaneous		831	-	831
Rent		3,816	-	3,816
Shareholder information		51	-	51
Stock-based compensation		8,899	(998)	7,901
Travel and promotion	16(a)	<u>114</u>	<u>-</u>	<u>114</u>
<b>Loss before other items</b>		<u>(49,657)</u>	<u>998</u>	<u>(48,659)</u>
<b>OTHER ITEMS</b>				
Interest income		1,442	-	1,442
Gain on sale of marketable securities		<u>121,422</u>	<u>-</u>	<u>121,422</u>
		<u>122,864</u>	<u>-</u>	<u>122,864</u>
<b>Net income for the period</b>		73,207	998	74,205
<b>OTHER COMPREHENSIVE LOSS</b>				
Unrealized gain on marketable securities		96,856	-	96,856
Realized gain on sale of marketable securities		<u>(121,422)</u>	<u>-</u>	<u>(121,422)</u>
		<u>(24,566)</u>	<u>-</u>	<u>(24,566)</u>
<b>Comprehensive income for the period</b>		\$ 48,641	\$ 998	\$ 49,639
<b>Basic and diluted income per common share</b>				
		\$ 0.00	\$ -	\$ 0.00
<b>Weighted average number of common shares outstanding</b>				
		24,125,252	-	24,125,252

**BEARCLAW CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
(Unaudited – Prepared by Management)

**16. TRANSITION TO IFRS (cont'd...)**

**Reconciliations of Canadian GAAP to IFRS (cont'd...)**

The Canadian GAAP statement of comprehensive loss for the nine months ended September 30, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>EXPENSES</b>				
Accounting and audit		\$ 14,008	\$ -	\$ 14,008
Consulting		42,702	-	42,702
Filing and transfer agent fees		13,026	-	13,026
Insurance		6,280	-	6,280
Management fees		28,000	-	28,000
Legal fees		22,130	-	22,130
Office and miscellaneous		2,516	-	2,516
Project investigation		6,871	-	6,871
Rent		9,933	-	9,933
Shareholder information		1,696	-	1,696
Stock-based compensation		40,048	(4,942)	35,106
Travel and promotion	16(a)	308	-	308
<b>Loss before other items</b>		<b>(187,518)</b>	<b>4,942</b>	<b>(182,576)</b>
<b>OTHER ITEMS</b>				
Interest income		2,995	-	2,995
Gain on sale of marketable securities		273,414	-	273,414
		276,409	-	276,409
<b>Net income for the period</b>		<b>88,891</b>	<b>4,942</b>	<b>93,833</b>
<b>OTHER COMPREHENSIVE LOSS</b>				
Unrealized gain on marketable securities		96,824	-	96,824
Realized gain on sale of marketable securities		(273,414)	-	(273,414)
		(176,590)	-	(176,590)
<b>Comprehensive loss for the period</b>		<b>\$ (87,699)</b>	<b>\$ 4,942</b>	<b>\$ (82,757)</b>
<b>Basic and diluted income per common share</b>		<b>\$ 0.00</b>	<b>\$ -</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>		<b>24,117,128</b>	<b>-</b>	<b>24,117,128</b>