(A Development Stage Enterprise)

Financial Statements
For the Years Ended December 31, 2011 and 2010

(Stated in Canadian Dollars)

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

December 31, 2011

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Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Metals Creek Resources Corp.:

We have audited the accompanying financial statements of Metals Creek Resources Corp., which comprise the statements of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 2010, and 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.

Auditor's 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 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 Metals Creek Resources Corp. as at December 31, 2011 and 2010 and January 1, 2010 and the results of its operations and cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Wasserman Ramsay

Markham, Ontario
April 18, 2012

Chartered Accountants
Licensed Public Accountants

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

STATEMENTS OF FINANCIAL POSITION

As at	**December 31, 2011 $**	December 31, 2010 $	January 1, 2010 $
		(note 16)	(note 16)
ASSETS			
Current			
Cash	**212,721**	-	-
Cash – flow-through funds (note 6)	**-**	276,793	67,580
Short term investments (note 3)	**4,831,333**	750,724	2,150,514
Short term investments –restricted (note 3 and note 6)	**-**	210,149	-
Staking security deposits (note 13)	**38,950**	7,150	4,700
H.S.T. and other receivables	**140,065**	159,634	105,930
Prepaid expenses	**21,245**	13,930	14,637
	5,244,314	1,418,380	2,343,361
Property and equipment (note 4)	**47,100**	25,283	24,911
Long term investments (note 5)	**68,125**	45,000	-
Exploration and evaluation assets (note 7)	**7,357,100**	5,612,396	3,524,358
	12,716,639	7,101,059	5,892,630
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities (note 9)	**91,410**	359,768	84,532
Deferred premium on flow-through shares	**-**	34,001	36,259
	91,410	393,769	120,791
Deferred income taxes (note 12)	**117,431**	458,248	127,208
Equity			
Share Capital (note 8)	**11,611,049**	7,173,725	5,377,345
Reserves (note 8)	**4,819,853**	2,177,083	1,790,924
Deficit	**(3,923,104)**	(3,101,766)	(1,523,638)
	12,507,798	6,249,042	5,644,631
	12,716,639	7,101,059	5,892,630

These financial statements are authorized for issue by the Board of Directors on April 18, 2012. They are signed on the Corporation's behalf by:

"Alexander Stares" Director

"Nick Tsimidis" Director

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

STATEMENTS OF COMPREHENSIVE LOSS

	2011 $	2010 $ (note 16)
EXPENSES		
Business development	246,199	148,773
Depreciation	12,259	7,899
Office and general	162,764	116,570
Professional fees (note 9)	109,989	74,025
Salaries and benefits	287,157	220,015
Part XII.6 tax expense (recovery)	(8,399)	34,377
Share-based payments	485,558	355,960
	1,295,527	957,619
Loss before the following:	1,295,527	957,619
Proceeds on mineral property option, net	(67,491)	-
Amounts earned on exploration and evaluation assets	(6,226)	(25,748)
Write-down of exploration and evaluation assets	-	341,880
Preacquisition exploration and evaluation expenses	109,502	33,655
Interest income	(137,671)	(8,987)
Adjustment to fair market value for investments	78,265	(13,750)
Loss before income taxes	1,271,906	1,284,669
Provision for (recovery of) deferred income taxes (note 12)	(450,568)	293,459
Comprehensive loss for the year	821,338	1,578,128
Loss per share – basic and diluted	0.009	0.026
Weighted Average Shares Outstanding – basic and diluted	92,758,031	60,152,278

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2011 and 2010

	Share capital		Reserves			
	Number of shares #	Share Capital $	Warrants $	Equity Settled benefits $	Deficit $	Total
Balance as at January 1, 2010 (note 16)	55,998,741	5,377,345	1,017,980	772,944	(1,523,638)	5,644,631
Issued for cash:						
Private placements	7,652,229	647,550	306,040	-	-	953,590
Exercise of warrants	5,528,807	1,094,001	(264,832)	-	-	829,169
Exercise of options	80,000	23,309	-	(11,009)	-	12,300
Share-based payments	-	-	-	355,960	-	355,960
Shares issued on property acquisitions	594,398	100,144	-	-	-	100,144
Share issue costs	-	(68,624)	-	-	-	(68,624)
Expiration of warrants	-	-	(351,062)	351,062	-	-
Comprehensive loss for the period	-	-	-	-	(1,578,128)	(1,578,128)
Balance at December 31, 2010	**69,854,175**	**7,173,725**	**708,126**	**1,468,957**	**(3,101,766)**	**6,249,042**
Issued for cash:						
Private placements	24,756,500	4,824,978	2,182,592	-	-	7,007,570
Exercise of warrants	127,503	41,446	(4,570)	-	-	36,876
Exercise of options	150,000	45,310	-	(20,810)	-	24,500
Shares issued on property acquisitions	1,549,324	114,706	-	-	-	114,706
Share issue costs	-	(589,116)	-	-	-	(589,116)
Share-based payments	-	-	-	485,558	-	485,558
Expiration of warrants	-	-	(396,676)	396,676	-	-
Comprehensive loss for the period	-	-	-	-	(821,338)	(821,338)
Balance at December 31, 2011	**96,437,502**	**11,611,049**	**2,489,472**	**2,330,381**	**(3,923,104)**	**12,507,798**

The accompanying notes form an integral part of these financial statements

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

STATEMENTS CASH FLOWS

	2011 $	2010 $ (note 16)
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Comprehensive loss for the year	(821,338)	(1,578,128)
Depreciation	12,259	7,899
Share-based payments	485,558	355,960
Write-down of exploration and evaluation assets	-	341,080
Adjustment to fair market value for investments	78,265	(13,750)
Proceeds on mineral property option	(56,875)	-
Amounts earned on exploration and evaluation assets	-	(25,748)
Provision for (recovery of) deferred income taxes	(450,568)	293,459
Decrease (increase) in H.S.T. and other receivables	19,569	(53,704)
Decrease (increase) in prepaid expenses	(7,315)	707
Increase (decrease) in accounts payable and accrued liabilities	(268,358)	275,236
Cash flows from (used in) operating activities	(1,008,803)	(396,989)
FINANCING ACTIVITIES		
Issuance of capital stock for cash	7,083,320	988,912
Financing costs – cash commission expenses	(589,116)	(68,624)
Redemption (purchase) of short term investments	(3,914,975)	1,189,642
Proceeds on exercise of stock options	24,500	12,300
Proceeds on exercise of warrants	36,876	829,169
Cash flows from financing activities	2,640,605	2,951,399
INVESTING ACTIVITIES		
Cash – flow-through funds	276,793	(209,213)
Decrease (increase) in staking security deposits	(31,800)	(2,450)
Expenditures on exploration and evaluation assets	(1,629,997)	(2,334,476)
Acquisition of property and equipment	(34,077)	(8,271)
Cash flows used in investing activities	(1,419,081)	(2,554,410)
Increase (decrease) in cash	212,721	-
Cash - beginning of period	-	-
Cash - end of period	212,721	-

Supplemental information (see note 14)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Metals Creek Resources Corp. (the "Company") was incorporated on June 21, 2004 under the Business Corporations Act (Ontario).

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

The accompanying financial statements have been prepared on the basis applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has working capital in the amount of $5,152,904 (December 31, 2010 - $1,024,611) and has a deficit in the amount of $3,923,104 (December 31, 2010 - $3,101,766). The Company has not earned any significant revenues to date and is considered to be in the exploration stage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Conversion to International Financial Reporting Standards

These financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in Note 16.

These are the Company's first set of IFRS annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements including comparatives have been prepared on the basis of IFRS standards that were in effect on December 31, 2011, the Company's first annual reporting date.

The standards that are effective in the annual financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s).
The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in note 16.

The financial statements are presented in Canadian dollars (CDN), which is also the functional currency of the Company.

Basis of Consolidation

Business combinations that occurred prior to January 1, 2010 were not accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3") or IAS 27, Consolidated and Separate Financial Statements, as the Company in the transition year chose to apply the IFRS 1 exemption discussed in note 16.

For business combinations occurring after January 1, 2010, the requirements of IFRS 3R will be applied. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Joint Ventures

Entities whose economic activities are controlled jointly by the Company and other ventures independent of the Company (joint ventures) are accounted for using the proportionate consolidation method, whereby the Company's share of the assets, liabilities, income and expenses is included line by line in the condensed interim financial statements.

Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in joint ventures is not provided if the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Flow-Through Financing

The Company raises equity through the issuance of flow-through shares. Under this arrangement, shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. The Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed pro-rata as expenditures are made and are recorded in the statement of loss and comprehensive loss. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a maximum period.

Property and Equipment

Purchased property and equipment are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is recognized on a declining balance basis to write down the cost or valuation less estimated residual value of property and equipment. The periods generally applicable are:

Furniture and fixtures and general equipment	20%
Computer equipment	55%
Computer software	100%
Automobile	30%
Leasehold improvements	20%

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within "other income" or "other expenses."

Environmental Rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest and can be the result of a legal or constructive obligation. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair values less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value to their present value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Company has only one single reportable operating segment.

Share capital

Share capital represents the fair value of consideration received.

Operating Expenses

Operating expenses are recognized in profit and loss upon utilization of the services or at the date of their origin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-based payment transactions

The Company operates equity-settled share-based remuneration plans for its employees, directors and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term investments, highly liquid investments that are readily convertible into known amounts or cash and which are subject to an insignificant risk of changes in value.

Exploration and Evaluation Assets

Exploration and evaluation assets include the costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the income statement.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned mineral climes are charged to operations at the time or any abandonment or when it has been determined that there is evidence of a permanent impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is depended on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets
For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- held-to-maturity investments
- available for sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'office and general', or 'finance income', except for impairment of trade receivables which is presented within 'other expenses'.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, short-term investments, deposits, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale investments
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Corporation does not hold any available-for-sale financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial liabilities
The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'office and general expenses' or 'finance income'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

• significant financial difficulty of the issurer or counterparty; or
• default of delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, deposits and prepayments, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment loses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

The Company does not have any derivative instruments.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of amounts receivable and prepayments which are included in the statements of financial position;

ii. the estimated useful lives of property and equipment which are included in the statements of financial position and the related depreciation included in the statement of comprehensive loss for the year ended December 31, 2011;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

iii. the inputs used in accounting for share purchase option expense in the statement of comprehensive loss; and

iv. the provision for income taxes which is included in the statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the statement of financial position at December 31, 2011.

Accounting standards effective in the current period but not yet adopted

IFRS 9, *Financial Instruments: Classification and Measurement*, issued in December 2009, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. The Company has not early adopted IFRS 9 and has not yet considered the impact on its financial statements.

In May 2011, the IASB issued the following standards, effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, which have not yet been adopted by the Company: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IFRS 13 Fair Value Measurement, IAS 19 Employee Benefits, IAS 27 Separate Financial Statements, and IAS 28 Investments in Associates and Joint Ventures. The Company is assessing the impact of these new standards, but does not expect them to have a significant impact on the financial statements.

3. SHORT TERM INVESTMENTS:

	Dec 31, 2011	Dec 31, 2010
Money Market Mutual funds – restricted (note 6)	$ -	$ 210,149
Money Market Mutual funds	706,094	750,724
Guaranteed Investment Certificates	4,125,239	-
	$ 4,831,333	$ 750,724

These funds are available for exploration and other purposes upon the request of the Company.

The money market mutual funds consist of fully liquid, managed money market fund units that yield regular monthly dividends at market rates.

The guaranteed investment certificates are cashable and have maturity dates ranging from February 14, 2012 to February 14, 2013 and interest rates ranging from 1.55% to 6.25%.

4. PROPERTY AND EQUIPMENT

		Cost		Acc. Depr.		Dec 31, 2011 Net
Computer equipment	$	20,261	$	13,574	$	6,687
Furniture and fixtures		13,467		7,261		6,206
Computer software		56,191		55,894		297
General equipment		25,143		9,764		15,379
Automobile		21,801		3,270		18,531
Leasehold improvements		4,812		4,812		-
	$	141,675	$	94,575	$	47,100

		Cost		Acc. Depr.		Dec 31, 2010 Net
Computer equipment	$	13,229	$	9,695	$	3,534
Furniture and fixtures		13,467		5,710		7,757
Computer software		55,598		55,598		-
General equipment		20,493		6,501		13,992
Leasehold improvements		4,812		4,812		-
	$	107,599	$	82,316	$	25,283

5. LONG TERM INVESTMENTS

	December 31, 2011		December 31, 2010	
	Market $	Cost $	Market $	Cost $
Canadian Equities				
Spruce Ridge Resources Ltd.	32,500	56,250	45,000	31,250
Ring of Fire Resources Inc.	35,625	31,875	-	-
	68,125	88,125	45,000	31,250

During 2010 the Company entered into an option agreement with Spruce Ridge Resources Ltd. (TSX-V:SHL) (“Spruce Ridge”) pursuant to which Spruce Ridge could earn a 100% interest on eight claims comprising the Company’s Sops Arm property in Newfoundland by making a share payment to the Company of 125,000 shares (received in the prior year) on signing and an additional 125,000 shares (received in the current year, being one year from the signing of the agreement) of Spruce Ridge and by spending $25,000 in exploration over a two year period. The Company would retain a 2% NSR on the property as well as a 100% interest in the base metal potential on the Sops Arm property. The Spruce Ridge shares are valued at the December 31, 2011 closing price of $0.13 per common share (Decemer 31, 2010 - $0.36).

During the 2011 fiscal year, the Company sold its interest in 10 mining claim blocks totaling 132 claim units in the Lucas, Duff, and Tully townships to Ring of Fire Resources Inc. (“ROF”). Under the agreement, ROF has agreed to pay the Company a total of 750,000 shares, 375,000 issuable on signing (received) and 375,000 issuable on or before June 1, 2012 and $50,000 in cash, $25,000 payable on signing (received) and $25,000 on or before June 1, 2012. In addition, the Company will retain a 2% Net Smelter Return Royalty (“NSR”) or a 10% Net Profits Interest (“NPI”) at the Company’s election with ROF having the right to buy back 1% of the NSR or 5% of the NPI at a price of $1 million. The ROF shares are traded on the TSX-V exchange under the symbol “ROF” and are valued at the December 31, 2011 closing price of $0.095 per common share.

6. RESTRICTION ON THE USE OF CASH AND CASH EQUIVALENTS

The Company issued common shares that were designated as being flow-through shares. One of the conditions of issuing flow-through shares is that the Company is required to retain the gross proceeds for the exclusive purpose of paying for qualified exploration and development expenditures associated with its resource mineral properties.

	Dec 31, 2011	Dec 31, 2010
Future payments to be made, beginning of period	$ 486,942	$ 2,295,692
Gross proceeds received upon the issuance of flow-through shares	1,212,000	494,512
Qualified exploration expenditures paid from these funds	(1,698,942)	(2,303,262)
Future payments to be made, end of period	$ -	$ 486,942
Cash – flow-through funds, end of period	$ -	$ 276,793
Short term investments-restricted flow-through	-	210,149
Cash and investments on hand	$ -	$ 486,942
Deficiency of funds	$ -	$ -

The Company has met its qualified exploration and development expenditures obligation related to the flow-through shares issued in 2010 and 2011 and has no further flow through related obligations.

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised as follows:

Year ended December 31, 2011:

	Opening	Additions	Abandonment/ Recoveries	Closing
Exploration and evaluation activities	$ 4,860,262	$ 1,756,305	(297,621)	$ 6,318,946
Acquisition costs and staking cost of properties	752,134	298,201	(12,181)	1,038,154
TOTAL	**$ 5,612,396**	**$ 2,054,506**	**$ (309,802)**	**$ 7,357,100**

	Opening	Additions	Abandonment/ Recoveries	Closing
Dog Paw Gold (a)	$ 1,020,379	$ 40,791	$ -	$ 1,061,170
Wicks Lake and Panama Lake (b)	79,296	16,054	-	95,350
Sheffield Lake (c)	42,430	877	-	43,307
Sops Arm (d)	-	-	-	-
Tilt Cove (e)	516,666	47,243	(138,698)	425,211
Gabbro Lake (f)	105,706	116,842	(56,721)	165,827
Tillex (g)	539,109	179,348	-	718,457
Staghorn (h)	1,241,805	72,516	(100,000)	1,214,321
Ogden (i)	2,061,641	1,075,641	-	3,137,282
Other Properties (j)	5,364	505,194	(14,383)	496,175
TOTAL	**$ 5,612,396**	**$ 2,054,506**	**$ (309,802)**	**$ 7,357,100**

7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Year ended December 31, 2010:

	Opening	Additions	Abandonment/ Recoveries	Closing
Exploration and evaluation assets	$ 2,874,868	$ 2,420,776	(435,382)	$ 4,860,262
Acquisition costs and staking cost of properties	649,490	163,844	(61,200)	752,134
TOTAL	**$ 3,524,358**	**$ 2,584,620**	**$ (496,582)**	**$ 5,612,396**

		Opening	Additions	Abandonment/ Recoveries	Closing
Dog Paw Gold (a)		$ 750,189	$ 320,190	$ (50,000)	$ 1,020,379
Wicks Lake and Panama Lake	(b)	48,259	31,037	-	79,296
Sheffield Lake (c)		42,430	-	-	42,430
Sops Arm (d)		5,502	-	(5,502)	-
Tilt Cove (e)		417,013	99,653	-	516,666
Gabbro Lake (f)		103,568	2,138	-	105,706
Currie Bowman/Tillex (g)		697,965	2,574	(161,430)	539,109
Staghorn (h)		611,646	730,159	(100,000)	1,241,805
Ogden (i)		681,641	1,380,000	-	2,061,641
Other Properties (j)		166,145	18,869	(179,650)	5,364
TOTAL		**$ 3,524,358**	**$ 2,584,620**	**$ (496,582)**	**$ 5,612,396**

a. Dog Paw Gold Property

In 2007, the Company acquired an option on the Dog Paw Gold project which is located approximately 40 km east of Kenora, Ontario and consists of 23 claims totaling 269 units. The Company entered into an option agreement with Endurance Gold Corp (an unrelated company) whereby under the Initial Option the Company can earn a 70% interest in the property by making share payments totaling 400,000 (completed in 2008) shares and completing work commitments of $200,000 on the property. Provided the Initial Option is exercised, the Company may exercise a Second Option to earn a further 5% in the property by issuing a further 50,000 common shares (completed in 2008) and spending an additional $250,000 on the property (completed). After the Company has earned a 75% interest, a joint venture will be formed on a 75% (the Company) and 25% (Endurance Gold Corp.) basis (a joint venture was formed on January 4, 2010). During the 2010 fiscal period, the Company recovered $50,000 in expenditures from Endurance Gold Corp. for their share of the joint venture expenditures. This recovery reduced the carrying amount of deferred exploration expenditures.

b. Wicks Lake and Panama Lake

The Panama Lake gold property is located in the southern portion of the Birch-Uchi Lake Greenstone belt in Northwestern Ontario and consists of 2 claims totaling 24 units. The Wicks Lake gold property is located approximately 1.5 km south of the Dog Paw Gold property and consists of 1 claim totaling 11 units.

The properties were purchased from Stares Contracting Corp., (a company related by common directorship) in 2007, subject to a 2% NSR royalty. Consideration for the acquisition was $20,000 cash and 150,000 shares (both paid and issued in 2007).

c. Sheffield Lake

The Sheffield Lake project consists of 12 claims located approximately 30 km northeast of Deer Lake, Newfoundland.

7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

d. Sops Arm

The Sops Arm project consists of 139 claims located approximately 50 km northeast of Deer Lake, Newfoundland. See note 5.

e. Tilt Cove

During 2008, the Company acquired by staking and option agreement a land package totaling 56 claim units, in four separate blocks, covering portions of the Betts Cove Ophiolite Suite on the Baie Verte Peninsula, Newfoundland. Three of the blocks were staked by the Company, while rights to the fourth were obtained through the execution of an option agreement ("Option Agreement") with an arm's length prospector. Pursuant to the Option Agreement, the Company has the option to earn a 100% interest in the claims forming the fourth block by making staged cash payments totaling $67,500 and issuing 220,000 shares to the optionor over three years. On production, the optioned claim block is subject to a 2% net smelter return in favor of the optionor, subject in turn to a 1% buyback right in favor of the Company at the cost of $1,250,000.

The Company issued 40,000 common shares to the optionor, on June 11, 2008, upon signing of the Option Agreement. During the year ended December 31, 2009, the Company issued 60,000 common shares to the optionor pursuant to the first anniversary of the agreement. Also, during 2009 the Company amended the agreement to reduce the first anniversary cash payment from $17,500 to $10,000 (paid) and then add a third anniversary cash payment of $12,500 and 40,000 shares. During the 2010 fiscal year, the Company issued 120,000 common shares and made a second amendment to the option agreement's second anniversary cash payment from $40,000 to $10,000 (paid) on or before June 2, 2010 and a further payment of $10,000 (paid) and $20,000 worth of the Company's shares (166,000 shares) (paid) on or before September 2, 2010.

During the year ended December 31, 2011, the Company announced that it had successfully negotiated an Net Smelter Royalty ("NSR") agreement with Rambler Metals and Mining PLC ("Rambler") to process surface material located at the East Mine Dump on the Tilt Cove property. The agreement will be such that the Company will be paid a Net Smelter Return, or NSR, on any gold produced from this material. Rambler have indicated that the material will be processed in the second quarter, 2011 however the timing will be at Rambler's discretion and it can discontinue the processing if problems are encountered. The agreement provides for payments of annual advanced royalties of $100,000 if the material has not been processed in the first year and Rambler wish to keep the agreement in good standing. During the year, the Company received its first NSR royalty under the agreement in the amount of $173,372 (10% of $1,733,721). Of this amount, the Company also paid a $34,674 amount owing to the optionor of the property to satisfy the underlying 2% NSR. Net proceeds in the amount of $138,698 were credited against the capitalized costs on the Tilt Cove property.

f. Gabbro Lake

The Gabbro Lake project consists of 211 claims located approximately 120 km Northeast of Labrador City, Labrador.

During 2008, the Company entered into a formal joint venture agreement with Golden Dory Resources for the Gabbro Lake Project. Under the terms of the agreement the Company and Golden Dory Resources formed the joint venture on a 50:50 basis with the Company being the primary operator. During the year ended December 31, 2011, the Company reduced the carrying cost of this property by $56,721 as a result of cost recoveries from Golden Dory under the JV agreement.

7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

g. Currie Bowman/Tillex

On March 6th, 2008, the Company entered into an option agreement with Kinross Gold Corporation ("Kinross") on the Currie Bowman Property, located 54 kilometers east of Timmins, Ontario, whereby the Company can acquire 100% of the 60% participating interest currently held by Kinross: the remaining 40% interest is held by Selkirk Metals Holdings Corp. The option requires expenditures totaling $250,000 over 2 years, with the first $100,000 to be expended during the first year of the agreement (requirement met) and staged share payments totaling 750,000 shares (300,000 shares issued to date). Kinross retains a 1% NSR, 50% (or 0.5%) of which can be purchased the Company for $500,000.The property consists of 134 units in 30 claims. During the 2010 fiscal year, the Company terminated its option with Kinross on the Currie Bowman property, and maintains the Tillex claims.

h. Staghorn

During 2008, the Company entered into an agreement with a group of prospectors to earn a 100% interest in a group of 76 claim units spread over 1,216 hectares in the Wood Lake area in west central Newfoundland. Terms of the option agreement include making a series of staged option payments totaling $95,000 and issuing 250,000 shares to the optionors over three years. During 2008, the Company issued 50,000 common shares and during 2009, the Company issued 70,000 common shares. During the 2010 fiscal year, the Company issued 50,000 common shares to the optionors. The optionors will retain a 2% Net Smelter Royalty, 50% of which can be purchased for $1,000,000. During the 2011 year, the Company reduced the carrying amount of the deferred exploration expenditures on the Staghorn project by $100,000 as a result of the receipt of a non-repayable grant from the Province of Newfoundland. Also during the 2011 year, the Company paid $44,000 and issued 50,000 shares to the optionors pursuant to the option agreement.

i. Ogden

During 2008, the Company entered into an agreement with Goldcorp Canada Ltd. ("Goldcorp") to jointly explore Goldcorp's mining claims located in Ogden and Deloro Townships, located six kilometres south of Timmins, Ontario. The package consists of 84 patented and unpatented claims totaling approximately 1,184 hectares (the "Property"). The agreement allows for the Company to earn 50% of Goldcorp's interest in the Property by funding total expenditures on the Property of $3,100,000 over four years as follows: (i) $400,000 in year one, (ii) $700,000 in year two and (iii) $1,000,000 in each of years three and four. The Company will also make cash and share payments to Goldcorp as follows: (i) $40,000 cash and $25,000 worth of common shares on signing (completed in 2008 and based on an average of the previous 20 trading days), (ii) $35,000 cash and $25,000 worth of common shares on the first anniversary (completed in 2009 and based on an average of the previous 20 trading days), (iii) $35,000 cash and $50,000 worth of common shares (based on an average of the previous 20 trading days) on the second anniversary (completed in 2010), (iv) $100,000 worth of common shares on the third anniversary (based on an average of the previous 20 trading days) (completed in 2011), and (v) $150,000 worth of common shares on the fourth anniversary(based on an average of the previous 20 trading days). Within sixty days of the Company's vesting at 50% interest in the Property, Goldcorp has the option to buy back a 20% interest from the Company for a cash payment of up to $310,000, expending $4,100,000 on the Property within two years, and completing a feasibility study within three years.

The Company will be the operator of the Property during the earn-in period and afterwards, provided it holds a 50% or greater interest in the Property. If either party becomes diluted to a 10% interest, that interest will be converted into a 2% Net Smelter Return Royalty.

j. Other Properties

Included in Other Properties (Ontario, Newfoundland, and Yukon) are the Newfoundland Dog Pond Property; Bolton Bay Property; Junction Property; Betts Cove; Long Pond; Donnes Brook; SW Voisey's; Chrome Hill; Nipper's Harbour; Mary March; Sops Arm North; Silver Pond; Cape Ray; Prospector's Pond; Yukon Property; Tully Property, Yellow Fox, Careless Cove, Jackson's Arm, and Gryba. During the year ended December 31, 2011, the Company incurred $109,502 (2010: $33,655) in pre-acquisiton exploration and evaluation costs which were included in expenses for the year.

7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

In addition, the Company disposed of the Tully property to Ring of Fire Resources Inc. as described in note 5.

During the year, the Company acquired a 100% interest in three claim units in Ogden Township known as the Gryba claims. The claims are contiguous to the Ogden property. Under the terms of the agreement the Company purchased the claims for $25,000 (paid) and issued 100,000 common shares (issued) to the vendor. The vendor will retain a 1% NSR on the property. The costs associated with the Gryba claims are included in Other Properties.

8. CAPITAL AND RESERVES

i. Share Capital

At December 31, 2011, the authorized share capital comprised an unlimited number of common shares and an unlimited number of preferred shares.

To date, no preference shares have been issued.

ii. Share Purchase Warrants

Details of share purchase warrant transactions for the period are as follows:

	# of Warrants	Amount $	Wtd. Avg. Ex. Price	Expiry
Balance, December 31 ,2009	22,262,589	1,017,980		
-Pursuant to private placements (note 8(vii)(i))	4,120,000	279,659	$0.25	Aug 2012
-Broker warrants pursuant to above	388,656	26,381	$0.25	Aug 2012
-Expired in 2010	(9,297,442)	(351,062)	$0.22	
-Exercised during the period	(5,528,807)	(264,832)	$0.10	
Balance, December 31, 2010	11,944,996	708,126		
-Pursuant to private placements (note 8(vii)(ii))	10,484,500	1,819,917	$0.45	Feb 2013
-Broker warrants pursuant to above	1,900,520	362,675	$0.28	Feb 2013
-Exercised during the period	(127,503)	(4,570)	$0.29	
-Expired during the period	(7,336,340)	(396,676)	$0.30	
Balance, December 31, 2011	16,866,173	2,489,472		

For purposes of the warrants granted, the fair value of each warrant was estimated on the date of grant using an option pricing model, using the assumptions noted in note 8vi.

Pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table summarizes information about the warrants outstanding at December 31, 2011 and December 31, 2010:

Expiry Dates	Exercise Price	December 31, 2011 # of Warrants	December 31, 2010 # of Warrants
October 2, 2011	$0.30	-	7,436,340
August 3, 2012	$0.25	2,202,503	2,230,006
August 6, 2012	$0.25	2,278,650	2,278,650
February 2, 2013	$0.45	10,484,500	-
February 2, 2013	$0.28	1,900,520	-
		16,866,173	11,994,996

8. CAPITAL AND RESERVES (CONT'D)

iii. Stock Options

Details of stock option transactions for the year ended December 31, 2011 and the year ended December 31, 2010 are as follows:

	# of Options	Wtd. Avg. Ex. Price
Balance, December 31, 2009	2,775,000	$0.19
Granted during the period	1,405,000	$0.16
Exercised during the period	(80,000)	$0.16
Balance, December 31, 2010	4,100,000	$0.18
Granted during the period	4,775,000	$0.16
Expired during the period	(1,185,000)	$0.255
Exercised during the period	(150,000)	$0.165
Balance, December 31, 2011	7,540,000	$0.16

The following table summarizes information about the options outstanding at December 31, 2011 and December 31, 2010:

Expiry Dates	Exercise Price	December 31, 2011 # of Options	December 31, 2010 # of Options
April 2011	$0.25	-	810,000
June 2011	$0.35	-	200,000
December 2011	$0.17	-	175,000
December 2012	$0.17	10,000	110,000
August 2014	$0.15	1,380,000	1,430,000
February 2015	$0.16	1,275,000	1,275,000
May 2015	$0.10	100,000	100,000
March 2016	$0.235	1,475,000	-
August 2016	$0.13	3,000,000	-
November 2016	$0.10	300,000	-
		7,540,000	4,100,000

The Company applies the fair value method of accounting for share-based payments using an option pricing model.
Stock options granted to directors, officers and employees vested during the year ended December 31, 2011 are as follows:

Grant Date	# of Options	Exercise Price	Expiry Date
February 22, 2010	435,000	$0.16	February 22, 2015
May 18, 2010	33,333	$0.10	May 18, 2015
March 9, 2011	983,334	$0.235	March 9, 2016
August 10, 2011	1,000,000	$0.13	August 10, 2016
Nov 16, 2011	76,768	$0.10	Nov 16, 2016
	2,528,435		

The Company has calculated $485,558 as share-based payments expense and under capital stock as reserves for the 2,528,435 options vesting to directors, officers and employees during the period:

- For the 1,275,000 options granted on February 22, 2010, the fair value of each option is $0.2665 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 157%, a risk-free interest rate of 2.38% and an expected life of approximately 4 years.

8. CAPITAL AND RESERVES (CONT'D)

- For the 100,000 options granted on May 18, 2010, the fair value of each option is $0.1351 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 152%, a risk-free interest rate of 2.23% and an expected life of approximately 4 years.

- For the 1,475,000 options granted on March 9, 2011, the fair value of each option is $0.0456 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 154%, a risk-free interest rate of 2.44% and an expected life of approximately 5 years.

- For the 3,000,000 options granted on August 10, 2011, the fair value of each vested option is $0.114 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 176%, a risk-free interest rate of 1.35% and an expected life of approximately 5 years.

- For the 300,000 options granted on November 16, 2011, the fair value of each vested option is $0.0751 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 170%, a risk-free interest rate of 1.4% and an expected life of approximately 5 years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

iv. Share Issuance – Mineral Property Option Agreements

The Company has issued the following shares in acquiring options on mineral properties at December 31, 2011 and December 31, 2010

	Number	Amount
Issued in 2011		
Tilt Cove – January 18, 2011	40,000	$ 11,600
Staghorn - August 11, 2011	100,000	11,000
Gryba – December 7, 2011	100,000	7,000
Ogden - December 14, 2011	1,309,324	85,106
	1,549,324	$ 114,706
Issued in 2010		
Staghorn – May 27, 2010	50,000	$ 7,500
Ogden – December 1, 2010	258,398	54,264
Tilt Cove – April 1, 2010	120,000	16,800
Tilt Cove – September 17, 2010	166,000	21,580
Balance, December 31, 2010	594,398	$ 100,144

v. Shares held in escrow

Pursuant to the requirements of the Exchange on closing of the Acquisition, 1,157,171 common shares remain subject to a surplus escrow agreement.

vi. Private Placements

During 2010, the Company completed the following private placements:

(i) The Company completed a private placement in two separate tranche's by issuing a total of 3,532,229 flow-through common shares at $0.14 per share and 4,120,000 units at $0.12 per unit, each unit consisting of one common share and one common share purchase warrant, with each warrant entitling the holder thereof to acquire one common share of the Company at a price of $0.25 for a period of 24 months following the closing. The warrants are subject to accelerated exercise in the event the price of the Company's shares close at or above $0.30 for a period of 20 consecutive trading days. The Company raised total gross proceeds of $988,912 in the private placement.

8. CAPITAL AND RESERVES (CONT'D)

The fair value of the 4,120,000 common share purchase warrants received by investors have been estimated at $279,659 using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 157%, a risk-free interest rate of 1.41% and an expected life of 2 years.

In conjunction with the private placement, finders' fees totaling $42,743 were paid along with 388,656 compensation warrants entitling the holder to purchase a common share of the Company for $0.25 for a period of 24 months following the closing with the same acceleration exercise provisions mentioned above. The warrants were valued at $26,381.

During the year ended December 31, 2011 the Company completed the following private placements:

(ii) The Company completed a private placement by issuing 3,787,500 flow-through common shares at a price of $0.32 per flow through share and 20,969,000 units at a price of $0.28 per unit for aggregate gross proceeds of $7,083,320. Each unit is comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire an additional common share of the Company at a price of $0.45 until February 4, 2013.

The fair value of the 10,484,500 common share purchase warrants received by investors have been estimated at $1,819,917 using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 159%, a risk-free interest rate ranging of 1.74% and an expected life of 24 months.

Arm's length parties assisting in the private placement received cash commission of $495,832 equal to 7% of gross proceeds of $7,083,320 and broker warrants to the agents entitling holders to acquire 1,900,520 common shares of the Company at a price of $0.28 until February 4, 2013. The warrants were valued at $362,675.

All securities issued in connection with the private placement are subject to a hold period expiring on June 5, 2011.

9. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties during the year ended December 31, 2011 and December 31, 2010:

Payee	Description of Relationship	Nature of Transaction	December 31, 2011 Amount ($)	December 31, 2010 Amount ($)
Stares Prospecting Ltd.	Company controlled by Alexander Stares, Director and Officer	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures	274,451	256,772
Stares Contracting Corp.	Company controlled by Michael Stares, Director	Payments for equipment rentals capitalized in deferred development expenditures	-	994
Eastrock Exploration/ Wayne Reid	Company controlled by Wayne Reid, Director and Officer	Payments for geological consulting services, and reimbursement of expenses capitalized in deferred development expenditures	135,400	51,895
Nick Tsimidis	Director and Officer	Payments for consulting fees and reimbursement of expenses	27,179	27,290

9. RELATED PARTY TRANSACTIONS (CON'T)

The purchases from/fees charged by related parties are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities at December 31, 2011 is:

- $NIL payable to Stares Prospecting Ltd., (2010: $4,078);
- $6,977 payable to Eastrock Exploration Inc., (2010: $12,359)

Key management personnel remuneration during the period included $383,612 (December 31, 2010 - $305,544) in salaries and benefits and $178,180 (December 31, 2010 - $255,803) in share-based payments.

10. CAPITAL DISCLOSURES

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration and evaluation activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures;

The Company manages its capital structure and makes adjustment to it, based on the general economic conditions, its short term working capital requirements, and its planned exploration and evaluation program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow-through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the period.

In order to maintain or adjust the capital structure, the Company considers the following;

i) incremental investment and acquisition opportunities;
ii) equity and debt capital available from capital markets;
iii) equity and debt credit that may be obtainable from the marketplace as a result of growth in mineral reserves;
iv) availability of other sources of debt with different characteristics than the existing bank debt;
v) the sale of assets;
vi) limiting the size of the investment program; and
vii) new share issuances if available on favorable terms.

Except as otherwise disclosed, the Company is not subject to any external financial covenants at December 31, 2011.

11. RISK MANAGEMENT

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

11. RISK MANAGEMENT (CON'T)

(a) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade credit risk
The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior period.

ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Company's cash and short term investments are held through large Canadian Financial Institutions. Staking security deposits are held by the Government of Newfoundland.

iii) Derivative financial instruments
As at December 31, 2011, the Company has no derivative financial instruments.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

Accounts payable and accrued liabilities are due within the current operating period.

(c) Interest rate risk

The Company's interest revenue earned on cash and or short-term investments is exposed to interest rate risk. The Company does not enter into derivative contracts to manage this risk. The Company's exposure to interest rate is very low as the Company's short term investments are either fully liquid or bear short staggered maturity dates to mitigate the risk of fluctuating interest rates.

The Company limits its exposure to interest rate risk as it invests only in short-term investments at major Canadian financial institutions.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

12. INCOME TAXES

a. Income tax recovery

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 28.25% (December 31, 2010 – 31%).

	December 31, 2011	December 31, 2010
Loss before taxes	$ (1,271,906)	$ (1,284,669)
Expected income tax expense (recovery) calculated using statutory rates	(359,313)	(398,247)
Non-deductible expenses and other	197,085	215,247
Share issue costs	(69,621)	(13,943)
Recognized benefit of deferred tax assets	(383,111)	(120,880)
Flow-through expenditures	97,241	554,736
Change in effective tax rates	67,151	56,546
Income tax expense (recovery)	$ (450,568)	$ 293,459

b. Deferred Tax Balances

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities at the combined Canadian federal and provincial statutory tax rates are as follows:

	December 31, 2011	December 31, 2010
Non-capital losses	$ 772,009	$ 605,143
Investments	16,129	-
Deferred exploration expenditures	(1,054,372)	(1,144,364)
Share issue costs	168,328	82,661
Property and equipment	2,742	20,579
Valuation allowance	(22,267)	(22,267)
	$ (117,431)	$ (458,248)

c. Income Tax Information

The Company has non-capital losses which will expire, if unused, as follows:

Year of Expiry	**Amount**
2014	$ 21,566
2015	67,503
2026	50,507
2027	426,007
2028	477,824
2029	628,389
2030	595,537
2031	820,704
TOTAL	**$ 3,088,037**

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income.

13. STAKING SECURITY DEPOSITS

Staking security deposits of $38,950 (December 31, 2010 – $7,150) represents security amounts paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These staking security deposits are refundable to the company upon submission by the company of a report covering the first year work requirements which meets the requirements of the Government of Newfoundland and Labrador.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2011 $	December 31, 2010 $
Shares issued for option on mineral properties	114,706	100,144
Broker warrants issued	362,675	26,381

15. LOSS PER SHARE

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

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations and therefore fully-diluted loss per share is not presented.

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in note 2, these are the Company's first set of annual financial statements prepared in accordance with IFRS.

The accounting policies in note 2 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the year ended December 31, 2010 and financial statements for the year ended December 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exception for first time adopters of IRRS. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date; and
- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

With respect to mandatory exceptions to retrospective application, hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Reconciliation of Assets, Liabilities and Equity

	As at January 1, 2010			
	GAAP	Effect of transition to IFRS	Notes	IFRS
	$	$		$
ASSETS				
Current assets				
Cash - flow through funds	67,580	-		**67,580**
Short term investments	2,150,514	-		**2,150,514**
Staking security deposits	4,700	-		**4,700**
H.S.T and other receivables	105,930	-		**105,930**
Prepaid expenses	14,637	-		**14,637**
Total current assets	2,343,361	-		**2,343,361**
Non-current assets				
Property and equipment	24,911	-		**24,911**
Exploration and evaluation assets	3,524,358	-		**3,524,358**
Total non-current assets	3,549,269			**3,549,269**
	5,892,630	-		**5,892,630**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	84,532			**84,532**
Deferred premium on flow-through shares	-	36,259	d	**36,259**
Total current liabilities	84,532	36,259		**120,791**
Non-current liabilities				
Deferred income taxes	23,632	103,576	d	**127,208**
Total non-current liabilities	23,632	103,576		**127,208**
Equity				
Share capital	5,420,219	(42,874)	d	**5,377,345**
Warrants	1,017,980	(1,017,980)	c	**-**
Contributed Surplus	772,944	(772,944)	c	**-**
Reserves	-	1,790,924	c	**1,790,924**
Deficit	(1,426,677)	(96,961)	b,d	**(1,523,638)**
Total equity	5,784,466	(139,835)		**5,644,631**
	5,892,630	-		**5,892,630**

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Reconciliation of Assets, Liabilities and Equity (cont'd)

	As at December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**Notes**	**IFRS**
	$	**$**		**$**
ASSETS				
Current				
Cash - flow through funds	276,793	-		**276,793**
Short term investments	750,724	-		**750,724**
Short term investments - restricted	210,149	-		**210,149**
Staking security deposits	7,150	-		**7,150**
H.S.T and other receivables	159,634	-		**159,634**
Prepaid expenses	13,930	-		**13,930**
Total current assets	1,418,380	-		**1,418,380**
Non-current assets				
Property and equipment	25,283	-		**25,283**
Long term investments	45,000	-		**45,000**
Exploration and evaluation assets	5,612,396	-		**5,612,396**
Total non-current assets	5,682,679	-		**5,682,679**
	7,101,059	-		**7,101,059**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	359,768	-		**359,768**
Deferred premium on flow through shares	-	34,001	d	**34,001**
Total current liabilities	359,768	34,001		**393,769**
Non-current liabilities				
Deferred income taxes	454,871	3,377	d	**458,248**
Total non-current liabilities	454,871	3,377		**458,248**
Equity				
Share capital	6,579,343	594,382	d	**7,173,725**
Warrants	708,126	(708,126)	c	**-**
Contributed Surplus	1,404,640	(1,404,640)	c	**-**
Reserves	-	2,177,083	b, c	**2,177,083**
Deficit	(2,405,689)	(696,077)	b,d	**(3,101,766)**
Total equity	6,286,420	(37,378)	-	**6,249,042**
	7,101,059	-	-	**7,101,059**

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Reconciliation of Loss and Comprehensive Loss

	Year ended December 31, 2010			
	GAAP	Effect of transition to IFRS	Notes	IFRS
	$	$		$
EXPENSES				
Business development	148,773	-		**148,773**
Depreciation	7,899	-		**7,899**
Office and general	116,570	-		**116,570**
Professional fees	74,025	-		**74,025**
Salaries and benefits	220,015	-		**220,015**
Part XII.6 tax	34,377	-		**34,377**
Share - based payments	291,643	64,317	b	**355,960**
Loss before the following:	893,302	64,317		**957,619**
Amounts earned on mineral properties	(25,748)	-		**(25,748)**
Write-down of exploration and evaluation assets	341,880	-		**341,880**
Preacquisiition exploration and evaluation expense	33,655	-		**33,655**
Interest income	(8,987)	-		**(8,987)**
Adjustment to fair market value for held-for -trading investments	(13,750)	-		**(13,750)**
Loss before income taxes	1,220,352	64,317		**1,284,669**
Provision for recovery of deferred income taxes	(241,339)	534,798	d	**293,459**
Comprehensive loss for the period	979,013	599,115		**1,578,128**

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Reconciliation of Cash Flows

	Year ended December 31, 2010			
	GAAP	Effect of transition to IFRS	Notes	IFRS
	$	$		$
OPERATING ACTIVITIES				
Comprehensive loss for the year	(979,013)	(599,115)	b,d	**(1,578,128)**
Amortization	7,899	-		**7,899**
Share-based payments	291,643	64,317	b	**355,960**
Write-down of exploration and evaluation assets	341,080	-		**341,080**
Adjustment to fair market value of held-for-trading investments	(13,750)	-		**(13,750)**
Amounts earned on exploration and evaluation assets	(25,748)	-		**(25,748)**
Provision for (recovery of) deferred income taxes	(241,339)	534,798	d	**293,459**
Increase in H.S.T and other receivables	(53,704)	-		**(53,704)**
Decrease in prepaid expenses	707	-		**707**
Increase in accounts payable and accrued liabilities	275,236	-		**275,236**
Cash used in operating activities	(396,989)	-		**(396,989)**
FINANCING ACTIVITIES				
Issuance of capital stock for cash	988,912	-		**988,912**
Financing costs - cash commission expenses	(68,624)	-		**(68,624)**
Redemption of short term investments	1,189,642	-		**1,189,642**
Proceeds on exercise of stock options	12,300	-		**12,300**
Proceeds on exercise of warrants	829,169	-		**829,169**
Cash provided from financing activities	2,951,399	-		**2,951,399**
INVESTING ACTIVITIES				
Cash-flow through funds	(209,213)	-		**(209,213)**
Increase in staking security deposits	(2,450)	-		**(2,450)**
Expenditure on exploration and evaluation assets	(2,334,476)	-		**(2,334,476)**
Acquisition of property and equipment	(8,271)	-		**(8,271)**
Cash and equivalents used for investing activities	(2,554,410)	-		**(2,554,410)**
Increase (decrease) in cash and cash equivalents	-	-		**-**
Cash and cash equivalents , beginning of period		-		**-**
Cash and cash equivalents , end of period	-	-		

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Notes to Reconciliation:

[a] Basis of Consolidation
In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

[b] Share-based payment
Under GAAP, the Company measured share-based compensation related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing formula and recognized its expense over the vesting period for the options. For the purposes of accounting for share based payment transactions an individual is classified as an employee when he individual is consistently represented to be an employee under law. The fair value of the options granted to employees were measured on the date of grant. The fair value of options granted to contractors and consultants were measured on the date the services were completed. Forfeitures were recognized as they occurred.

IFRS 2 Share-based payment requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the grant date and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods, whereas under Canadian GAAP forfeitures are recognized as they occur. Furthermore, for options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share based payment transactions an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Company and resulted in certain contractors and consultants being classified as employees under IFRS.

The Company has elected to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date. As a result of the adoption of IFRS the Company was required to revalue any options that had not vested as of the transition date. The financial impact on the year ended December 31, 2010 was an increase in share-based payment expense of $64,317. Under GAAP, the Company measured share-based compensation related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing formula and recognized its expense over the vesting period for the options. For the purposes of accounting for share based payment transactions an individual is classified as an employee when he individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured on the date of grant. The fair value of options granted to contractors and consultants are measured on the date the services are completed. Forfeitures are recognized as they occur. For the share purchase options granted to the individuals reclassified, change in fair value after the grant date previously recognized for GAAP purposes did not require any adjustment.

[c] Reclassification within equity section
IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company reviewed its contributed surplus account and concluded that as at the Transition Date, the entire amount of $1,404,640 relates to "Equity settled employee benefit reserve". As a result, the Company believes a reclassification would be necessary in the equity section between "Contributed surplus" and the "Equity settled employee benefit reserve" account. For comparatives, as at December 31, 2010, the entire "Contributed surplus" account was reclassified into "Equity settled employee benefit reserve". Additionally, as at December 31, 2010,"Contributed surplus" account was reclassified as "Equity settled employee benefit reserve".

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

[d] Deferred flow through premium

Under GAAP, the Corporation, in accounting for flow through funds received, recorded the funds to share capital. IFRS requires that excess to market value upon issuance of flow through common shares be recorded in the statement of loss and comprehensive loss (deferred liability for flow through raised funds at time of issuance of flow through common shares and charged to the statement of loss and comprehensive loss as the necessary expenditures to be renounced under flow through common share agreements are spent).

17. COMMITMENTS

The Company leases automobiles under various operating leases, which have expiry dates ranging from August 2012 to August 2013. The future minimum annual fiscal lease payments over the term of the leases are as follows:

2012		13,188
2013		5,778
	$	22,828

The company also has commitments as described in note 7 related to mineral properties and deferred development expenditures.

During the year ended December 31, 2011, the Company announced that it had entered into an investor relations contract whereby the Company will pay the provider a monthly fee of $5,000 and grant 300,000 stock options of the Company with an exercise price of $0.10 expiring on the earlier of 5 years from the date of grant or the expiration or termination of the agreement and will vest in quarterly increments over a 12 month period. The term of the agreement is 12 months however it may be terminated by either party after 5 months provided 30 days written notice is given to the other party.