SENATOR MINERALS INC.

Consolidated Financial Statements

31 December 2011

(Expressed in Canadian dollars)

Index

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

VANCOUVER
1500 – 1140 W. Pender Street
Vancouver, BC V6E 4G1
TEL 604.687.4747 | FAX 604.689.2778

TRI-CITIES
700 – 2755 Lougheed Hwy.
Port Coquitlam, BC V3B 5Y9
TEL 604.941.8266 | FAX 604.941.0971

WHITE ROCK
301 – 1656 Martin Drive
White Rock, BC V4A 6E7
TEL 604.531.1154 | FAX 604.538.2613

WWW.DMCL.CA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Senator Minerals Inc.:

We have audited the accompanying consolidated financial statements of Senator Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and January 1, 2010, and the consolidated statements of comprehensive income (loss), changes in shareholders' deficiency 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 Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Senator Minerals Inc.'s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 26, 2012

SENATOR MINERALS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	31 December 2011	31 December 2010	1 January 2010
ASSETS				
Current assets				
Cash		$ **2,067**	$ 89,646	$ 59,400
Marketable securities	7	**-**	31,400	10,000
Prepaid expenses		**-**	718	1,523
Receivables		**2,423**	9,875	2,860
TOTAL ASSETS		**$ 4,490**	$ 131,639	$ 73,783
LIABILITIES				
Current liabilities				
Loan payable	9, 13	**$ 130,000**	$ 394,100	$ 201,900
Trade payables and accrued liabilities	13	**120,336**	133,595	113,882
TOTAL LIABILITIES		**250,336**	527,695	315,782
SHAREHOLDERS' DEFICIENCY				
Share capital	10	**6,826,151**	6,791,151	6,479,058
Subscriptions receivable		**-**	(40,000)	-
Reserve: re-priced warrants	11	**76,727**	76,727	76,727
Reserve: incentive stock options	11	**250,442**	250,442	250,442
Reserve: marketable securities	11	**-**	(8,600)	(30,000)
Deficit		**(7,399,166)**	(7,465,776)	(7,018,226)
TOTAL SHAREHOLDERS' DEFICIENCY		**(245,846)**	(396,056)	(241,999)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$ 4,490**	$ 131,639	$ 73,783

Nature and Continuance of Operations (note 1)

Commitments (note 15)

Subsequent events (note 17)

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

APPROVED BY THE DIRECTORS: "*DONALD A SIMON*" "*ROGER G. KIDLARK*"

SENATOR MINERALS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian dollars)

		Years ended	
	Notes	**31 December 2011**	31 December 2010
Exploration expenses: Acquisition, Maintenance, and Exploration (Schedule A)		**$ 76,404**	$ 177,621
General and Administrative expenses			
Communications	13	**8,854**	7,498
Conferences		**66**	3,950
Consultants		**-**	24,000
Filing and listing fees		**8,320**	7,195
Interest on loan	9, 13	**37,646**	33,019
Management fees	13	**124,500**	124,500
Occupancy	13	**23,486**	22,325
Office and general	13	**3,065**	2,217
Professional fees	13	**18,322**	24,307
Promotion		**4,913**	5,897
Shareholder information		**3,736**	2,341
Transfer agent		**10,961**	5,308
Travel		**5,563**	7,372
		249,432	269,929
Other items			
Sale of Net Smelter Returns	8	**400,000**	-
Loss on sale of marketable securities	7	**(7,554)**	-
		392,446	-
Net income (loss)		**66,610**	(447,550)
Other comprehensive income (loss)			
Unrealized gain on marketable securities		**-**	21,400
Previously unrealized loss realized during the year		**8,600**	-
Total comprehensive income (loss)		**$ 75,210**	$ (426,150)
Income (Loss) per share – basic and diluted		**$ 0.01**	**$** **(**0.01)
Weighted average number of shares outstanding – basic and diluted		**45,702,173**	**39,447,926**

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

SENATOR MINERALS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the Years Ended 31 December 2011 and 2010
(Expressed in Canadian dollars)

	Share capital			Reserves				
	Number of shares	Amount	Subscriptions Receivable	Re-priced Warrants	Incentive Stock Options	Marketable Securities	Deficit	Total
Balance at 1 January 2010	39,292,583	$ 6,479,058	$ -	$ 76,727	$ 250,442	$ (30,000)	$ (7,018,226)	$ (241,999)
Comprehensive loss:								
Net loss	-	-	-	-	-	-	(447,550)	(447,550)
Other comprehensive income	-	-	-	-	-	21,400	-	21,400
Total comprehensive loss	-	-	-	-	-	21,400	(447,550)	(426,150)
Shares issued for cash, net	6,300,000	312,093	(40,000)	-	-	-	-	272,093
Balance at 31 December 2011	45,592,583	6,791,151	(40,000)	76,727	250,442	(8,600)	(7,465,776)	(396,056)
Comprehensive gain (loss):								
Net income	-	-	-	-	-	-	66,610	66,610
Other comprehensive income	-	-	-	-	-	8,600	-	8,600
Total comprehensive income	-	-	-	-	-	8,600	66,610	75,210
Subscriptions received	-	-	40,000	-	-	-	-	40,000
Shares issued for mineral property	500,000	35,000	-	-	-	-	-	35,000
Balance at 31 December 2011	46,092,583	$ 6,826,151	$ -	$ 76,727	$ 250,442	$ -	$ (7,399,166)	$ (245,846)

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

SENATOR MINERALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Years ended	
	31 December 2011	31 December 2010
Operating activities		
Net income (loss)	**$ 66,610**	$ (447,550)
Adjustments for non-cash items:		
Loss on sale of marketable securities	**7,554**	-
Shares issued for mineral property	**35,000**	-
Changes in non-cash working capital items:		
Receivables	**7,452**	(7,015)
Prepaid expenses	**718**	805
Trade payables and accrued liabilities	**(13,259)**	19,713
Net cash flows from (used in) operating activities	**104,075**	(434,047)
Investing activities		
Proceeds on sale of marketable securities	**32,446**	-
Net cash flows from investing activities	**32,446**	-
Financing activities		
Loan net proceeds (repayment)	**(264,100)**	192,200
Issuance of common shares, net of issuance costs	**-**	272,093
Subscriptions received	**40,000**	-
Net cash flows from (used in) financing activities	**(224,100)**	464,293
Change in cash	**(87,579)**	30,246
Cash, beginning	**89,646**	59,400
Cash, ending	**$ 2,067**	$ 89,646
Supplementary cash flow information		
Interest paid in cash	**$ -**	$ 36,919

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

1. Nature and Continuance of Operations

Senator Minerals Inc (the "Company"), listed on the TSX-Venture Exchange ("TSX-V"), is an Ontario corporation with its head office and its registered office located at Suite 1018, 475 Howe Street, Vancouver, BC, Canada V6C 2B3.

The Company is involved in acquisition, exploration, and disposition of mineral exploration property interests in North America. The Company has not yet determined whether any of these properties contain economic reserves.

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon the motivation of its management and its ability to arrange adequate financing to develop its mineral properties and ultimately to commence profitable operations in the future. The Company is considered to be in the exploration stage. The Company has accumulated losses of $7,399,166 since inception and a working capital deficiency at 31 December 2011 of $245,846. In 2011, the Company generated a net profit of $66,610 through sale of some of its royalty interests.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. As there are insufficient cash reserves to conduct planned programs and continue operations for the coming twelve months, in order to carry out its operations and administration, the Company will need to generate working capital through a combination of optioning out properties, arrangements with lenders or creditors, and arrangement of additional equity financing.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not give effect to adjustments that might be necessary to the carrying values, classification of assets and liabilities, and reported expenses should the Company be unable to continue as a going concern.

2. Significant Accounting Policies and Basis of Preparation

The financial statements were authorized for issue on 24 April 2012 by the directors of the Company.

(a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first set of annual financial statements prepared in accordance with IFRS. The disclosures concerning the transition from pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 16.

2. Significant Accounting Policies and Basis of Preparation (continued)

(a) Statement of compliance and basis of preparation (continued)

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

(b) Consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries, after the elimination of all material intercompany balances and transactions. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceased. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The Company's controlled subsidiaries included in these consolidated financial statements are:

Name	Country of Incorporation	Ownership
515427 BC Ltd.	Canada	100%
Senator Minerals US Inc.	USA	100%

Senator Minerals US Inc., a Nevada company incorporated on 12 May 2004 is inactive. There were no significant transactions in 515427 BC Ltd. during the current or previous year.

(c) Use of Estimates and Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the fair values assigned to marketable securities, the fair value of stock-based compensation, and the recognition and the expected tax rates for deferred income taxes. Where estimates have been used financial results as determined by actual events could differ from those estimates.

2. Significant Accounting Policies and Basis of Preparation (continued)

(d) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category involves financial instruments held for the purpose of selling them in the short term. All of the financial instruments in this category meet the definition of financial assets held for trading.

Derivatives are included in this category, unless they are designated as hedges. The instruments classified in this category are classified in current assets and include cash and cash equivalents. The financial instruments included in this category are initially recognized at fair value and the transaction costs are expensed to the Statement of Comprehensive Loss. Subsequently, financial assets at fair value through profit or loss are measured at fair value and all gains and losses, realized and unrealized, measured on the basis of market transactions, are recognized directly in the Statement of Comprehensive Loss. As at 31 December 2011, the Company has reported cash at fair value.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. 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. At 31December 2011, loans and receivables was comprised of value added tax recoverable.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured 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 and other relevant indicators, 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 the Statement of Comprehensive Loss. The Company has no held to maturity investments as at 31 December 2011

2. Significant Accounting Policies and Basis of Preparation (continued)

(d) Financial instruments (continued)

Financial assets *(continued)*

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the Statement of Comprehensive Loss. The Company's marketable securities were classified as available-for-sale assets.

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 above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive Loss. The Company has no derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

Other financial liabilities – This category includes other payables that are not classified as fair value through profit and loss, all of which are recognized at amortized cost. The Company has reported its loan payable and accounts payable as at 31 December 2011 at amortized cost.

(e) Mineral properties

Exploration and evaluation expenditures are expensed as incurred. If it is determined by management that probable future benefits, consisting of contributions to future cash inflows, had been identified and adequate financial resources were expected to be available to meet the terms of property acquisition and budgeted maintenance, exploration, and development expenditures, these costs would be capitalized. To date, this criteria has not been met on any of the Company's mineral properties.

2. Significant Accounting Policies and Basis of Preparation (continued)

(f) Mineral properties (continued)

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments for acquired mineral properties are recorded as property costs and expensed. Proceeds greater than the acquisition costs of properties that are sold or optioned are recorded as revenues.

(g) Asset retirement obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of 31 December 2011 and 2010, the Company does not have any asset retirement or environmental obligations.

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill that is not deductible for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

2. Significant Accounting Policies and Basis of Preparation (continued)

(h) Income taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

(i) Share-based payments

Share-based payments to employees are measured 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 goods or services received or the fair value of the equity instrument 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 corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the *Black-Scholes Option Pricing Model* which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(j) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

2. Significant Accounting Policies and Basis of Preparation (continued)

(k) Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction, whereas non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are recognized in the statement of comprehensive loss in the period in which they arise. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the statement of comprehensive loss, any exchange component of that gain or loss is recognized in also recognized in the statement of comprehensive loss.

3. Recent Accounting Pronouncements

Certain accounting standards and interpretations are issued but which are yet required to be adopted as follows:

Amendments to IFRS 7 "Financial Instruments: Disclosures"
This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

This amendment is effective for annual periods beginning on or after 1 July 2011.

New standard IFRS 9 "Financial Instruments"
In November 2009, the IASB issued IFRS 9 which will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

This new standard is effective for annual periods beginning on or after 1 January 2013.

3. **Recent Accounting Pronouncements** (continued)

New standards IFRS 10 “Consolidated Financial Statements” and IFRS 12 “Disclosure of Interests in Other Entities”

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements” and IFRS 12 “Disclosure of Interests in Other Entities”. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity’s consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity’s financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities”.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after 1 January 2013.

New standard IFRS 11 “Joint Arrangements”

In May 2011, the IASB issued IFRS 11 “Joint Arrangements”, which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method. Proportionate consolidation is no longer permitted.

This standard is effective for annual periods beginning on or after 1 January 2013.

3. Recent Accounting Pronouncements (continued)

New standard IFRS 13 "Fair Value Measurement"

In May 2011, the IASB issued IFRS 13 "Fair Value Measurement". This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after 1 January 2013. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application.

Amendments to IAS 1 "Presentation of Financial Statements"

In June 2011, the IASB and the Financial Accounting Standards Board (FASB) issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments to IAS 1 are set out in *Presentation of Items of Other Comprehensive Income* and are effective for annual periods beginning on or after 1 July 2012.

Interpretation 20—Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued an Interpretation clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how the assets should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013.

The Company has not early-adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

4. Capital Management

The Company is not subject to externally imposed capital requirements but must remain active in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

There were no changes to the Company's approach to capital management during the year.

5. Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation as well as fluctuations in commodity-based market prices associated with resource property interests. While management actively ensures that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements, there is no certainty that all environmental risks and contingencies have been addressed.

Credit Risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In the event of a large equity capital injection, the Company's primary exposure to credit risk would be in its cash accounts. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Currency Risk: The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it may incur significant mineral property-related expenditures in the USA as well as Canada. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Interest Rate Risk: The Company's exposure to interest rate risk relates to its ability to maintain the current rate of interest on its loan payable.

Liquidity and Funding Risk: Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash or credit lines in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

(Expressed in Canadian dollars)

6. Fair Values of Financial Instruments

The Company classifies fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

Level 1 – fair values are based on quoted prices in active markets for identical assets or liabilities;
Level 2 – fair values are based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Cash and marketable securities are classified as a level 1.

The Company has determined that it does not have derivatives or embedded derivatives.

7. Marketable Securities

	2011	2010
Alderon Resource Corp (ALD on TSX-V)	$ -	$ 31,400

During the year ended 31 December 2011, the Company sold its shares in Alderon Resources Corp., for proceeds of $32,446, realizing a loss on disposal of $7,554.

8. Mineral Properties: Acquisition, Maintenance, and Exploration Expenditures

Ownership of mineral property interests may involve certain risks due to difficulties in determining the validity of certain claims as well as the potential for problems arising from the ambiguous conveyancing history characteristic of some mineral properties. The Company has investigated ownership of the mineral properties in which it has an interest and, to the best of its knowledge, all properties are in good standing.

(See Schedule A - Summary of the 2011 and 2010 acquisition, maintenance, and exploration expenses and reimbursements for each property.)

At 31 December 2011, the Company owns or has lease options on the following mineral property interests:

(a) Taurus, southeastern Alaska:

In September 2004, the Company acquired a 100% interest in the 33 claim Taurus property in southeastern Alaska by way of staking.

In 2011, the total expended was $14,628 (2010: $19,450) on maintenance and exploration. The claims are in good standing with the State of Alaska until 30 November 2012.

8. Mineral Properties: Acquisition, Maintenance, and Exploration Expenditures (continued)

(b) IC Bentonite, Nevada:

In 2008, the Company arranged the staking of seven placer claims to cover a bentonite deposit of undetermined size. The Company has a 50% interest in this property. Due to prior agreements, a related company earned a 50% interest in this property, and a 1% net smelter return ("NSR").

In 2011, the total expended on maintenance and exploration was $2,091 (2010: $3,035). The property is in good standing until 31 August 2012. Subsequent to 31 December 2011, the Company sold its 50% interest in this property (Note 17).

(c) Mustang property, Yukon

In November 2010, the Company entered into a staking arrangement with an arms-length party to acquire a 50% interest in a gold-copper target in the White Gold mineral belt, Yukon.

In 2011, the Company expended $5,556 on staking (2010: $52,244) and $539 on exploration (2010: $Nil). The property is in good standing until June 2012.

(d) Rosebud property, Arizona

In May 2011, the Company, through staking and an agreement with the former owner, acquired a 100% interest, net of a 1% NSR, in the Rosebud property.

On 6 March 2012, the Company entered into an option agreement in relation to this property which gives the optionee the right to earn a 100% interest in the property (Note 17).

(e) General

During 2011, the Company spent $nil (2010: $46,604) carrying out research, due diligence, and field visits to possible acquisition targets in Peru, Brazil, Colombia, and Panama. No acquisitions resulted from this activity.

Other Property Interests (Net Smelter Returns)

(f) Key and Okey Properties, Liard M.D., British Columbia

Pursuant to option agreements dated 17 May 2001, the Company acquired the right to earn a 50% interest, net of a 3% NSR, in the Key and Okey properties in the Liard Mining District, British Columbia. On 21 December 2004, the Company effectively cancelled its agreements to acquire the Key and Okey properties by selling its options to earn a 50% interest in each property through an option agreement with the non-arm's-length original vendor to another company.

8 Mineral Properties (continued)

Other Property Interests (Net Smelter Returns) (continued)

(f) Key and Okey Properties, Liard M.D., British Columbia (continued)

The Company held a 1% NSR in each of the Key and Okey properties until December 2011, at which time it sold both NSR's to a non-arms-length party for $400,000 (Note 13). The Company retains a right to repurchase the NSR's for $400,000 until 30 June 2012.

Properties Allowed to Lapse

(g) Coal Permits, Saskatchewan

During 2008, the Company, through a staking process costing $53,296, applied for permits allowing for coal exploration in an area covering 43,026 hectares located in central Saskatchewan. In 2010, the total expended was $nil (2009: $11,604)

These permits were issued to the Company on 16 December 2008 and were effective until 16 December 2011, at which point they lapsed.

(h) King Dome, Yukon

In December 2010, the Company entered into an arms-length option agreement to acquire a 100% interest, net of a 3% NSR, in a gold-VMS target in south-central Yukon. Consideration included an initial cash payment of $50,000 and a commitment to issue 500,000 common shares valued at $35,000. The other major expense in 2010 was a payment of cash-in-lieu of work to keep the property in good standing until December 2011.

As ongoing obligations to maintain the option were projected to be beyond the Company's capacity to fund, the option was cancelled in December 2011.

9. Loan Payable

In July of 2003, the Company entered into a revolving arms-length arrangement with a private lender for an unsecured line of credit of up to $100,000 (amended in June 2010 to $500,000) repayable on demand or out of the equity financings undertaken by the Company. Interest was payable at 1% per month on any outstanding month-end balance. In December 2011, the balance and the line of credit were assigned to an officer of the Company and the interest rate was reduced to 0.75% per month and the line of credit was reduced to $250,000 (Note 13).

10. Share Capital

(a) Authorized:

Unlimited number of common shares without par value
Unlimited number of special shares issuable in series without par value

(Expressed in Canadian dollars)

10. Share Capital (continued)

(b) Common shares issued:

At 31 December 2011, there were 46,092,583 issued and fully paid common shares (2010 – 45,592,583).

2011 common share capital transactions:
Pursuant to an option agreement on the King Dome property, the Company issued 500,000 common shares valued at $0.07 per share for a value of $35,000.

2010 common share capital transactions:
Pursuant to a private placement, approved 22 December 2010, the Company issued 6,300,000 common shares at $0.05 per share for total proceeds of $315,000. The Company incurred share issuance costs in the amount of $2,907 relating to this transaction.

(c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, 31 December 2009	11,500,000	$ 0.13
Warrants expired in 2010	(11,500,000)	0.13
Balance, 31 December 2011 and 2010	-	$ -

(d) Stock Options

The Company has a rolling incentive stock option plan that can reserve a maximum of 10% of the issued shares of the Company at the time of the stock option grant with no vesting provisions, but including the following terms:

- Each incentive share purchase option is personal to the grantee and may be neither assigned nor transferred to anyone else;
- Individual incentive share purchase options will have no more than a maximum term of five (5) years from the date of their grant;
- Incentive share purchase options granted to any one individual in any 12 month period can not exceed 5% of the issued and outstanding shares of the Company;
- Individual incentive share purchase options granted to any one consultant in any 12 month period shall not exceed 2% of the issued and outstanding shares of the Company;
- Individual incentive share purchase option agreements granted to an employee conducting investor relations activities will not exceed an aggregate of 2% of the issued and outstanding shares of the Company in any 12 month period.

(Expressed in Canadian dollars)

10. Share Capital (continued)

(d) Stock Options (continued):

Stock option expiries are summarized as follows:

	Number of options outstanding and exercisable	Average Exercise Price
Balance, 31 December 2009	950,000	$ 0.284
Options expired	(950,000)	0.284
Balance, 31 December 2011 and 2010	-	-

No stock options were granted during the years ended 31 December 2011 or 2010.

11. Reserves

(a) Reserve: Re-priced warrants

This reserve records the incremental increase in the fair value of outstanding warrants resulting from a re-pricing.

(b) Reserve: Incentive stock options

This reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amounts recorded could potentially be transferred to deficit but the Company has elected to maintain them in the stock option reserve account.

(c) Reserve: Marketable securities

This reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses on non-equity instruments.

(Expressed in Canadian dollars)

12. Income Taxes

The provision for income taxes differs from the amount that would have resulted in applying Canadian federal and provincial statutory rates as follows:

	Years ended 31 December 2011	Years ended 31 December 2010
Net income (loss)	$ 66,610	$ (447,550)
Statutory tax rate	26.5%	28.5%
Expected income tax expense (recovery)	$ 17,652	$ (127,538)
Non-deductible items and other	2,279	5,271
Effect of reduction in tax rates	(1,259)	(661)
Expiration of non-capital losses	-	105,870
Deferred taxes not recognized	(18,672)	17,058
Income tax expense (recovery)	$ -	$ -

The following summarizes the expiry of deductible temporary differences for which no deferred tax asset has been recognized.

	Non-capital losses	Exploration related tax pools	Share issue costs	Capital losses
2014	$ 291,843	$ -	$ -	$ -
2015	179,302	-	-	-
2026	356,418	-	-	-
2027	170,604	-	-	-
2028	251,612	-	-	-
2029	137,363	-	-	-
2030	272,122	-	-	-
No expiry	-	1,885,681	3,004	132,554
	$ 1,659,263	$ 1,885,681	$ 3,004	$ 132,554

Share issue costs are charged as a deduction in the determination of income or loss for tax purposes over a period of five years.
Due to the uncertainty of realization of these deductible temporary differences, the potential benefits have not been reflected in the financial statements because the Company has provided a full valuation allowance.

(Expressed in Canadian dollars)

13. Related Party Transactions and Balances

Related Party Transactions:

During 2011, the aggregate amount of expenditures made to parties not at arm's length to the Company consists of the following:

(a) The Company paid rent, communications, office, and bookkeeping services in the amount of $11,280 (2010: $11,280) to a company controlled by a director and an officer of the Company;

(b) Included in professional fees are $Nil (2010 - $5,550) consisting of fees paid to directors.

(c) Sales of net smelter returns consists of an NSR sold to a company controlled by a director and officer of the Company for $400,000 (2010 - $Nil).

Key management compensation consisted of management fees in the amount of $124,500 (2010: $124,500) paid to a company controlled by a director and an officer of the Company.

Related Party Balances
:

	31 December 2011	31 December 2010
Included in accounts payable and accrued liabilites:		
- Director and officer of the Company	$ -	$ 9,596
- Directors of the Company	-	1,320
- Director and officer of the Company – Loan interest	37,646	-
- Company with director in common	1,000	-
Included in loan payable (Note 9)		
- Director and officer of the Company	130,000	-
	$ 168,646	$ 10,916

14. Segmented Information

During the period covered by these financial statements, the Company had one reportable operating segment, being the acquisition, exploration, and disposition of interests in mineral properties.

At 31 December 2011 and 2010, all of the Company's recorded assets were located in Canada.

15. Commitments

The Company has an office and service agreement with a company controlled by a director and an officer of the Company. The terms of the agreement require the Company to pay $1,315 per month, with a time limitation tied to the term of the president's tenure. The monthly payment includes $375 per month for administrative services which has been included in management fees.

The Company has a management services agreement with a company controlled by a director and an officer of the Company. That agreement requires the Company to pay $10,000 per month, continuing for the duration of the president's tenure.

16 Initial Adoption of IFRS

The Company adopted IFRS effective 1 January 2011 and, as required by IFRS 1 "*First-time Adoption of International Financial Reporting Standards",* retroactively restated its financial position and results of operations from the previous accounting basis of Canadian Generally Accepted Accounting Principles ("GAAP") to its opening transitional statement of financial position at 1 January 2010 (the "Transition Date"). The comparative amounts for 2010 are also converted to IFRS for comparative purposes.

IFRS 1 sets forth guidance for the initial adoption of IFRS and outlines optional exemptions that may be adopted on the first-time adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to the statement of financial position taken to deficit unless certain exemptions are applied.

The Company has applied the following optional transition exemption:

- The Company has applied the exemption that relates to share-based payments, wherein IFRS 1 allows a first-time adopter to elect not to apply the guidelines provided for by IFRS 2 to equity instruments that were granted on or before 7 November 2002 or equity instruments that were granted subsequent to 7 November 2002 and vested before the later of the date of transition to IFRS and 1 January 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date, which have been accounted for in accordance with Canadian GAAP.

The transition to IFRS did not have any impact to the assets, liabilities, equity, comprehensive loss, or cash flows previously reported in accordance with Canadian GAAP.

(Expressed in Canadian dollars)

17. Subsequent Events

(a) Option of Rosebud property

On 6 March 2012, the Company entered into an option agreement in which it gave the optionee the right to earn a 100% interest in the Rosebud property, net of a 2% NSR. Payments under the option agreement are as follows:

	Cash payments (in USD)	Value of common shares (or equivalents) of optionee (in USD)
Initial payment on signing	$ 25,000	$ 25,000
March 6, 2013	15,000	35,000
March 6, 2014	25,000	25,000
March 6, 2015	75,000	75,000
	$ 140,000	$ 160,000

If the optionee exercises its rights under the option, the Company will retain a 3% NSR in the property.

(b) Sale of IC Bentonite property

In April 2012, the Company completed its sale of its 50% interest in the IC Bentonite property for $100. The Company will retain a 3% Production Royalty in the property.

(Expressed in Canadian dollars)

SCHEDULE "A" – Mineral Property Expenditures

2011

Property	Acquisition	Maintenance	Exploration	Total
Taurus	$ -	$ 9,282	$ 5,346	$ 14,628
IC Bentonite	-	1,250	841	2,091
King Dome	35,000	-	-	35,000
Rosebud	13,111	2,839	2,640	18,590
Mustang	5,556	-	539	6,095
Total Expenses	$ 53,667	$ 13,371	$ 9,366	$ 76,404

2010

Property	Acquisition	Maintenance	Exploration	Total
Taurus	$ -	$ 8,483	$ 10,967	$ 19,450
General	-	-	46,604	46,604
IC Bentonite	-	1,385	1,650	3,035
King Dome	50,828	5,460	-	56,288
Mustang	52,244	-	-	52,244
Totals	$ 103,072	$ 15,328	$ 59,221	$ 177,621