



## **SENATOR MINERALS INC**

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## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – See Notice to Reader)

for the three months ending **31 March 2012**

Expressed in Canadian dollars.

### **INDEX TO UNAUDITED FINANCIAL STATEMENTS**

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## NOTICE TO READER

Per National Instrument 51-102, Part 4, subsection 4.3(3)(a):

These unaudited consolidated financial statements and accompanying notes for the period ending 31 March 2012 have not been reviewed by the Company's auditors.

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which were the accounting policies used to prepare the most recent audited annual financial statements of the Company.

We, the management, have compiled the consolidated statements of financial position of **SENATOR MINERALS INC** as at 31 March 2012 and 31 December 2011, and the consolidated statements of comprehensive loss and deficit, changes in shareholders' deficiency, and cash flows for the three month period ending 31 March 2012 from the books and records of the Company. Comparative figures for the corresponding periods in 2011 are provided.

In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results for the interim period presented.

Readers are cautioned that these interim financial statements may not necessarily include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the period ended 31 December 2011, and with the Management Discussion and Analysis prepared as of 28 May 2012.

**Senator Minerals Inc.**  
**North Vancouver, BC**  
**28 May 2012**

**SENATOR MINERALS INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

	Notes	31 Mar 2012	31 Dec 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,147	\$ 2,067
Short-term investments	6	-	-
Prepays		-	-
Receivables	5	6,257	2,423
		<b>7,404</b>	<b>4,490</b>
<b>Non-current assets</b>			
--		-	-
<b>TOTAL ASSETS</b>		<b>\$ 7,404</b>	<b>\$ 4,490</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loan payable	7	\$ 157,500	\$ 130,000
Trade payables and accrued liabilities	8	123,025	120,336
		-	-
		<b>280,525</b>	<b>250,336</b>
<b>Non-current liabilities</b>			
		-	-
<b>TOTAL LIABILITIES</b>		<b>280,525</b>	<b>250,336</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	10	6,826,151	6,826,151
Reserves: re-priced warrants		76,727	76,727
Reserves: incentive stock options		250,442	250,442
Reserves: short-term investments		-	-
Deficit		(7,426,440)	(7,399,166)
<b>TOTAL DEFICIENCY</b>		<b>( 273,120)</b>	<b>( 245,846)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		<b>\$ 7,404</b>	<b>\$ 4,490</b>

**Nature and Continuance of Operations** <sup>(note 1)</sup>

**Commitments** <sup>(note 17)</sup>

**Subsequent events** <sup>(note 19)</sup>

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 LOSS**  
 For the Three Months Ended 31 March 2012 and 31 March 2011  
 (Expressed in Canadian dollars. Unaudited - See Notice to Reader)

	Notes	Three month periods ended	
		31 Mar 2012	31 Mar 2011
<b>Revenue</b>			
Property option payments		\$ 25,000	\$ -
Other		3,265	-
<b>Total Revenue</b>		<b>28,265</b>	<b>-</b>
<b>Expenses</b>			
Exploration expenses:			
Acquisition and holding expense		\$ -	\$ 13,111
Exploration expense		325	-
<b>Sub-total: Exploration expenses</b>		<b>325</b>	<b>13,111</b>
General and Administrative expenses			
Communications		\$ 1,433	\$ 2,644
Conferences		-	66
Consultants		-	-
Filing and listing fees		5,200	-
Interest on loan	9, 14	3,394	11,823
Management fees	14	31,125	31,125
Occupancy	14	5,920	5,832
Office and general		1,039	839
Professional fees		4,563	5,257
Promotion		23	4,913
Shareholder information		-	240
Transfer Agent		2,500	1,585
Travel		18	1,306
<b>Total: General and Administrative expenses</b>		<b>55,214</b>	<b>65,630</b>
<b>Net loss for the first quarter</b>		<b>\$ 27,274</b>	<b>\$ 78,741</b>
<b>Other comprehensive loss (income)</b>			
		\$ -	\$ -
		-	-
		-	-
<b>Total comprehensive loss for the period</b>		<b>\$ 27,274</b>	<b>\$ 78,741</b>
<b>Loss per share – basic and diluted</b>	2j	<b>\$ 0.001</b>	<b>\$ 0.002</b>

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

**SENATOR MINERALS INC.**

IV.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

For the Three Months Ended 31 March 2012 and 31 March 2011  
(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

	Notes	Share capital		Subscriptions Receivable	Reserves			Deficit	Total
		Number of shares	Amount		Re-priced Warrants	Incentive Stock Options	Short-term Investments		
Balance at 1 January 2011		45,592,583	\$ 6,791,151	\$ (40,000)	\$ 76,727	\$ 250,442	\$ ( 8,600)	\$ (7,018,226)	\$ (241,999)
Comprehensive loss:									
Loss for the period		-	-	-	-	-	-	(102,956)	(102,956)
Other comprehensive income		-	-	-	-	-	900	-	6,000
Total comprehensive loss for the period		-	-	-	-	-	900	(102,956)	(96,956)
Collection of Subscriptions receivable				40,000					
Balance at 31 March 2011	18	45,592,583	\$ 6,791,151	\$ -	\$ 76,727	\$ 250,442	\$ ( 7,700)	\$ (7,121,182)	\$ (338,955)
Balance at 1 January 2012		46,092,583	\$ 6,826,151	\$ -	\$ 76,727	\$ 250,442	\$ -	\$ (7,399,166)	\$ (245,846)
Comprehensive loss:									
Loss for the period		-	-	-	-	-	-	(27,274)	(27,274)
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive loss for the period		-	-	-	-	-	-	(27,274)	(27,274)
Transactions with owners, in their capacity as owners, and other transfers:									
Collection of subscriptions receivable		-	-	-	-	-	-	-	-
Balance at 31 March 2012	18	46,092,583	\$ 6,826,151	\$ -	\$ 76,727	\$ 250,442	\$ -	\$ (7,426,440)	\$ (433,896)

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

**SENATOR MINERALS INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Three Months Ended 31 March 2012 and 31 March 2011  
(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

	Three month periods ended	
	31 Mar 2012	31 Mar 2011
<b>Operating activities</b>		
Loss before income taxes	\$ ( 27,274)	\$ ( 78,741)
Adjustments for non-cash items:		
Accrued interest on loan	3,394	11,823
Changes in non-cash working capital items:		
Accounts receivable	( 3,834)	( 1,818)
Prepaid expenses	-	-
Trade payables and accrued liabilities	( 705)	( 20,197)
<b>Net cash flows used in operating activities</b>	<b>( 28,420)</b>	<b>( 84,579)</b>
<b>Financing activities</b>		
Increase in credit facility: Loan Payable	27,500	-
Net Proceeds of sale of short-term investments	-	18,450
<b>Net cash flows from financing activities</b>	<b>27,500</b>	<b>58,450</b>
Decrease in cash	( 920)	( 26,129)
Cash, beginning	2,067	89,646
<b>Cash, ending</b>	<b>\$ 1,147</b>	<b>\$ 63,517</b>

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

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

#### **1. Nature and Continuance of Operations**

Senator Minerals Inc (the "Company"), with its head office in British Columbia, was incorporated in Ontario in 1972 and is listed on the TSX-Venture Exchange ("TSX-V").

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 unaudited consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of business activities. 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 possibly to commence profitable operations in the future. To date, the Company has not generated and does not expect to generate any significant revenues, and is considered to be in the exploration stage. As at 31 March 2012, the Company has accumulated losses of \$7,426,440 since inception (31 Dec 11: \$7,399,166). Working capital at 31 March 2012 was a negative \$273,121 (31 Dec 11: negative \$245,846).

Management is aware that material uncertainties exist, related to current economic conditions, that 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 ensuing twelve months, in order to carry out its operations and administration, the Company will need to generate working capital through a combination of selling or optioning out mineral exploration property interests, arrangements with lenders or creditors, and/or arrangement of additional equity financing.

These financial statements do not give effect to any 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 28 May 2012 by the directors of the Company.

##### **(a) Statement of compliance and basis of preparation**

The statements are presented in Canadian dollars and 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"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

These unaudited interim financial statements do not necessarily include all of the information required in the audited annual financial statements, and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements for the year ended 31 December 2011.

This IFRS-based interim financial report has been prepared within reasonable limits of materiality and provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 18.

The consolidated interim financial statements of the Company are expressed in Canadian dollars, have been prepared on an accrual basis, and are based on historical costs, modified where applicable. Up to 2010, consolidated financial statements of the Company were presented in accordance with Canadian generally accepted accounting principles ("GAAP"). These current IFRS-based comparative statements have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### (b) Consolidation

These consolidated financial statements include the accounts of the Company and both its wholly owned and controlled subsidiaries, after the elimination of all material inter-company balances and transactions. Senator Minerals US Inc, a Nevada company incorporated on 12 May 2004, has no bank account and is inactive. There were no significant transactions in 515427 BC Ltd, a British Columbia corporation, during the current or previous year. All inter-company transactions and balances have been eliminated upon consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and will continue to be consolidated until the date that such control ceases. 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:

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

There were no significant transactions in Senator Minerals US Inc or in 515427 BC Ltd. during the current or previous year.



## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

#### (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.

#### (d) Financial instruments

##### *Financial assets*

The Company's policy is to classify its financial assets into the following categories, depending on the purpose for which the asset was acquired:

*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.

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 March 2012, 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 31 March 2012, loans and receivables were composed of value added tax recoverable.

*Held-to-maturity investments* – The Company has no held-to-maturity investments as at 31 March 2012.

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

#### (e) Mineral Property Acquisition, Maintenance, and Exploration Expenditures

Exploration and evaluation expenditures are expensed as incurred. If it were 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, these criteria have not been met on any of the Company's mineral properties.

To date, the Company has established a NI 43-101-compliant inferred resource on one of its mineral properties, but no indicated or measured resources on any of its mineral properties.

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.

#### (f) Reclamation and Environmental Obligations

The Company recognizes the responsibility for reclamation and environmental obligations, and Company policy continues to be that it finances, but does not directly carry out, exploration work. Exploration permits are issued in the name of whatever exploration contractor is doing the work, and any reclamation bonds are the responsibility of and for the account of the exploration contractors. Therefore the Company does not make any provision in its accounts for direct reclamation or environmental obligations.

#### (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 31 March 2012, the Company had no 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.

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

#### (i) Share-based Payments

The Company has an authorized rolling incentive stock option plan. At present, no options are outstanding and the Company has no employees. Share-based payments to employees would be 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. If options were issued, the fair value would be determined using the Black-Scholes ("B-S") Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest would be reviewed and adjusted at the end of each reporting period, with the amount recognized for services received as consideration for the equity instruments granted based on the number of equity instruments that eventually vest.

#### (j) Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants, and similar instruments, assuming that the proceeds would be used to purchase common shares at the average market price during the period. Basic and diluted loss per common share are calculated using the weighted-average number of common shares outstanding during the period. For the years presented, dilutive loss per share is equal to basic loss per share.

#### (k) Foreign Currency Translation

These financial statements are presented in Canadian dollars, the Company's functional currency. The Company's monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates that approximate those in effect on transaction dates. Gains and losses arising on translation are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

### **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.

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

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

##### *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.

##### *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.

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011  
(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

#### **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 and prioritize acquisition, maintenance, exploration, and development of mineral properties.

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011  
(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

#### **4. Capital Management (continued)**

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 exploration activities. In order to fund its administration and exploration activities, the Company plans to spend its existing working capital and raise additional amounts as needed.

There have been no changes to the Company's approach to capital management during the last 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 fluctuations in commodity-based market prices associated with resource property interests, as well as for environmental reclamation obligations.

The Company has no control over commodity prices, but management is cognizant of the commodity targets in the projects it undertakes.

Management actively ensures that the Company's exploration contractors address 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 obtains financing in Canadian dollars but 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. The Company's secondary exposure to risk is on its accounts receivable, and is considered minimal as receivables consist primarily of a government obligation for refundable goods and services taxes.

**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. There is no provision to vary the interest rate in the current loan agreement, and no changes are contemplated.

**SENATOR MINERALS INC.****NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

**5. Risk Management (continued)**

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 capital in order to meet its liquidity requirements. This risk has been mitigated by the establishment of a revolving line of credit. 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. Under current market conditions, liquidity risk is assessed as moderate and funding risk is assessed as high.

**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 receivables are classified as Level 1.

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

**7. Accounts Receivable**

The components of receivables are as follows:

	31 Mar 2012	31 Dec 2011
GST/HST receivable from the federal government	\$ 6,257	\$ 2,423
	-	-
Total	\$ 6,257	\$ 2,423

The change to IFRS from Canadian GAAP did not result in any accounting policy change to receivables.

**8. Marketable Securities**

	31 Mar 2012	31 Dec 2011
Alderon Resource Corp (ALD on TSX-V)	\$ -	\$ -
	-	-
Totals	\$ -	\$ -

**SENATOR MINERALS INC.****NOTES to the Unaudited Financial Statements**

For the Three Months Ended 31 March 2012 and 31 March 2011

(Expressed in Canadian dollars. Unaudited - See Notice to Reader)

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.

**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).

	Three month period ended 31 Mar 2012	Year ended 31 Dec 2011
Balance, beginning of period	\$ 130,000	\$ 201,900
Increase in the liability during the period	27,500	( 71,900)
Interest incurred (recorded in accrued liabilities: Note 8)	3,394	37,646
Interest paid	-	-
Balance, end of period	\$ 157,500	\$ 130,000

The change to IFRS from Canadian GAAP did not result in any accounting policy change to loan payable.

**10. Trade Payables and Accrued Liabilities**

	31 Mar 2012	31 Dec 2011
Trade payables	\$ 78,225	\$ 77,900
Amounts due to related parties (Note 12)	-	-
Accrued liabilities	3,760	4,791
Accrued interest on loan due to related party (Note 7)	41,040	37,646
	\$ 123,025	\$ 120,337

The change to IFRS from Canadian GAAP did not result in any accounting policy changes to trade payables and accrued liabilities.

**11. 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 2012, 2011, and 2010 to date acquisition, maintenance, and exploration expenses and reimbursements for each property).



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At 31 March 2012, the Company owns the following mineral property interests:

(a) Taurus property, southeastern Alaska:

In September 2004, the Company acquired a 100% interest in the 33 claim Taurus property in southeastern Alaska by way of staking. As of the date of these financial statements, the Company continues to own a 100% interest in the Taurus property.

In the three months ending 31 Mar 2012, the total expended was \$nil (Q1 in 2010: \$nil) on maintenance and exploration. The claims are in good standing with the state of Alaska until 30 November 2012.

(b) IC Bentonite, Nevada:

In 2008, the Company arranged the staking of seven placer claims to cover a bentonite deposit of undetermined size. Due to prior agreements, Kent Exploration Inc ("KEX") has earned a 50% interest in this property, and an area of interest clause in the Ivanhoe Creek-Rimrock mining lease option agreement gave the now arms-length optionor a 1% net smelter return ("NSR"). Subsequent to 31 March 2012, the Company sold its 50% interest for \$100 and a carried 3% Production Royalty.

In the three months ending 31 Mar 2012, the total expended was \$nil (Q1 in 2010: \$nil) on maintenance and exploration. The claims are in good standing with the state of Nevada until 31 August 2012.

(c) Mustang, 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. The property is in good standing until June 2012.

In the three months ending 31 Mar 2012, the total expended was \$nil (Q1 in 2011: \$nil) on maintenance and exploration.

(d) Rosebud, Mohave County, Arizona

In January 2011, the Company staked 20 unpatented lode mining claims totaling 400 acres in one contiguous claim block. In the three months ending 31 Mar 2012, the total expended was \$325 (Q1 in 2011: \$13,111) on acquisition. The claims are in good standing with the state of Arizona until 31 August 2012.

Properties Allowed to Lapse:

(e) 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.

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

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(f) 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.

Other Property Interests (Net Smelter Returns):

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

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.

## **12. Share Capital**

- (a) Authorized:
- Unlimited number of common shares without par value
  - Unlimited number of special shares issuable in series without par value

- (b) Common shares issued and fully paid:

At 31 March 2012 there were 46,092,583 issued and fully paid common shares (December 31, 2011 – 46,092,583).

2012 common share capital transactions to 31 March: none.

2011 common share capital transactions:

Pursuant to an option agreement on the King Dome property, in the first quarter of 2011, 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. The \$40,000 remaining in share subscriptions receivable was collected in the first quarter of 2011.

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## (c) Warrants

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

	Number of Shares	Weighted Average Exercise Price
Balance, 1 January 2010	11,500,000	\$ 0.13
Warrants expired in 2010	11,500,000	0.13
Balance, 31 December 2010 & 2011	-	-
Balance, 31 Mar 2011 & 31 Mar 2012	-	-

## (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.

Stock option expiries are summarized as follows:

	Number of Shares	Average Exercise Price
Balance, 1 January 2010	950,000	\$ 0.284
Options expired, 22 Jan 2010	400,000	0.255
Options expired, 25 Feb 2010	200,000	0.305
Options expired, 26 Feb 2010	200,000	0.31
Options expired, 27 Jun 2010	150,000	0.30
Balance, 31 Dec 2010-11 & 31 Mar 2012	-	-

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No stock options were granted during the years ended 31 December 2010 or 2011 or in the three months ending 31 March 2012.

The stock option 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.

#### **13. 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.

#### **14. Related Party Transactions and Balances**

During the first quarter of 2012, 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 (to 31 Mar 2011: \$11,280) to a company controlled by a director and an officer of the Company;
- (b) The Company paid management fees in the amount of \$31,125 (to 31 Mar 2011: \$31,125) to a company controlled by a director and an officer of the Company.
- (c) The Company accrued \$3,394 in loan interest (to 31 Mar 2011: \$nil) for total interest accrued of \$41,040 and a principal balance of \$157,500. See Note 9 for details.

Included in accounts payable and accrued liabilities at 31 March 2012 is \$nil (31 Dec 2011: \$nil) payable to a director and officer of the Company, and \$nil (31 Dec 2011: \$nil) payable to directors of the Company.

**SENATOR MINERALS INC.****NOTES to the Unaudited Financial Statements**

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Related Party Balances:

	31 March 2012	31 December 2011
Included in accounts payable and accrued liabilities:		
- Director and officer of the Company	\$ -	\$ -
- Directors of the Company	-	-
- Director and officer of the Company : Loan interest	41,040	37,646
- Company with director in common	1,000	1,000
Included in loan payable (Note 9)		
- Director and officer of the Company	157,500	130,000
	<u>\$ 199,540</u>	<u>\$ 168,646</u>

**15. Classification of Financial Instruments**

Financial assets included in the statement of financial position are as follows:

	31 Mar 2012	31 Dec 2011
Cash	\$ 1,147	\$ 2,067
Receivables	6,257	2,423
Available-for-sale financial instruments:		
Short-term investments	-	-
	<u>\$ 7,404</u>	<u>\$ 4,490</u>

Financial liabilities included in the statement of financial position are as follows:

	31 Mar 2012	31 Dec 2011
Non-derivative financial liabilities:		
Credit facility (Loan Payable)	\$ 157,500	\$ 130,000
Trade payables and accrued	123,025	120,336
Due to Related Parties	-	-
	<u>\$ 280,525</u>	<u>\$ 250,336</u>

**Fair value:**

The fair value of the Group's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- ? Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- ? Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- ? Level 3 – Inputs that are not based on observable market data.

At 31 March 2012 and 31 December 2011, all assets were classified as Level 1.

## **SENATOR MINERALS INC.**

### **NOTES to the Unaudited Financial Statements**

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#### **16. 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. As at 31 March 2012, and in 2011 and 2010, all of the Company's recorded assets were located in Canada.

#### **17. 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.

#### **18. Transition to 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 were 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.

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**19. Subsequent Events**

Subsequent to 31 March 2012, the Company finalized 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 US\$)	Value of common shares (or equivalents) of optionee (in US\$)
Initial payment on signing	\$ 25,000	\$ 25,000
March 2013	15,000	35,000
March 2014	25,000	25,000
March 2015	75,000	75,000
	<hr/> <hr/> \$ 140,000	<hr/> <hr/> \$ 160,000

**20. List of Directors and Officers**

These financial statements were authorized for issue on 28 May 2012 by the directors of the Company.

As at 28 May 2012 (the date these financial statements were signed), directors and officers were:

Roger G. Kidlark	CFO and Director
Andrew E. Nevin	Director
Donald A. Simon	President, CEO, and Director
Lana M. Simon	Secretary
Jeffrey P. Scouten	Director

**21. Audit Committee:**

Pursuant to Section 158(1) of the Ontario Business Corporations Act, the audit committee comprises the following three financially literate directors, the majority of whom are neither officers nor employees of the Company.

Andrew E. Nevin	Director	Independent
Donald A. Simon	Director	Officer
Jeffrey P. Scouten	Director	Independent

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**SCHEDULE "A"**

	<b>Property</b>	<b>Acquisition</b>	<b>Maintenance</b>	<b>Exploration</b>	<b>Reimbursed</b>	<b>Total</b>
<b>2012</b>	<b>Three months only</b>					
	Taurus	\$ -	\$ -	\$ -	\$ -	\$ -
	IC Bentonite	-	-	-	-	-
	Mustang	-	-	-	-	-
	Rosebud	-	-	325	-	325
	2012 Totals (3 mo)	\$ -	\$ -	\$ 325	\$ -	\$ 325
<b>2011</b>	<b>Property</b>	<b>Acquisition</b>	<b>Maintenance</b>	<b>Exploration</b>	<b>Reimbursed</b>	<b>Total</b>
	Taurus	\$ -	\$ 9,282	\$ 5,346	\$ -	\$ 14,628
	IC Bentonite	-	1,250	841	-	2,091
	King Dome	35,000	-	-	-	35,000
	Mustang	5,556	-	539	-	18,590
	Rosebud	13,111	2,839	2,640	-	6,095
	2011 Totals	\$ 53,667	\$ 13,371	\$ 9,366	\$ -	\$ 76,404
<b>2010</b>	<b>Property</b>	<b>Acquisition</b>	<b>Maintenance</b>	<b>Exploration</b>	<b>Reimbursed</b>	<b>Total</b>
	Taurus	\$ -	\$ 8,483	\$ 10,967	\$ -	\$ 19,450
	IC Bentonite	-	1,385	1,650	-	3,035
	King Dome	50,828	5,460	-	-	56,288
	Yukon: Mustang	52,244	-	-	-	52,244
	General	-	-	46,604	-	46,604
	2010 Totals	\$ 103,072	\$ 15,328	\$ 59,221	\$ -	\$ 177,621