SHANE RESOURCES LTD.
Suite 212 – 116 Research Drive
Saskatoon, SK
S7N 3R3

SHANE RESOURCES LTD.

Audited Financial Statements

December 31, 2011

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Shane Resources Ltd.

We have audited the accompanying financial statements of Shane Resources Ltd., which comprise the statements of financial position as at December 31, 2011 and 2010, and January 1, 2010 and the statements of operations and comprehensive loss, statements of cash flows and statement of changes in equity for the years ended December 31, 2011 and 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Shane Resources Ltd. as at December 31, 2011 and 2010, and January 1, 2010 and 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 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Shane Resources Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 23, 2012

SHANE RESOURCES LTD.

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	December 31, 2011	December 31, 2010 (Note 12)	January 1, 2010 (Note 12)
ASSETS			
Current			
Cash and cash equivalents	$ 15,421	$ 115,970	$ 276,533
Marketable securities (Note 5)	-	3,255	31
Receivables (Note 10)	619	58,368	28,800
Prepaid expenses	12,150	15,144	17,165
	28,189	192,737	322,529
Equipment (Note 6)	-	-	1,862
Exploration and evaluation assets (Note 7)	435,100	435,100	435,100
	$ 463,290	$ 627,837	$ 759,491
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 10)	$ 26,704	$ 22,264	$ 40,510
	26,704	22,264	40,510
SHAREHOLDERS' EQUITY			
Capital stock (Note 8)	6,670,238	6,670,238	6,670,238
Other equity reserve (Note 8)	502,503	502,503	360,680
Deficit	(6,736,155)	(6,567,168)	(6,311,937)
	436,586	605,573	718,981
	$ 463,290	$ 627,837	$ 759,491

Going Concern (Note 1)
Measurement Uncertainty (Note 7)
Subsequent Event (Note 13)
The accompanying notes are an integral part of the financial statements.

Approved and authorized by the Board on April 23, 2012:

"KYLE KOZUSKA"
Director

"MICHAEL DER"
Director

SHANE RESOURCES LTD.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the years ended December 31, 2011	December 31, 2010 (Note 12)
Administration costs		
Bank charges	$ 748	$ 968
Depreciation	-	481
Filing fees	13,432	13,375
Insurance	15,129	15,131
Management and consulting fees	75,150	79,150
Office expense	9,450	7,315
Premises expense	11,600	11,600
Professional fees	49,802	22,689
Promotion	8,450	6,735
Share-based compensation	-	141,823
Telecommunications	2,755	2,549
Transfer agent	6,842	4,405
Travel and accommodation	3,262	877
Operating costs for the year	(196,620)	(307,098)
Interest income	-	24
Other income (Note 10)	28,000	78,000
Loss on marketable securities	(367)	(24,776)
Write down of equipment	-	(1,381)
Net loss and comprehensive loss for the year	(168,987)	(255,231)
Loss per share - basic and diluted	$ (0.006)	$ (0.010)
Weighted average common shares	26,240,750	26,240,750

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

SHANE RESOURCES LTD.

STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the years ended December 31, 2011	December 31, 2010 (Note 12)
Cash flows used in operating activities		
Net loss for the year	$ (168,987)	$ (255,231)
Items not involving cash:		
Depreciation	-	481
Share-based compensation	-	141,823
Loss on marketable securities	367	24,776
Write-down of equipment	-	1,381
Non-cash working capital item changes:		
Receivables	57,749	(29,568)
Prepaid expenses	2,994	2,021
Payables and accrued liabilities	4,440	(18,246)
	(103,437)	(132,563)
Cash flows provided by/(used in) investing activities		
Proceeds from sale of marketable securities	2,888	-
Purchase of marketable securities	-	(28,000)
	2,888	(28,000)
Decrease in cash and cash equivalents	(100,549)	(160,563)
Cash and cash equivalents, beginning of year	115,970	276,533
Cash and cash equivalents, end of year	$ 15,421	$ 115,970
Cash and cash equivalents are comprised of:		
Cash	$ 15,421	$ 115,970

There were no non-cash transactions affecting cash flows from operating, investing, or financing activities for the years ended December 31, 2011 and 2010.

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

SHANE RESOURCES LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Other Equity Reserve	Accumulated Deficit	Total Equity
Balance December 31, 2009 and January 1, 2010	**26,240,750**	**$ 6,670,238**	**$ 360,680**	**$ (6,311,937)**	**$ 718,981**
Share-based compensation	-	-	141,823	-	141,823
Loss for the year	-	-	-	(255,231)	(255,231)
Balance December 31, 2010	**26,240,750**	**6,670,238**	**502,503**	**(6,567,168)**	**605,573**
Loss for the year	-	-	-	(168,987)	(168,987)
Balance December 31, 2011	**26,240,750**	**6,670,238**	**502,503**	**(6,736,155)**	**436,586**

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

1. Going Concern

These financial statements of Shane Resources Ltd. (the "Company") have been prepared using International Financial Reporting Standards ("IFRS") on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional equity financing. However, the low price of the Company's common shares makes it difficult to raise funds by private placements of shares.

The amounts shown as exploration and evaluation assets represent costs net of recoveries to date, less amounts written off, and do not represent present or future values. Recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and evaluation of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. Nature of Operations

The Company is a corporation continued under the laws of Saskatchewan and has its common shares listed on the TSX Venture Exchange.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not determined whether these properties contain ore reserves which are economically recoverable.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production from the properties of proceeds from disposition.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

3. Basis of Preparation

These condensed financial statements, including comparatives, have been prepared in accordance with IFRS as adopted by Canada on January 1, 2011. This represents the Company's application of IFRS as at and for the year ended December 31, 2011, including the 2010 comparative year. The financial statements have been prepared in accordance with IFRS 1, "First- time Adoption of International Financial Reporting Standards" as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

A summary of the Company's significant accounting policies under IFRS are presented in Note 4. These policies have been applied retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS1. Prior to January 1, 2011, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 12.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

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

i) The recoverability of receivables which are included in the statements of financial position.

ii) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position.

iii) Estimates used in the calculation of share-based payments.

iv) The recognition of deferred tax assets and liabilities.

v) The estimated useful lives of equipment which are included in the statements of financial position and the related depreciation included in the statements of operations and comprehensive loss.

4. Significant Accounting Policies

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets and liabilities "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents and marketable securities as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

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.

The fair value of the Company's receivables, accounts payable and accrued liabilities, approximate carrying value, which is the amount payable on the statement of financial position due to their short terms to maturity. The Company's other financial instruments, cash and cash equivalents, and marketable securities have been measured at fair value based on level one quoted prices in active markets for identical assets or liabilities.

See Note 11 for disclosures on risks associated with financial instruments.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

4. Significant Accounting Policies (cont'd…)

Exploration and evaluation assets (cont'd…)

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Future reclamation costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

For the years presented, the Company does not have any future reclamation costs.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Exploration equipment	20%

Equipment that is withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4. Significant Accounting Policies (cont'd…)

Equipment (cont'd…)

Assets measured at historical cost less accumulated depreciation and impairment losses. Depreciation is charged on the declining balance basis over the useful lives of these assets. Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Impairment

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

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

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

4. Significant Accounting Policies (cont'd…)

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credit to other liabilities and included income at the same time the qualifying expenditures are made.

4. Significant Accounting Policies (cont'd…)

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

Comprehensive Loss

Comprehensive loss consists of net loss and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, net loss was the same as comprehensive loss.

Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2011.

New Standards and Interpretations not yet adopted:

In November 2009 and October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's financial statements.

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's financial statements.

4. Significant Accounting Policies (cont'd…)

New Standards and Interpretations not yet adopted: (cont'd…)

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's financial statements.

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's financial statements.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's financial statements.

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's financial statements.

5. Marketable Securities

The Company's marketable securities consist of publicly traded TSX securities. These securities are recorded on a trade-date basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of investments are reflected in the statement of operations and are calculated on an average-cost basis.

(Expressed in Canadian Dollars)

5. Marketable Securities (cont'd…)

	December 31, 2010 carrying value	Addition s	Disposals	Adjustment to fair value	December 31, 2011 carrying value
Marketable securities					
Masuparia Gold Corp. (MAS.V)	$ 22	$ -	$ (30)	$ 8	$ -
Priszm Income Fund (QSR.UN)	3,233	-	(2,858)	(375)	-
Total marketable securities	**$ 3,255**	**$ -**	**$ (2,888)**	**$ (367)**	**$ -**

	January 1, 2010 carrying value	Additions	Disposals	Adjustment to fair value	December 31, 2010 carrying value
Marketable securities					
Masuparia Gold Corp. (MAS.V)	$ 31	$ -	$ -	$ (9)	$ 22
Priszm Income Fund (QSR.UN)	-	28,000	-	(24,767)	3,233
Total marketable securities	**$ 31**	**$ 28,000**	**$ -**	**$ (24,776)**	**$ 3,255**

(Expressed in Canadian Dollars)

6. Equipment

Equipment consists of the following:

	Computer and office equipment	Equipment	TOTAL
Cost at January 1, 2010, December 31, 2010, and December 31, 2011	$ 8,791	$ 2,454	$ 11,245
Accumulated depreciation at January 1, 2010	7,702	1,681	9,383
Depreciation for the year ended December 31, 2010	327	154	481
Accumulated depreciation at December 31, 2010	8,029	1,835	9,864
Depreciation for the year ended December 31, 2011	-	-	-
Accumulated depreciation at December 31, 2011	8,029	1,835	9,864
Accumulated Write-down as at January 1, 2010	-	-	-
Write-down during the year ended December 31, 2010	762	619	1,381
Accumulated write-down at December 31, 2010	762	619	1,381
Write-down during the year ended December 31, 2010	-	-	-
Accumulated write-down at December 31, 2011	762	619	1,381
Net book value at January 1, 2010	1,089	773	1,862
Net book value at December 31, 2010	-	-	-
Net book value at December 31, 2011	$ -	$ -	$ -

During the year ended December 31, 2010, the Company wrote off all of its equipment.

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets

The Company has acquired certain exploration and evaluation assets, the costs of which are as follows:

		Brownell Lake		Munroe Lake		Pine East		Total
Balance January 1, 2010, December 31, 2010 and December 31, 2011	**$**	**98,012**	**$**	**172**	**$**	**336,916**	**$**	**435,100**

Cumulative Totals		Brownell Lake		Munroe Lake		Pine East		Total
Acquisition costs	$	39,202	$	172	$	78,149	$	117,523
Drilling		58,810		-		258,767		317,577
Balance December 31, 2011	**$**	**98,012**	**$**	**172**	**$**	**336,916**	**$**	**435,100**

A. Brownell Lake

The Company owns a 100% interest in 2 claims in the Brownell Lake area of Saskatchewan. The property hosts a long zone of Copper-zinc mineralization.

B. Munroe Lake

The Company owns an 1.6% interest in the Munroe Lake area of Saskatchewan. The property was optioned to Wescan Gold Fields Inc., which deals with the Company on an arm's length basis, and which earned a 92% interest in the property by spending $246,627 on the property in 2008. No exploration activities have been conducted on the property.

C. Pine East

The Company owns a minimum 49% interest in this property, known as "Pine East" and Claude Resources Inc. ("Claude") owns a minimum 30% interest in the property, with the remaining interest subject to the terms of an option agreement dated June 7, 1999 (as amended). To date the Company has conducted a prospecting, stripping and trenching program on the property and Claude has conducted drill programs on this property.

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (cont'd…)

Measurement Uncertainty

The Company has not experienced any property specific adverse impact to date on its operations but has had difficulty in raising sufficient equity capital to effectively explore or develop the Company's mineral property interests.

One or more of the issues described, or other factors beyond management's control, in future periods could adversely affect the Company's operations and could result in future potential or total write downs of the Company's recorded exploration and evaluation assets of $435,100 as at December 31, 2011. Such write-down amounts could be material.

8. Capital Stock and Other Equity Reserve

The Company did not issue any shares during the years ending December 31, 2011 and December 31, 2010.

The authorized share capital of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series. As at December 31, 2011, the Company had 26,240,750 common shares outstanding, of which 150,000 (2010 – 150,000) were held in escrow.

Stock Options

The Company has established a share-based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. Unless otherwise determined by the board of directors of the Company (the "Board"), the exercise price of options equals at least the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term in accordance with TSX Venture Exchange policy.

A summary of the status of the Company incentive stock option plan as at December 31, 2011 is as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding January 1, 2010	600,000	0.50
Granted	1,300,000	0.11
Cancelled	(150,000)	0.50
Outstanding December 31, 2010 and December 31, 2011	1,750,000	0.21
Exercisable, December 31, 2011	1,750,000	0.21

(Expressed in Canadian Dollars)

8. Capital Stock and Other Equity Reserve (cont'd…)

Stock Options (cont'd…)

Number of Shares Under Option	Exercise Price $	Expiry Date
150,000	0.25	December 18, 2012
150,000	0.50	December 18, 2012
150,000	0.75	December 18, 2012
1,300,000	0.11	January 15, 2020
1,750,000		

Options Granted

During the year ended December 31, 2011 the Company granted no options. (December 31, 2010 – 1,300,000) The fair value of options granted in the period was $Nil (December 31, 2010 - $0.109) per option. The Company recorded $Nil (December 31, 2010 - $141,823) in share-based compensation expense on these options.

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

	December 31, 2011	December 31, 2010
Risk-free interest rate	N/A	3.49%
Expected life of options	N/A	10 years
Annualized volatility	N/A	163%
Expected forfeitures	N/A	0%
Dividend rate	N/A	0%

Warrants

The Company had no outstanding share purchase warrants as at December 31, 2011, December 31, 2010 and January 1, 2010.

(Expressed in Canadian Dollars)

9. Income Taxes

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

	For the years ended December 31, 2011	December 31, 2010
Loss before income taxes	$ (168,987)	$ (255,231)
Combined federal and provincial statutory income tax rate	27%	29%
Expected income tax recovery at statutory tax rates	(45,000)	(73,000)
Non-deductible expenditures and non-taxable revenues	-	44,000
Impact of future tax rates applied versus current statutory rate	3,000	4,000
Change in unrecognized deductible temporary differences	209,000	199,000
Other	(167,000)	(174,000)
Total future income tax recovery	**$ -**	**$ -**

The significant components of the Company's future tax assets (liabilities) that have not been set up are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Non-capital losses	$ 213,000	$ 200,000	$ 238,000
Marketable securities	-	3,000	-
Mineral property and related exploration expenditures	(4,000)	(4,000)	(4,000)
Net future income tax assets	**$ 209,000**	**$ 199,000**	**$ 234,000**

As at December 31, 2011, the Company has non-capital losses of approximately $853,000 (2010 - $800,000) that may be applied against future income for Canadian income tax purposes. The non-capital losses expire as follows:

2015	$ 128,000
2016	79,000
2027	194,000
2028	98,000
2029	99,000
2030	87,000
2031	168,000
	$ 853,000

(Expressed in Canadian Dollars)

10. Related Party Transactions

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended December 31,	
	2011	**2010**
Share-based compensation	$ -	$ 141,823
Short-term benefits*	46,600	75,000
Travel, entertainment and office expenses	4,662	4,069
	$ 51,262	$ 220,892

*include base salaries, pursuant to contractual employment or consultancy arrangements

Other related parties

Related parties include BlackSun Inc. where one owner is a director for the Company, Star Uranium Corp. and United Uranium Corp. which shares common directors and management with the Company, Davis LLP where one employee is a director for the Company and Paradigm Portfolio Management Corp. where one owner is a director and management for the Company.

Transactions entered into with related parties other than key management personnel include the following:

	Years ended December 31,	
	2011	**2010**
BlackSun Inc.	$ 13,647	$ 14,768
Davis LLP	1,348	2,678
Paradigm Portfolio Management Corp.	1,422	-
	$ 16,417	$ 17,446

As at December 31, 2011, accounts payable and accrued liabilities includes $Nil (December 31, 2010 - $2,678, January 1, 2010 - $Nil) owing for professional fees to a limited liability partnership of which a director is an employee.

10. Related Party Transactions (cont'd…)

As at December 31, 2011 the receivables includes $Nil (December 31, 2010 - $30,713, January 1, 2010 - $10,238) due from United Uranium Corp. and $Nil (December 31, 2010 - $27,300, January 1, 2010 $17,064) from Star Uranium Corp; companies sharing common directors.

The amounts due to and from the related parties are non-interest bearing, with no fixed terms of repayment.

11. Financial and Capital Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and equivalents are all held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset-backed commercial paper.

The Company's receivables consist mainly of receivables from related companies and GST/HST receivable due from the government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company endeavors to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligation.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

11. Financial and Capital Risk Management (cont'd…)

Market risk (cont'd)

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term nvestments included in cash and cash equivalents is minimal because these investments roll over daily.

b) Foreign currency risk

As at December 31, 2011, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

12. First Time Adoption of IFRS

As stated in Note 3, these financial statements have been prepared in accordance with IFRS. The accounting policies in Note 4 have been applied in preparing the financial statements for the years ended December 31, 2011 and December 31, 2010, and the opening IFRS statements of financial position as at January 1, 2010 (the "Transition Date").

In preparing the opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemption:

a) to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

b) to apply the requirements of IFRS 3, Business Combinations, on a prospective basis from the Transition Date.

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of financial position as at January 1, 2010, and December 31, 2010.

There are also no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of operations and comprehensive loss or cash flows for the year ended December 31, 2010.

13. Subsequent Event

Subsequent to year end, subject to regulatory approval, the Company granted 850,000 stock options to directors, officers, and consultants of the Company. The stock options will be exercisable at a price of $0.10 per share for a period of 10 years from the date of grant.