Lions Gate Metals Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lions Gate Metals Inc.

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lions Gate Metals Inc. 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.

Ernst & Young LLP

Vancouver, Canada

March 16, 2012

Chartered accountants

CONTENTS

Expressed in Canadian Dollars

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
		[Note 23]	[Note 23]
Assets			
Current assets			
Cash and cash equivalents (Note 5)	**784,382**	367,713	569,470
Available-for-sale investments (Note 6)	**190,627**	145,400	464,895
Amounts receivable	**681,421**	121,800	357,663
Prepaid expenses	**83,933**	161,211	88,165
Total current assets	**1,740,363**	796,124	1,480,193
Non-current assets			
Loan receivable (Note 7)	**1**	1	29,926
Reclamation deposits (Note 8)	**44,108**	44,002	12,000
Property, plant and equipment (Note 9)	**51,354**	-	-
Exploration and evaluation assets (Note 10)	**7,226,250**	5,231,629	2,286,744
Total non-current assets	**7,321,713**	5,275,632	2,328,670
Total assets	**9,062,076**	6,071,756	3,808,863
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	**251,933**	198,392	113,954
Due to related parties (Note 15)	**29,005**	7,560	143,548
Other liabilities (Note 11)	**381**	-	-
Total current liabilities	**281,319**	205,952	257,502
Total liabilities	**281,319**	205,952	257,502
Commitments (Note 20)			
Shareholders' equity			
Share capital (Note 12)	**20,224,650**	15,819,452	12,096,545
Share purchase warrants (Note 12)	**3,166,114**	1,902,699	1,687,299
Contributed surplus (Note 12)	**2,297,441**	1,630,073	1,617,893
Accumulated other comprehensive loss/income	**(10,616)**	1,851	68,171
Accumulated deficit	**(16,896,832)**	(13,488,271)	(11,918,547)
Total shareholders' equity	**8,780,757**	5,865,804	3,551,361
Total liabilities and shareholders' equity	**9,062,076**	6,071,756	3,808,863

Approved by the Board of Directors:

"Arni Johansson"
Director

"Michael Sweatman, CA"
Director

Expressed in Canadian Dollars

	Year Ended December 31, 2011 $	Year Ended December 31, 2010 $ [Note 23]
Interest and other income	**17,097**	3,305
Expenses		
Accounting and audit (Note 15)	**71,335**	44,070
Advertising and promotion (Note 15)	**200,185**	74,541
Amortization (Note 9)	**5,240**	-
Bank charges and interest	**2,757**	6,861
Conferences and trade shows	**24,962**	2,480
Consulting and management fees (Note 15)	**178,547**	614,285
Director fees	**15,250**	25,250
Filing and transfer agent fees	**32,932**	22,075
General exploration	**5,648**	1,500
Insurance	**23,599**	23,733
Investor relations	**68,500**	-
Legal (Note 15)	**114,813**	156,094
Office, rent and telephone (Note 15)	**135,049**	115,442
Salaries and benefits	**267,104**	-
Stock based compensation (Note 13)	**619,337**	135,602
Travel and accommodation	**75,728**	55,594
Total expenses	**1,840,986**	1,277,527
Loss before undernoted items	**(1,823,889)**	(1,274,222)
Other expense		
Interest expense	**(2,700)**	-
Write down of mineral property interests (Note 10)	**(1,648,259)**	(70,753)
Partial recovery of loan (Note 7)	**98,420**	-
Write down of investments for permanent impairment	**-**	(147,424)
Loss on sale of securities	**(115,847)**	(72,833)
Premium realized on issue of flow-through	**84,211**	-
Foreign exchange	**(497)**	(4,492)
Loss for the year	**(3,408,561)**	(1,569,724)
Other comprehensive loss		
Fair value losses on available-for-sale investments (Note 6)	**(12,467)**	(66,320)
Total other comprehensive loss	**(12,467)**	(66,320)
Total comprehensive loss for the year	**(3,421,028)**	(1,636,044)
Loss per common share, basic and diluted (Note 17)	**(0.15)**	(0.13)

Expressed in Canadian Dollars

	Number of shares	Share capital $	Share purchase warrants $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance at January 1, 2010	**10,500,194**	**12,096,545**	**1,687,299**	**1,617,893**	**68,171**	**(11,918,547)**	**3,551,361**
Loss for the year	-	-	-	-	-	(1,569,724)	(1,569,724)
Stock options issued	-	-	-	135,602	-	-	135,602
Options exercised	194,000	213,400	-	-	-	-	213,400
Exercised options reversal	-	123,422	-	(123,422)	-	-	-
Private placement – flow-through	1,200,000	1,080,000	-	-	-	-	1,080,000
Private placement	312,500	250,000					250,000
Private placement – warrants	-	(215,400)	215,400	-	-	-	-
Mineral property interest issuances	4,025,000	2,414,000	-	-	-	-	2,414,000
Share issuance costs	-	(142,515)	-	-	-	-	(142,515)
Interest reclassified on realization	-	-	-	-	173	-	173
Change in fair value of loan & interest	-	-	-	-	4,697	-	4,697
Loss on sale of investments	-	-	-	-	(72,833)	-	(72,833)
Writedown of investments	-	-	-	-	(147,424)	-	(147,424)
Change in fair value of investments	-	-	-	-	149,067	-	149,067
Balance at December 31, 2010	**16,231,694**	**15,819,452**	**1,902,699**	**1,630,073**	**1,851**	**(13,488,271)**	**5,865,804**
Loss for the year	-	-	-	-	-	(3,408,561)	(3,408,561)
Private placement	6,289,000	5,031,200	-	-	-	-	5,031,200
Flow-through share issuance	1,052,632	1,000,000	-	-	-	-	1,000,000
Flow-through liability allocation	-	(84,211)	-	-	-	-	(84,211)
Stock options issued	-	-	-	667,368	-	-	667,368
Warrants issued	-	(1,263,415)	1,263,415	-	-	-	-
Mineral property interest issuances	87,500	70,625	-	-	-	-	70,625
Share issuance costs	-	(286,158)	-	-	-	-	(286,158)
Change in fair value of investments	-	-	-	-	(12,467)	-	(12,467)
Gross Balance at December 31, 2011	**23,660,826**	**20,287,493**	**3,166,114**	**2,297,441**	**(10,616)**	**(16,896,832)**	**8,843,600**
Shares held in treasury (Note 12)	(169,000)	(62,843)	-	-	-	-	(62,843)
Net Balance at December 31, 2011	**23,491,826**	**20,224,650**	**3,166,114**	**2,297,441**	**(10,616)**	**(16,896,832)**	**8,780,757**

The accompanying notes form an integral part of these consolidated financial statements.

Expressed in Canadian Dollars

	Year Ended December 31, 2011 $	Year Ended December 31, 2010 $
Cash flows from operating activities		
Loss for the year	**(3,408,561)**	(1,569,724)
Adjustments to reconcile loss to net cash used in operating activities:		
Foreign exchange loss	**497**	4,492
Stock based compensation	**619,337**	135,602
Loss on sale of available-for-sale investments	**115,847**	72,833
Writedown of mineral property interests	**1,648,259**	70,753
Writedown of investments for permanent impairment	**-**	147,424
Flow-through income	**(84,211)**	-
Amortization	**5,240**	-
Net change in non-cash working capital balances	**(39,635)**	(164,629)
Total cash outflows from operating activities	**(1,143,227)**	(1,303,249)
Cash flows from investing activities		
Acquisition of exploration and evaluation assets	**(3,936,517)**	(567,762)
Acquisition of property, plant and equipment	**(56,595)**	-
Purchase of reclamation bond	**-**	(32,002)
Proceeds from sale of available-for-sale investments	**105,275**	28,048
Receipt of loan proceeds	**-**	30,303
Receipt of BC mineral exploration tax credit	**44,349**	242,020
Purchase of available-for-sale investments	**(278,815)**	-
Total cash outflows from investing activities	**(4,122,303)**	(299,393)
Cash flows from financing activities		
Proceeds from common share issuance	**5,031,200**	250,000
Proceeds from flow-through share issuance	**1,000,000**	1,080,000
Repurchase of shares to be returned to treasury	**(62,843)**	-
Proceeds from the exercise of options	**-**	213,400
Payments of share issuance costs	**(286,158)**	(142,515)
Total cash inflows from financing activities	**5,682,199**	1,400,885
Total increase (decrease) in cash and cash equivalents during the year	**416,669**	(201,757)
Cash and cash equivalents at beginning of year	**367,713**	569,470
Cash and cash equivalents at end of year	**784,382**	367,713

Supplemental cash flow information (Note 22)

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Lions Gate Metals (the "Company") was incorporated under the Canada Business Corporations Act on March 28, 1980, and has continued as a company under the Business Corporations Act in the Province of British Columbia, Canada. The common shares of the Company are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "LGM", as a Tier 1 mining issuer. The Company is in the process of exploring its mineral property interests and has not yet determined whether these property interests contain reserves that are economically recoverable.

The Company has not generated revenue from operations. The Company incurred a net loss of $3,408,561 during the year ended December 31, 2011 (December 31, 2010: $1,569,724) and as of that date the Company's deficit was $16,896,832 (December 31, 2010: $13,488,271). However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the 2011 reporting period. These consolidated financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of business.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for mineral property interests and their related deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The address of the Company's corporate office and principal place of business is #880 – 609 Granville Street, Vancouver, British Columbia, Canada.

2. BASIS OF PREPARATION

a) **Statement of Compliance**

The consolidated financial statements of the Company for the year ending December 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). As these consolidated financial statements for the year ended December 31, 2011 are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 23.

The December 31, 2011 consolidated financial statements were authorized for issue by the Board of Directors on March 16, 2012.

b) **Basis of Measurement**

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Company has adopted IFRS with a date of transition of January 1, 2010. Under IFRS 1 'First-time Adoption of International Financial Reporting Standards', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted for the year ended December 31, 2011 and have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) **Basis of Consolidation**

The consolidated financial statements include the accounts of the Company, and its inactive wholly-owned subsidiary, Northern Canadian Metals Inc., which subsidiary was incorporated by the Company on December 13, 2010. All intercompany transactions are eliminated on consolidation.

b) **Foreign Currency Transactions**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

c) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

d) **Mineral Exploration and Evaluation Expenditures**

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are charged to profit and loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized, in which case they are capitalized. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors. The Company also capitalizes stock-based compensation relating to project employees located on-site. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are charged to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

e) **Reclamation Deposits**

Funds held on deposit pursuant to contractual arrangements regarding the possible future establishment of a remediation obligation are classified separately as reclamation deposits.

f) **Property, plant and equipment**

Property, plant and equipment ("PPE") is recorded at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bring an asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is provided at rates, using the declining-balance method, calculated to write off the cost of PPE, less its estimated residual value, at an annual rate of 30% for computer equipment and computer software.

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset (difference between net disposal proceeds and carrying value) is included in profit or loss when the asset is derecognized.

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

g) **Impairment of Non-Financial Assets**

The Company assesses at each date of the statement of financial position the carrying amounts of non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the greater of fair value less costs to sell and value in use. 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 for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

h) **Financial Instruments**

Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its amounts receivable and reclamation deposits as loans and receivables.

Financial assets classified as FVTPL includes financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Held for trading financial assets are measured at fair value with unrealized gains and losses recognized through earnings. The Company has designated its cash and cash equivalents as held for trading financial assets.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has classified its investments and loans receivable as available-for-sale financial assets.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

In the case of equity instruments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in profit or loss.

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities, and amounts due to related parties as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. The Company has no financial liabilities classified as FVTPL.

Classification

A summary of the Company's classification of financial instruments is as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Amounts receivable	Loans and receivables
Investments	Available-for-sale
Loans receivable	Available-for-sale
Reclamation deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

i) **Provisions**

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. The Company has not recorded any rehabilitation provisions as at December 31, 2011.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company has not recorded any other provisions as at December 31, 2011.

j) **Income Taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

k) **Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

i) Flow-through Shares

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 11.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

ii) Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

l) **Share-based Payments**

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option-Pricing model) for all share options granted to directors, employees and certain non-employees. This model employs assumptions for risk-free interest rates, dividend yields, expected lives, and volatility based on historical data adjusted for normalizing factors. For directors and employees, the fair value of the share options is measured at the date of grant.

For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or the related asset as applicable, such as exploration and evaluation assets, with the offsetting credit to contributed surplus. For directors and employees, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in contributed surplus.

m) **Revenue Recognition**

The Company recognizes interest income on an accrual basis, dividends when declared, and investment gains and losses when realized. Interest income includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses on available-for-sale investments are recorded in other comprehensive income (loss) and will be recognized in consolidated operations when realized.

Transaction costs are included in the acquisition cost of individual investments and recognized as part of the realized gains or losses when they are sold or written down. When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and current fair value is recorded in the Company's consolidated statement of operations.

n) **Comprehensive Loss**

Comprehensive loss consists of loss for the year and other comprehensive loss ("OCL"). Unrealized gains and losses on financial assets classified as available-for-sale are recorded in other comprehensive loss until the criteria for recognition in the Company's consolidated statements of operations are met.

o) **Standards, Amendments and Interpretations Not Yet Effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes

In December 2010, the IASB issued an amendment to IAS 12 that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

IFRS 7 Financial Instruments: Disclosure

In October 2010, the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for the annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected during the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

The IASB issued IFRS 11 on May 12, 2011. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and requires such entities to be accounted for using the equity methods and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

p) **Adoption of International Financial Reporting Standards**

The Company's financial statements for the year-ending December 31, 2011 are the first annual financial statements that have been prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). For reconciliations of the Company's financial statements between pre-changeover Canadian GAAP and IFRS, please see Note 23.

In preparing the Company's opening IFRS financial statements, the Company has adjusted no amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

OPTIONAL EXEMPTIONS

IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

Leases

The Company has elected to apply the requirements of IFRIC 4 to all arrangements existing at the transition date, based on the facts and circumstances at that date.

Borrowing Costs

The Company has elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

MANDATORY EXCEPTIONS

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

4. CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGMENTS

Lions Gate Metals Inc. makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

i) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized will be charged to profit or loss in the period the new information becomes available.

ii) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

The Company has recorded an amounts receivable in respect of the Mining Exploration Tax Credit ("METC"). Management believes that the costs included in determining the recoverable taxes were appropriate in the circumstances and met the definition of qualifying expenditures; however, the final outcome may result in a materially different outcome than the amount included in amounts receivable.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and liquid investments which are readily convertible into cash with maturities of three months or less when purchased. The Company's cash and cash equivalents at December 31, 2011 consisted of cash of $274,717 and cash equivalents of $509,665 (December 31, 2010: cash of $352,598 and cash equivalents of $15,115, January 1, 2010: cash of $534,259 and cash equivalents of $35,211).

Expressed in Canadian Dollars

6. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments consist of investments in quoted and unquoted equity shares. The fair value of the listed quoted equity shares has been determined directly by reference to published price quotations in an active market. Unquoted equity shares are valued based on non-market observable information. Unquoted equity shares in private companies are valued at their estimated fair value, which is equivalent to their historical cost unless a different value is considered appropriate and is supported by persuasive and objective evidence.

	December 31, 2011			December 31, 2010			January 1, 2010		
	# of shares	Original Cost $	Fair Value $	# of shares	Original Cost $	Fair Value $	# of shares	Original Cost $	Fair Value $
Quoted equity shares									
Copper One Inc.	20,000	14,584	4,000	20,000	14,584	9,400	20,000	14,584	9,300
Crescent Resources Corp.	88,000	62,368	6,600	400,000	283,489	136,000	2,169,500	401,600	455,595
Catalyst Copper Corp.	167,000	28,815	13,360	-	-	-	-	-	-
Unquoted equity shares									
Galena Capital Corp.	1,666,666	150,000	66,667	-	-	-	-	-	-
Atlantis Gold Mines Corp.*	400,000	100,000	100,000	-	-	-	-	-	-
		355,767	190,627		298,073	145,400		416,184	464,895

*Denotes private company.

7. LOAN RECEIVABLE

In November, 2008, the Company loaned $400,000 U.S. (the “Principal Sum”) to a third party borrower. As security, the borrower provided a promissory note which acknowledged itself indebted to the Company and promised to pay on or before May 15, 2009 the Principal Sum, together with interest thereon at the rate of fifteen percent per annum, payable at maturity. On May 20, 2009, the Company received $100,000 U.S. and agreed to extend the payment terms to July 15, 2009. The third party borrower did not make payment on or before July 15, 2009 and the $300,000 U.S. plus $60,000 U.S. in interest remained outstanding. The Company communicated with the third party weekly, and during the year ended December 31, 2009, recorded an impairment charge to reduce the carrying value of the loan down to $1.

During the year ended December 31, 2010, the repayment terms included in the promissory note were amended. The balance of the principal sum and accrued interest was agreed to be repaid to the Company in six equal installments of $60,000 U.S. commencing March 5, 2010, and concluding with a final payment on August 27, 2010. The Company received no repayments during the year ended December 31, 2010.

On February 24, 2011, the Company received $100,000 U.S. from the borrower and recorded this as a recovery in its consolidated statement of operations. If necessary, the Company may commence legal action to recover any balance owing in respect of the loan.

8. RECLAMATION DEPOSITS

The Company is required to provide reclamation deposits in respect of its expected rehabilitation obligations. The reclamation bonds represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in guaranteed investment certificates.

9. PROPERTY, PLANT AND EQUIPMENT

			Net book value		
	Cost	Accumulated Amortization	December 31, 2011	December 31, 2010	January 1, 2010
Computer Equipment	56,594	5,240	51,354	-	-

Expressed in Canadian Dollars

10. EXPLORATION AND EVALUATION ASSETS

Mineral Property Interests (Omineca Mining Division, Province of BC)	Balance January 1, 2011	2011 Costs Incurred	Write-Down for Valuation	Balance December 31, 2011
Acquisition Costs	$	$	$	$
Poplar mineral property - 100% interest	787,205	249,281	-	1,036,486
Kelly Creek mineral property - 100% interest	1	17,500	(17,500)	1
Hudson Bay Mountain mineral property - 100% interest	1,160,245	15,330	-	1,175,575
Copperline mineral property - 60% interest	1,630,760	-	(1,630,759)	1
ROK – Coyote mineral property - 75% interest	-	234,000	-	234,000
	3,578,211	**516,111**	**(1,648,259)**	**2,446,063**
Deferred Exploration Expenditures				
Poplar				
Airborne survey	334,129	-	-	334,129
Assays/Metallurgy	32,891	23,062	-	55,953
Camp costs	228,999	567,728	-	796,727
Consulting	416,184	284,257	-	700,441
Drilling	297,579	1,468,813	-	1,766,392
Environmental	94,545	28,304	-	122,849
Field expenditures and personnel	291,257	401,825	-	693,082
Geophysical/I.P. magnetic survey	99,435	350,396	-	449,831
Maps and reports	813	2,258	-	3,071
Miscellaneous	58,113	7,645	-	65,758
Telecommunications	5,460	6,266	-	11,726
Community Relations/Traditional use study	-	67,295	-	67,295
Travel and accommodation	70,382	18,250	-	88,632
Mining exploration tax credits claimed	(286,369)	(415,965)	-	(702,334)
	1,643,418	2,810,134	-	4,453,552
Hudson Bay Mountain				
Consulting	10,000	31,816	-	41,816
Camp costs	-	25,862	-	25,862
Field expenditures and personnel	-	62,532	-	62,532
Geological	-	27,302	-	27,302
Miscellaneous	-	3,479	-	3,479
Mining exploration tax credits claimed	-	(27,645)	-	(27,645)
ROK – Coyote				
Consulting & Community Relations	-	61,248	-	61,248
Camp costs	-	15,667	-	15,667
Field expenditures and personnel	-	95,188	-	95,188
Geophysical	-	39,107	-	39,107
Mining exploration tax credits claimed	-	(17,921)	-	(17,921)
	1,653,418	3,126,769	-	4,780,187
Total	**5,231,629**	**3,642,880**	**(1,648,259)**	**7,226,250**

Expressed in Canadian Dollars

Mineral Property Interests (Omineca Mining Division, Province of BC)	Balance January 1, 2010	2010 Costs Incurred	Write-Down for Valuation	Balance December 31, 2010
Acquisition Costs	$	$	$	$
Poplar mineral property - 100% interest	661,214	125,991	-	787,205
Kelly Creek mineral property - 100% interest	1	16,000	(16,000)	1
Hudson Bay Mountain mineral property - 100% interest	125,000	1,086,959	(51,714)	1,160,245
Copperline mineral property - 60% interest	-	1,630,760	-	1,630,760
Total	**786,215**	**2,859,710**	**(67,714)**	**3,578,211**
Deferred Exploration Expenditures				
Poplar				
Airborne survey	322,406	11,723	-	334,129
Assays	29,301	3,590	-	32,891
Camp costs	191,826	37,173	-	228,999
Consulting	307,322	108,862	-	416,184
Drilling	297,579	-	-	297,579
Environmental	85,232	9,313	-	94,545
Field expenditures and personnel	291,057	200	-	291,257
Geophysical/I.P. magnetic survey	95,335	4,100	-	99,435
Line cutting	34,201	-	-	34,201
Maps and reports	423	390	-	813
Miscellaneous	20,626	3,286	-	23,912
Telecommunications	2,103	3,357	-	5,460
Travel and accommodation	65,138	5,244	-	70,382
Mining exploration tax credits claimed	(242,020)	(44,349)	-	(286,369)
	1,500,529	142,889	-	1,643,418
Hudson Bay Mountain				
Consulting	-	12,094	(2,094)	10,000
Field expenditures and personnel	-	945	(945)	-
	1,500,529	155,928	(3,039)	1,653,418
Total	**2,286,744**	**3,015,638**	**(70,753)**	**5,231,629**

The impairment assessment of exploration and evaluation assets resulted in write-downs of the Company's exploration and evaluation assets of $1,648,259 for the year ended December 31, 2011 (December 31, 2010 - $70,753).

Title to mineral property interests involve 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 characteristics of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of them are in good standing.

All of the mineral property costs and deferred exploration expenditures incurred with respect to the Poplar, Hudson Bay Mountain and ROK-Coyote mineral property interests will continue to be capitalized in accordance with the Company's basis of accounting. It is management's full intention to keep all of its mineral property interests in good standing.

Expressed in Canadian Dollars

Poplar

By an agreement dated April 20, 2004, the Company was granted an option to acquire a 50% interest in certain mineral claims, known as the Poplar mineral property interest (“Poplar 1”), situated in the Omineca Mining Division of B.C. On July 30, 2007, the Company finalized terms with Hathor Exploration Limited (“Hathor”) within the Amended and Restated Property Option Agreement to grant the Company an option to acquire the remaining 50% interest in the Poplar mineral property interest. The Company has met all required cash payments and share issuances related to the acquisition of Poplar 1. The Company’s sole remaining obligation on Poplar 1 is the commitment to annual payments of $75,000 for the duration of the agreement. The agreement includes an underlying 2% net smelter return royalty (“NSR”) on the property to benefit a previous owner.

In December 2010, Standard Exploration Ltd. (“Standard”) obtained the rights to the Amended and Restated Property Option Agreement from Hathor. On December 6, 2011, the Company entered into a Settlement and Termination Agreement with Standard to settle the $75,000 payment commitment. Terms of the agreement include a payment of $200,000 on signing (paid), and a further payment of $150,000 on the earliest of December 6, 2012 or upon completion of a financing in which the Company receives cash proceeds of at least $3,000,000.

On April 29, 2009 the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest in mineral claims south of Poplar Lake (“Poplar 2”) in exchange for the issuance of 100,000 common shares in tranches over a period of four years. Should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $1,000,000 in the form of a 1% NSR or a one-time only buy-out by the Company of $1,000,000 less any NSR amounts previously paid. To date, the Company has issued 60,000 common shares, with a further 40,000 common shares remaining to be issued.

On May 25, 2009 the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest on additional mineral claims south of Poplar Lake (“Poplar 3”) in exchange for the issuance of 30,000 common shares in tranches over a period of four years. Should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $100,000 in the form of a 1% NSR or a one-time only buy-out by the Company of $100,000 less any NSR amounts previously paid. To date, the Company has issued 15,000 common shares, with a further 15,000 common shares remaining to be issued.

The acquisition cost schedule to date is as follows:

Year	Cash Payment $	Shares #	Shares $	Property	Tenure, Minister of Finance & Other Fees	Charged to Income	Balance $
2004	37,777	50,000	17,500	Poplar 1	5,923	-	76,200
2005	30,000	464,286	163,500	Poplar 1	6,654	(200,923)	75,431
2006	115,000	100,000	24,000	Poplar 1	-	(24,000)	190,431
2007	115,000	190,000	102,600	Poplar 1	4,077	-	412,108
2008	75,000	-	-	Poplar 1	14,871	-	501,979
2009	75,000	-	-	Poplar 1	-	-	576,979
2009	-	10,000	9,500	Poplar 2	-	-	586,479
2009	-	2,500	2,000	Poplar 3	-	-	588,479
2009	-	-	-	Poplar 1-3	72,735	-	661,214
2010	75,000	-	-	Poplar 1	-	-	736,214
2010	-	20,000	11,200	Poplar 2	-	-	747,414
2010	-	5,000	2,800	Poplar 3	-	-	750,214
2010	-	-	-	Poplar 1-3	36,991	-	787,205
2011	-	30,000	24,000	Poplar 2	-	-	811,205
2011	-	7,500	5,625	Poplar 3	-	-	816,830
2011	200,000	-	-	Poplar 1	19,656	-	1,036,486

Expressed in Canadian Dollars

The future cost and expenditure commitments on Poplar for the next five years are comprised of:

Date	Cash Payment $	Number of Shares	Property
December 6, 2012	150,000	-	Poplar 1
April 29, 2012	-	40,000	Poplar 2
May 25, 2012	-	15,000	Poplar 3

During the year ended December 31, 2005, the Company paid $11,000 for a reclamation bond pursuant to regulatory requirements against reclamation obligations relating to exploration work on the Poplar mineral property interest. To date, the Company has purchased an additional $33,108, increasing the investment in reclamation bonds to a total of $44,108.

During the year ended December 31, 2008, the Company staked 44,963 additional hectares in the area adjacent to the Poplar mineral property. These mineral claim holdings are 100% owned by the Company and all mineral claims are current and in good standing.

On August 20, 2009 the Company announced that The Office of the Wet'suwet'en (the "OW"), representing the interests of five Clans and thirteen Houses, and the senior executive of the Company have concluded a Memorandum of Understanding ("MoU"). The MoU recognized that both parties to the MoU are committed to a respectful, consultative relationship with regards to the Company's mineral exploration activities on Wet'suwet'en territories. The MOU was renewed and formalized in a Communications and Engagement Agreement on December 15, 2010 and is expected to continue over the foreseeable future as the Company and the OW work towards a continued transparent and mutually respectful ongoing relationship. On signing the MoU, the Company paid the Office of the Wet'suwet'en $10,000 and is obligated to make annual payments of $10,000 until such time as the MoU is terminated by either party.

The Company's 2010 spring exploration program on its Poplar property was abandoned due to unresolved internal issues of political representation and jurisdiction between the Wet'suwet'en Heredity Chiefs and a particular House group with the Wet'suwet'en Nation.

As part of efforts to consult and accommodate, further discussion with the Unis'tot'en have occurred, and the Company subsequently paid $10,000 to the Unis'tot'en as a capacity payment and has funded a $39,608 traditional use study of the Poplar area of geographical interest.

The Company continues to pursue meaningful engagement with First Nations interests identified by the Province of BC and seeks a respectful relationship to ensure that the mutual interests of those First Nations and the Company are respected.

Kelly Creek

By an agreement dated July 26, 2004, the Company was granted an option to acquire an undivided 100% interest in what are now six mineral claims, known as the Kelly Creek mineral property interest, situated in the Omineca Mining Division, Province of B.C. Terms of the agreement were the payment of $20,000 and the issuance of 80,000 common shares of the Company to be issued in various stages, with the final 40,000 common shares being issued in July, 2007. The optionor retains a 2% NSR, in respect of these mineral claims, with the Company being granted the right to purchase 1% of this royalty for consideration of $1,000,000.

The Kelly Creek mineral property interest is 100% owned by the Company and all related mineral claims are current and in good standing. Management has elected at this time to concentrate efforts on other properties and interests. As there is no known market for this interest, the recoverable value based upon fair value less costs to sell is considered to be nominal. As such, this interest is carried at a nominal value.

Expressed in Canadian Dollars

Hudson Bay Mountain

In May 2005, the Company acquired a 100% interest in certain mineral claims known as the Hudson Bay Mountain mineral property interest located near Smithers, British Columbia. The initial acquisition agreement required the issuance of 460,000 common shares (valued at $690,000) and the making of six annual payments of $25,000 beginning upon acquisition.

On July 29, 2010, the Company announced that it had entered into an agreement to acquire additional claims, known as the Mason claims, surrounding its existing mineral property interest on Hudson Bay Mountain. The addition of these claims increases the Company's claims on Hudson Bay Mountain to 82 tenures totaling over 26,000 hectares. Pursuant to a sale and purchase agreement entered into between the Company and the vendor of the Mason claims, the Company acquired a 100% interest in the property interest by (i) issuing to the vendor 1,300,000 common shares of the Company (valued at $780,000); (ii) paying a total of $250,000 cash ($150,000 at the closing of the acquisition and $100,000 on September 13, 2010); and (iii) granting the vendor a 2% net smelter returns royalty on the Mason claims. As part of this second agreement, the vendor agreed to waive the final $25,000 payment obligation from the initial agreement. The vendor will retain a 2% NSR in respect of the initial claims.

The acquisition cost schedule is as follows:

Date	Cash Payment $	Share Issuance $	Tenure, Minister of Finance & Other Fees	Charge to Operations $	Balance $
May 11, 2005	-	690,000	-	(690,000)	-
May 13, 2005	25,000 (paid)	-	-	-	25,000
April 26, 2006	25,000 (paid)	-	-	-	50,000
April 26, 2007	25,000 (paid)	-	-	-	75,000
April 26, 2008	25,000 (paid)	-	-	-	100,000
April 26, 2009	25,000 (paid)	-	-	-	125,000
April 26, 2010	Waived (see July 29 agreement)		-	-	125,000
July 29, 2010	-	780,000	-	-	905,000
July 29, 2010	150,000 (paid)	-	-	-	1,055,000
September 13, 2010	100,000 (paid)	-	-	-	1,155,000
December 31, 2010	5,245 (paid)	-	-	-	1,160,245
December 31, 2011	-	-	15,330	-	1,175,575

The Hudson Bay Mountain mineral property interest is 100% owned by the Company and all mineral claims are current and in good standing.

Copperline

On July 17, 2010 the Company entered into an agreement to acquire a 60% interest in the Copperline mineral property interest in British Columbia. The Copperline property surrounds Skutsil Knob at the south end of the Driftwood Range, 25 km northwest of Takla Lake, and about 120 km northeast of Smithers, B.C. Pursuant to the sale and purchase agreement, the Company has acquired a 60% undivided beneficial and recorded interest in the Copperline mineral property interest in consideration for the issuance to the vendor of a total of 2,700,000 common shares (issued) in the share capital of the Company (the shares were valued at $1,620,000). The Company has also incurred an additional $10,760 in tenure fees to ensure that all mineral claims are current and remain in good standing.

The remaining 40% interest in the mineral property interest is held by Max Minerals Ltd. (TSXV: MJM) and following the acquisition of the 60% interest, the Company has assumed the vendors' rights and obligations provided for in this agreement.

Expressed in Canadian Dollars

A portion of the claims comprising the Copperline property interest is subject to a 1.5% net smelter returns royalty held by Cominco Ltd.

Kleinebar Resources Ltd. ("Kleinebar") also holds a 0.5% net smelter returns royalty on the part of the property interest subject to the Cominco royalty, and a 1.25% net smelter returns royalty on the balance of the property interest. The Kleinebar royalty can be purchased at any time for $500,000.

Management has elected at this time to concentrate efforts on other properties and interests. As there is no known market for this interest, the recoverable value based upon fair value less costs to sell is considered to be nominal. As such, this interest is carried at a nominal value.

The acquisition cost schedule is as follows:

Date	Cash Payment $	Share Issuance $	Tenure, Minister of Finance & Other Fees	Charge to Operations $	Balance $
July 17, 2010	-	1,620,000	10,760	-	1,630,760
December 31, 2011	-	-	-	(1,630,759)	1

ROK-Coyote

On October 29, 2010, the Company entered into a Letter of Agreement ("LA") with Firesteel Resources Inc. ("Firesteel") for an option to acquire a 75% interest in the ROK-Coyote mineral property interest (the "Property"). The Property is situated in the Stikine Arch region of north-western B.C. and is comprised of 19 contiguous claims covering 6,891 hectares.

On January 5, 2011, the Company formalized the LA by entering into an official Property Option Agreement with Firesteel. Pursuant to the terms of the Property Option Agreement, the Company is to be granted an option (the "Option") to acquire a seventy-five percent (75%) interest in the Property in consideration for the issuance of an aggregate of $496,000 in cash, an aggregate exploration expenditures commitment of $2,329,000 and the issuance of 650,000 common shares over a period of four years (the "Option Period"). During the Option Period, the Company will be the operator on the Property.

A $22,000 cash finder's fee was paid upon TSXV acceptance of the formal Property Option Agreement.

The acquisition cost schedule to date is as follows:

Date	Cash Payment $	Number of Shares	Balance $
October 29, 2010	50,000 (paid)	-	50,000
December 1, 2010	22,000 (paid)	-	72,000
January 5, 2011	121,000 (paid)	50,000 (issued - $41,000)	234,000

The future cost and expenditure commitments are comprised of:

Date	Cash Payment $	Number of Shares	Expenditure Commitments $
January 5, 2012	50,000 (paid)	50,000 (issued)	179,000 (met)
January 5, 2013	75,000	100,000	450,000
January 5, 2014	100,000	200,000	700,000
January 5, 2015	100,000	250,000	1,000,000
Total	325,000	600,000	2,329,000

Expressed in Canadian Dollars

Any common shares issued pursuant to the Option shall be subject to a pooling arrangement providing for the release of 25% of such shares on acceptance and 25% every three months thereafter. The Company shall also have a first right to repurchase or arrange for the purchase of any of its shares to be issued to Firesteel.

Firesteel retains the right to acquire a five percent (5%) interest in the Property for $200,000 three years after the Option is accepted for filing by the TSXV and prior to a production decision being made by the Company concerning the Property. In the event Firesteel elects to exercise this right, the Company's rights pursuant to the Option would be reduced to a 70% interest in the Property.

Firesteel will also be granted a 2% net smelter return royalty ("Royalty") on the Property, subject to the Company's right to purchase ½ of such royalty (1%) for $1,000,000 at any time within 240 days of commencement of commercial production. The Property consists of two blocks earned or under option by Firesteel from previous claim holders, each with 2% royalty obligations; one block in an area of common interest with a 0.5% royalty obligation; and a fourth block with no previous royalty obligation.

11. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

Flow-through Shares

	Issued on June 18, 2010 $	Issued on March 10, 2011 $	Total $
Balance at January 1, 2010	**-**	**-**	**-**
Liability incurred on flow-through shares issued	-	-	-
Settlement of flow-through share liability on incurring expenditures	-	-	-
Balance at December 31, 2010	**-**	**-**	**-**
Liability incurred on flow-through shares issued	-	84,211	84,211
Renunciation of exploration expenditures	-	(84,211)	(84,211)
Part XII.6 tax	-	381	381
Balance at December 31, 2011	**-**	**381**	**381**

To date, the Company's obligations through its flow-through share program are as follows:

	$
Balance at January 1, 2010	**-**
Proceeds from June 18, 2010 issuance	1,080,000
Qualifying expenditures	(92,238)
Balance at December 31, 2010	**987,762**
Proceeds from March 10, 2011 issuance	1,000,000
Qualifying expenditures	(1,987,762)
Balance at December 31, 2011	**-**

As the Company no longer possessed any flow-through share commitments, the requisite amount of qualifying expenditures were renounced to satisfy the flow-through obligation in Q4 2011. Part XII.6 tax on flow-through proceeds renounced has been accrued accordingly.

Expressed in Canadian Dollars

12. SHARE CAPITAL AND RESERVES

a) **Common Shares**

i) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company.

ii) Issued and paid

On November 1st, 2011, the Company commenced a Normal Course Issuer Bid ("NCIB") to acquire up to 600,000 of its common shares, over a one year period. The NCIB will continue until the earlier of November 1, 2012, and the date by which Lions Gate has either acquired 600,000 common shares or has paid $150,000 in total consideration for the purchase of common shares under the bid. Purchases are to be made through the facilities of the TSX Venture Exchange in accordance with TSX-V requirements. The price at which the company will purchase its common shares will be the market price of the common shares at the time of acquisition. All common shares purchased by Lions Gate under the bid will be returned to treasury for cancellation.

As of December 31, 2011, a total of 169,000 common shares were acquired pending cancellation under the NCIB at a cost of $62,843. The Company has presented share capital on a net basis.

On March 10, 2011, the Company completed a two-tranche brokered private placement, consisting of the issue and sale of 1,052,632 flow-through shares at a price of $0.95 per flow-through share and 6,289,000 common share units at a price of $0.80 per unit, for aggregate gross proceeds of $6,031,200. Each common share unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $1.20 per share for a period of two years after the closing of the offering. The Company paid commission of $230,228 and issued 275,318 broker compensation warrants exercisable at $0.82 per share expiring September 4, 2012 valued at $117,623. The flow-through liability was calculated using the residual method.

On June 18, 2010, the Company completed a brokered private placement, consisting of the issue and sale of 1,200,000 flow-through units at a price of $0.90 per flow-through unit and 312,500 common share units at a price of $0.80 per unit, for aggregate gross proceeds of $1,830,000. Each flow-through unit consisted of one flow-through common share and one-half of one transferable share purchase warrant, with each whole warrant entitling the holder to acquire one non-flow-through common share of the Company for $1.00 at any time within two years after the date the FT Units are issued. As the market value was equal to the price of the flow-through units, no liability was incurred on issuance of the flow-through shares.

As at March 2011, the Company had fulfilled its expenditure commitment to incur exploration expenditures in relation to flow-through share financing in 2010.

b) **Contributed Surplus**

The following is a summary of changes in contributed surplus from January 1, 2011 to December 31, 2011:

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Opening Balance	1,630,073	1,617,893	1,460,506
Share-Based Payments (Note 13)	667,368	12,180	157,387
Contributed Surplus	**2,297,441**	**1,630,073**	**$1,617,893**

Expressed in Canadian Dollars

c) **Share Purchase Warrants**

The following is a summary of changes in warrants from January 1, 2011 to December 31, 2011:

	Number of Warrants	Amount $
Balance January 1, 2010	**5,593,702**	**1,687,299**
	756,249	215,400
Balance December 31, 2010	**6,349,951**	**1,902,699**
Issue of warrants	3,419,818	1,263,415
Balance as at December 31, 2011	**9,769,769**	**3,166,114**

As at December 31, 2011, the Company had outstanding warrants as follows:

Number of warrants	Exercise price $	Expiry
4,393,702	0.72	06/25/2012
1,200,000	0.72	05/23/2013
599,999	1.00	06/30/2012
156,250	1.00	07/13/2015
2,207,000	1.20	03/04/2013
937,500	1.20	03/10/2013
275,318	0.82	09/04/2012

d) **Nature and Purpose of Equity Reserves**

The reserves recorded in equity on the Company's consolidated statement of financial position include 'Contributed Surplus', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants net of amounts transferred on exercising of options.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments net of amounts realized and recorded in current operations.

'Accumulated Deficit' is used to record the Company's cumulative results of operations from inception net of any capital distributions.

Expressed in Canadian Dollars

13. SHARE-BASED PAYMENTS

a) **Option Plan Details**

The Company has a Rolling Incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. A maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at a price not less than the closing market price of the shares on the date the Company grants and announces the option, less any discount permitted by the TSXV, at terms of up to ten years. The majority of stock options vest immediately on the date of grant unless otherwise required by the TSXV or the Board of Directors.

Other terms and conditions are as follows: no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 10% of the Company's issued shares, and (iii) the issuance to any one option holder, within a 12 month period, of a number of shares exceeding 5% of the Company's shares. Stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

The following is a summary of changes in options from January 1, 2011 to December 31, 2011:

				During the Year					
Grant Date	Expiry Date	Exercise Price ($)	Opening Balance	Granted	Exercised	Cancelled	Closing Balance	Vested and Exercisable	Unvested
06/27/2006	06/26/2011	1.10	111,000	-	-	(111,000)	-	-	-
09/16/2006	09/15/2011	1.10	39,000	-	-	(39,000)	-	-	-
06/23/2008	06/22/2013	1.12	350,000	-	-	(125,000)	225,000	225,000	-
07/23/2008	07/22/2013	1.40	10,000	-	-	-	10,000	10,000	-
04/01/2009	03/31/2014	0.72	125,000	-	-	(50,000)	75,000	75,000	-
09/18/2009	09/17/2014	1.07	75,000	-	-	(50,000)	25,000	25,000	-
01/16/2010	01/15/2015	1.10	150,000	-	-	-	150,000	150,000	-
01/01/2011	12/31/2015	0.80	-	125,000		(125,000)	-	-	-
01/04/2011	01/03/2016	0.80	-	804,000	-	(10,000)	794,000	794,000	-
04/12/2011	04/11/2016	0.90	-	135,000	-	(10,000)	125,000	125,000	-
04/28/2011	04/27/2016	0.80	-	150,000	-	-	150,000	50,000	100,000
04/28/2011	04/27/2016	0.80	-	100,000	-	-	100,000	100,000	-
06/08/2011	06/07/2016	0.80	-	100,000	-	-	100,000	50,000	50,000
07/06/2011	07/05/2016	0.80	-	100,000	-	-	100,000	100,000	-
			860,000	1,514,000	-	(520,000)	1,854,000	1,704,000	150,000
Weighted Average Exercise Price			$ 1.05	$ 0.87	$ -	$ 0.98	$ 0.92	$ 0.93	$ 0.80

Expressed in Canadian Dollars

b) **Fair Value of Options Issued During the Period**

The weighted average fair value at grant date of options granted during the year ended December 31, 2011 was $0.47 per option (December 31, 2010: $0.56).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model. In the current year, the fair value of the goods or services received from all options granted to non-employees could not be measured reliably, as non-employees also required their standard cash payments for their services, given the uncertainty in the current market environment.

The model inputs for options granted during the year ended December 31, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
01/01/2011	12/31/2015	$0.80	$0.80	1.640%	3 years	95.52%	0%
01/04/2011	01/03/2016	$0.80	$0.80	1.640%	3 years	95.22%	0%
04/12/2011	04/11/2016	$0.85	$0.90	1.740%	3 years	93.59%	0%
04/28/2011	04/27/2016	$0.80	$0.80	1.700%	3 years	89.87%	0%
06/08/2011	06/07/2016	$0.70	$0.80	1.640%	3 years	83.81%	0%
07/06/2011	07/05/2012	$0.51	$0.80	1.820%	3 years	104.11%	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

No options were exercised during the year ended December 31, 2011. The weighted average share price at the date of exercise of options during the year-ended December 31, 2010 was $1.08.

c) **Benefit Expense Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions recognized as part of employee benefit expense during the year ended December 31, 2011 were $619,337 (December 31, 2010: $135,602).

d) **Amounts Capitalized Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions that were capitalized during the year ended December 31, 2011 as part of exploration and evaluation activities were $48,031 (year ended December 31, 2010: $Nil). These expenses were capitalized to the Poplar consulting account.

e) **Weighted Average Remaining Life**

The weighted average remaining life of the outstanding options at December 31, 2011 is 3.63 years (December 31, 2010: 2.53 years, January 1, 2010: 3.11 years).

Expressed in Canadian Dollars

14. INCOME TAXES

The Company's deferred tax income for the year ended December 31, 2011, is $nil (2010: $nil). A reconciliation of the statutory tax rate to the effective rate for the Company is as follows:

	2011 $	2010 $
Net income	(3,408,561)	(1,569,724)
Statutory tax rate	26.50%	28.50%
Income taxes at statutory rates	(903,269)	(447,371)
Non-temporary differences	201,213	335,882
Effect of tax rate reduction on future taxes and other	23,441	-
Expiry of non-capital losses	48,793	-
Changes in estimate and others	462,214	(80,722)
Change in unrecognized deferred tax assets	167,608	192,211
	-	-

Significant components of the Company's deferred tax assets, after applying substantively enacted corporate income tax rates, are as follows:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Deferred income tax assets			
Non-capital losses carried forward	1,101,758	830,125	572,957
Net capital losses	36,670	30,529	1,759
Unused cumulative mineral costs	254,570	365,920	361,343
Investments	20,642	103,776	94,590
Share issuance costs	78,923	30,073	3,714
Equipment and leaseholds	1,184	-	-
	1,493,747	1,360,423	1,034,363
Unrecognized deferred tax assets	(1,493,747)	(1,360,243)	(1,034,363)
Deferred tax asset – net	-	-	-

Expressed in Canadian Dollars

As at December 31, 2011, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that the related tax benefit will be realized.

As of December 31, 2011, the Company has estimated Canadian loss carryforwards of $4,407,032 (2010: $3,515,671).

Year	$
2014	358,760
2015	400,131
2026	321,117
2027	270,345
2028	746,305
2030	1,223,842
2031	1,086,532
	4,407,032

Tax benefits which may arise as a result of these losses have been recognized in these financial statements to the extent necessary to reduce future income tax liabilities arising on unrealized capital gains on marketable securities.

Expressed in Canadian Dollars

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Company entered into related-party transactions with the following individuals:

Arni Johannson	CEO & Chairman
Michael Sweatman	CFO
Blair McIntyre	President
Andrew Gourlay	VP of Exploration
Paul Sarjeant	Consultant (officially appointed President & CEO in 2012)

In addition, the Company entered into related-party transactions with the following corporations:

Canadian Nexus Ventures Ltd. ("CNV")	Corporation controlled by CEO
MDS Management Ltd. ("MDS")	CFO exercises significant influence over corporation
Galena Capital Corp. ("Galena")	Corporation with common directors and officers
Doublewood Consulting Inc. ("Doublewood")	Corporation controlled by above-noted Consultant

All related party transactions were within the normal course of business and have been recorded at amounts agreed to by the transacting parties. All related party payables are unsecured. The following is a summary of the Company's related party transactions during the year that are not disclosed elsewhere in these consolidated financial statements:

a) **Consulting Fees**

For the year ended December 31, 2011, the Company paid or accrued consulting fees totaling $216,644 plus HST (year ended December 31, 2010: $524,719) to directors, officers, and companies subject to their influence. The consulting fees consisted of $116,813 to the VP of Exploration, $46,000 to the President, $9,100 to Doublewood, $15,000 to the CEO, and $29,731 to MDS. Consulting fees incurred related to the Company's mineral properties are capitalized.

As at December 31, 2011, $15,610 (December 31, 2010: $7,560, January 1, 2010: $143,548) of these amounts are disclosed on the Company's consolidated statement of financial position as due to related parties.

b) **Administrative Expenses**

The Company paid or accrued administrative expenses totaling $183,837 (December 31, 2010: $76,956) which are disclosed as office, rent and telephone, accounting and audit, and advertising and promotion in the Company's consolidated statement of comprehensive loss/income, to related companies. These costs were reimbursements for various administrative and overhead expenses which consisted of the following: $50,200 for office rent, $32,452 for accounting and audit, $32,190 related to shared office consultants, $27,158 related to telephone, website and copier expenses, $8,902 for parking and meals & entertainment expenses and the balance of $32,935 related to other general office and expenses. $177,450 of the administrative expenses were reimbursed to CNV, while the remaining $6,387 were reimbursed to MDS.

Expressed in Canadian Dollars

c) **Key Management Compensation**

Key management personnel compensation comprised:

	Year ended December 31 2011 $	2010 $
Short term employee benefits and director fees	441,062	549,969
Share-based payments	406,731	126,561
	847,793	**676,530**

As at December 31, 2011, $5,750 (December 31, 2010: $nil, January 1, 2010: $nil) of director fees are disclosed on the Company's consolidated statement of financial position as due to related parties.

d) **Substantial Shareholder**

John Icke, a director of the Company, is also the President and CEO of Resinco Capital Partners ("Resinco"). Resinco is a greater than 10% shareholder of the Company. For the year ended December 31, 2011, Resinco was reimbursed $19,607 for joint expenses incurred in relation to the Company's marketing and promotional activities (December 31, 2010: $5,201).

As at December 31, 2011, $7,645 (December 31, 2010: $nil, January 1, 2010: $nil) of expenses owed to Resinco are disclosed on the Company's consolidated statement of financial position as due to related parties.

e) **Investment**

On November 21, 2011, the Company invested $150,000 in exchange for 1,666,666 units of Galena Capital Corp., a company with common Directors and Officers. Each unit consisted of one common share of Galena and one-half of one share purchase warrant, each whole warrant entitling the Company to purchase an additional common share for a period of two years, at a price of $0.20 per share.

16. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has the following reportable operating segments, being that of acquisition and exploration and evaluation activities for the following properties:

	Poplar Property $	Hudson Bay Property $	Rok - Coyote Property $	Copperline Property $	Kelly Creek Property $	Total $
Balance at January 1, 2010	**2,161,743**	**125,000**	**-**	**-**	**1**	**2,286,744**
Exploration costs, net	142,888	12,289	-	-	16,750	171,927
Acquisitions	125,992	1,035,245	-	1,630,760	-	2,791,997
Write-offs	-	(2,289)	-	-	(16,750)	(19,039)
Balance at December 31, 2010	**2,430,623**	**1,170,245**	**-**	**1,630,760**	**1**	**5,231,629**
Exploration costs, net	2,810,134	123,346	193,289	-	-	3,126,769
Acquisitions	249,281	15,330	234,000	-	17,500	516,111
Write-offs	-	-	-	(1,630,759)	(17,500)	(1,648,259)
Balance at December 31, 2011	**5,490,038**	**1,308,921**	**427,289**	**1**	**1**	**7,226,250**

Expressed in Canadian Dollars

As at December 31, 2011, accounts payable and accrued liabilities of $211,356 (December 31, 2010 - $12,243, January 1, 2010 - $31,602) are owed on the Poplar property, while $nil (December 31, 2010 - $nil, January 1, 2010 - $nil) are owed on the Hudson Bay Property, the Copperline Property, and all other segments. All expenses related to the projects are capitalized, as detailed above.

17. LOSS PER SHARE

Weighted Average Number of Common Shares:	**2011**	**2010**
Basic	22,365,905	13,081,017
Dilutive Effect of Stock Options and Warrants	-	-
Diluted	22,365,905	13,081,017

Loss per share:	**2011**	**2010**
Comprehensive loss for year	$ (3,421,028)	$ (1,636,044)
Basic and Diluted Weighted Average Number of Common Shares	22,365,905	13,081,017
Loss Per Share	**$ (0.15)**	**$ (0.13)**

18. EVENTS AFTER THE REPORTING DATE

Appointment of CEO and President

On January 6, 2012, Paul Sarjeant, P. Geo., joined the Company in the role of CEO and President. The Company entered into a Consulting Agreement with Mr. Sarjeant's wholly-owned Company, Doublewood Consulting Inc ("Doublewood"). The Company has granted to Doublewood an incentive stock option representing the right to purchase up to 150,000 common shares of the Company, exercisable in whole or in part on or before January 5, 2017 at a price of $0.80 per share.

Arni Johansson resigned as CEO and will continue in the role of Executive Chairman. Blair McIntyre has resigned as President and will assume the role of Vice President Operations.

Private Placement

On January 31, 2012, the Company announced a non-brokered private placement of up to 1,000,000 flow through units at a price of $0.46 per flow-through unit and 1,000,000 non flow-through units of the Company at a price of $0.40 per non flow-through unit for aggregate gross proceeds of $860,000.

Each flow-through unit will consist of one flow-through common share which qualifies as a "flow-through share" for tax purposes of the Income Tax Act (Canada) and one half of one common share purchase warrant, with each whole warrant exercisable into a non-flow through common share for a period of 18 months at an exercise price $0.80.

Each non flow-through unit will consist of one common share and one half of one common share purchase warrant, with each whole warrant exercisable into a non-flow through common share for a period of 18 months at an exercise price $0.80.

The warrants will contain a provision that if the Company's common shares trade at a price in excess of $1.00 for a period of 10 consecutive days the Company may issue a notice accelerating the expiry date of the warrants to a date that is 30 days from the date of the notice.

Appointment of Investor Relations Firm

On January 31, 2012, the Company announced that it has retained the services of Cutler McCarthy Inc. ("Cutler McCarthy") to strengthen its investor relations and communications to shareholders and investors.

Cutler McCarthy will receive a fee of CDN$5,000 per month for a period of 12 months. The Company will also grant an option to Cutler McCarthy to purchase 150,000 common shares of the Company over a five year period, at an exercise price of $0.80 per share, subject to regulatory approval. The options will vest in stages over the 12 month period of the contract.

Expressed in Canadian Dollars

In addition, the Company has changed the terms of the contract signed with Advanture Capital Inc. ("Advanture"). Advanture had been retained by the Company to provide investor relations services, and will continue to provide a reduced level of service on an as-needed basis.

Settlement and Termination Agreement

On February 29, 2012, the Company made their final payment in the amount of $150,000 as total and complete settlement of their obligation pursuant to the terms and conditions of the Settlement and Termination Agreement entered into on December 6, 2011 (Note 9).

19. FINANCIAL INSTRUMENTS

International Financial Reporting Standard 7, Financial Instruments Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Presented below is a fair value hierarchy that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments.

		December 31, 2011		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash and cash equivalents	784,382	784,382	-	-
Equity shares	190,627	23,960	66,667	100,000
Loan receivable	1	1	-	-

		December 31, 2010		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash and cash equivalents	367,713	367,713	-	-
Equity shares	145,400	145,400	-	-
Loan receivable	1	1	-	-

		January 1, 2010		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash and cash equivalents	569,470	569,470	-	-
Equity shares	464,895	464,895	-	-
Loan receivable	1	1	-	-

Expressed in Canadian Dollars

The Company's financial instruments include: cash and cash equivalents, amounts receivable, available-for-sale investments, loans receivable, reclamation deposits, accounts payable and accrued liabilities and due to related parties. The carrying value of cash and cash equivalents, amounts receivable, reclamation deposits, accounts payable and accrued liabilities and due to related parties approximates their fair values.

Categories of Financial Instruments

	Category	December 31, 2011 $	December 31, 2010 $	January 1, 2010
Cash and cash equivalents	Loans and receivables	784,382	367,713	569,470
Amounts receivable	Loans and receivables	681,421	121,800	357,663
Investments	Available-for-sale	190,627	145,400	464,895
Loans receivable	Available-for-sale	1	1	29,926
Reclamation deposits	Loans and receivables	44,108	44,002	12,000
Accounts payable and accrued liabilities	Other financial liabilities	251,933	198,393	113,954
Due to related parties	Other financial liabilities	29,005	7,560	143,548

Risks Arising from Financial Instruments

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

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company seeks to limit its exposure to this risk by holding its cash and cash equivalents in large Canadian financial institutions and investing the funds in either short-term GICs or savings accounts. In addition, credit risk on receivables is considered low, as all current receivables are due from the federal tax authority. Management believes the risk of loss is remote.

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 has implemented a budgeting process which is reviewed regularly to help determine the funding requirements of the Company's exploration and overhead requirements. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for the foreseeable future. The Company believes that the current cash reserves will be sufficient to meet its obligations as they become due.

Market Risk

(a) Fair value risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on global financial markets. Furthermore, as the Company's marketable securities are also in mining companies, market values will fluctuate as commodity prices change. Based upon the modest size of the Company's portfolio, management does not perceive market risk to be significant.

(b) Foreign exchange risk

The selling prices of commodities from the Company's mineral properties are expected to be denominated in US dollars. Changes in the exchange rate could therefore impact the Company and the valuation of long-term assets to the extent that valuation is affected by rate changes. As the Company's projects are all in the exploration stage, management does not believe this to be a significant risk.

(c) 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 significant loss as a result of a decline in the fair market value of cash equivalents is limited due to the relatively short maturity of the investments.

20. COMMITMENTS

The following table reflects the Company's known aggregate financial commitments as at December 31, 2011:

	< Year 1	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Total
Exploration & Evaluation Assets	$389,000	$535,000	$810,000	$1,110,000	$10,000	$2,854,000

The Company is required to make a $150,000 payment in 2012 to Standard Exploration Ltd. to satisfy the Poplar property Settlement and Termination Agreement. In addition, as part of the terms of the Memorandum of Understanding ("MoU") that the Company holds with The Office of the Wet'suwet'en (the "OW"), the Company is obligated to make annual payments of $10,000 to the OW until such time as the MoU is terminated by either party. The Company has also committed to a further $325,000 of cash payments and $2,329,000 of expenditures on the ROK-Coyote property.

Further details regarding these commitments are discussed under the Poplar subheading in Note 10 "Exploration and Evaluation Assets".

21. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, available-for-sale investments, share capital, and share purchase warrants as capital. As the Company is in the exploration and evaluation stage, its principal source of funds for its operations is from the issuance of common shares. The issuance of common shares requires the approval of the Board of Directors. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its properties for the benefit of its stakeholders. The Company uses stock options primarily to retain and provide future incentives to key employees and members of the management team. The granting of stock options is determined by the Board of Directors.

Expressed in Canadian Dollars

22. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Non-Cash Financing and Investing Activities:

	For Year Ended December 31, 2011 $	2010 $
Accrued but unpaid exploration and evaluation expenditures	211,356	117,772
Payment of prior year accrued exploration and evaluation expenditures	(117,772)	(31,602)
Issuance of common shares to acquire mineral properties	70,625	2,414,000
Capitalized stock-based compensation	48,033	-
BC Mineral Exploration Tax Credit receivable	461,531	44,349

Other Items:

	For Year Ended December 31, 2011 $	2010 $
Income taxes paid	-	-
Interest paid	(2,700)	-
Interest earned	17,097	3,305

23. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND COMPREHENSIVE LOSS/INCOME TO IFRS

IFRS 1 requires an entity to reconcile comparable figures for prior periods. The changeover of the statements of equity and total comprehensive income is shown on the following pages. There were no changes to the statement of cash flows as a result of the changeover.

Expressed in Canadian Dollars

RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT JANUARY 1, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Share Capital	**$**	**$**	**$**
Balance, beginning of year	12,094,045	-	12,094,045
Shares issued for mineral properties	11,500	-	11,500
Acquisition of shares via normal course issuer bid	(9,000)	-	(9,000)
Balance, end of year	**12,096,545**	**-**	**12,096,545**
Warrants			
Balance, beginning of year	-	-	-
Fair value on warrant term amendments	1,687,299	-	1,687,299
Balance, end of year	**1,687,299**	**-**	**1,687,299**
Contributed Surplus			
Balance, beginning of year	1,460,506	-	1,460,506
Fair value of options granted	157,387	-	157,387
Balance, end of year	**1,617,893**	**-**	**1,617,893**
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year	(372,412)	-	(372,412)
Gain reclassified on sale of investments	1,224,022	-	1,224,022
Change in fair value of loan recoverable	(88,572)	-	(88,572)
Interest reclassified on realization	77,907	-	77,907
Change in fair value of mineral property interests	7,035	-	7,035
Change in fair value of investments	(779,809)	-	(779,809)
Balance, end of year	**68,171**	**-**	**68,171**
Deficit			
Balance, beginning of year	(9,682,967)	-	(9,682,967)
Net Loss	(2,235,579)	-	(2,235,579)
Balance, end of year	**(11,918,546)**	**-**	**(11,918,546)**
Total Shareholders' Equity	**3,551,362**	**-**	**3,551,362**

Expressed in Canadian Dollars

RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Share Capital	**$**	**$**	**$**
Balance, beginning of year	12,096,545	-	12,096,545
Private Placement – Flow-through	1,330,000	-	1,330,000
Private Placement – Flow-through –Warrants	(215,400)	-	(215,400)
Exercise of options	213,400	-	213,400
Reversal of contributed surplus on option exercise	123,422	-	123,422
Shares issued for mineral properties	2,414,000	-	2,414,000
Share issue costs	(142,515)	-	(142,515)
Balance, end of year	**15,819,452**	**-**	**15,819,452**
Warrants			
Balance, beginning of year	1,687,299	-	1,687,299
Fair value of warrants	215,400	-	215,400
Balance, end of year	**1,902,699**	**-**	**1,902,699**
Contributed Surplus			
Balance, beginning of year	1,617,893	-	1,617,893
Fair value of options granted	135,602	-	135,602
Reversal of contributed surplus on option exercise	(123,422)	-	(123,422)
Balance, end of year	**1,630,073**	**-**	**1,630,073**
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year	68,171	-	68,171
Change in fair value of marketable securities and other	(66,320)	-	(66,320)
Balance, end of year	**1,851**	**-**	**1,851**
Deficit			
Balance, beginning of year	(11,918,546)	-	(11,918,546)
Net Loss	(1,569,725)	-	(1,569,725)
Balance, end of year	**(13,488,271)**	**-**	**(13,488,271)**
Total Shareholders' Equity	**5,865,804**	**-**	**5,865,804**

Expressed in Canadian Dollars

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS FOR THE YEAR ENDED DECEMBER 31, 2010

	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Accounting and audit	44,070	-	44,070
Advertising and promotion	74,541	-	74,541
Bank charges and interest	11,353	-	11,353
Conferences and trade shows	2,480	-	2,480
Consulting and management fees	614,285	-	614,285
Director fees	25,250	-	25,250
Filing and transfer agent fees	22,075	-	22,075
General exploration	1,500	-	1,500
Insurance	23,733	-	23,733
Legal	156,094	-	156,094
Office, rent and telephone	115,442	-	115,442
Stock based compensation	135,602	-	135,602
Travel and accommodation	55,594	-	55,594
	1,282,019	-	1,282,019
Net loss before undernoted items	(1,282,019)	-	(1,282,019)
Other Income (expense)			
Interest income	3,305		3,305
Loss on sale of marketable securities	(72,833)	-	(72,833)
Write-down of investments for permanent impairment	(147,424)	-	(147,424)
Write-down of mineral property interests	(70,753)	-	(70,753)
Loss for the year	**(1,569,724)**	**-**	**(1,569,724)**
Other comprehensive loss, net of tax			
Fair value losses on available-for-sale Investments and loans receivable	(66,320)	-	(66,320)
Total other comprehensive loss, net of tax	**(66,320)**	**-**	**(66,320)**
Total comprehensive loss for the period attributable to owners of the parent	**(1,636,044)**	**-**	**(1,636,044)**
Loss per common share, basic and diluted	**(0.13)**	**-**	**(0.13)**