EXPLORATION SCHYAN EXPLORATION INC.

Audited Financial Statements

For the years ended
December 31, 2011 and 2010

EXPLORATION **SCHYAN** EXPLORATION INC.

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL FINANCIAL REPORTING

The accompanying financial statements of Schyan Exploration Inc. / Exploration Schyan Inc. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the annual condensed financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Mitch Lavery"
President and Chief Executive Officer

"George Rayfield"
Treasurer

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

2005 Sheppard Avenue East, Suite 300
Toronto, Ontario
M2J 5B4, Canada
Phone 416-496-1234
Fax 416-496-0125
Email info@mhc-ca.com
Web www.mhc-ca.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Schyan Exploration Inc.

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

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

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

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

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

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

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements indicating the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 23, 2012

EXPLORATION **SCHYAN** EXPLORATION INC.

Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Assets		(Note 3)	(Note 3)
Current Assets			
Cash and cash equivalents *(Note 8)*	**180,372**	271,271	304,338
Short-term investments *(Note 9)*	**128,000**	416,000	553,208
Trade and other receivables *(Note 10)*	**13,404**	18,815	2,461
Total assets	**321,776**	706,086	860,007
Liabilities			
Current Liabilities			
Trade and other payables *(Note 11)*	**144,950**	139,016	137,755
Due to related parties *(Note 12)*	**206,051**	185,742	157,646
Total liabilities	**351,001**	324,758	295,401
Shareholders' Equity			
Capital Stock *(Note 14)*	**531,694**	531,694	529,944
Shares to be issued *(Note 14)*	**-**	-	1,750
Warrant Reserves *(Note 15)*	**-**	250	250
Share-based Payment Reserves *(Note 16)*	**36,262**	36,012	16,000
Retained Earnings (Deficit)	**(597,181)**	(186,628)	16,662
Total shareholders' equity	**(29,225)**	381,328	564,606
Total liabilities and shareholders' equity	**321,776**	706,086	860,007

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 19)

APPROVED ON BEHALF OF THE BOARD ON APRIL 23, 2012:

Signed "James N. Fairbairn"
Director

Signed "George W. Rayfield"
Director

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

Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31, 2011	2010
	$	$
		(Note 3)
Revenue		
Interest Income	**2,535**	-
Administrative Expenses		
General and administrative	**10,075**	6,668
Stock-based compensation	**-**	20,012
Shareholder information	**8,743**	8,714
Investor relations and travel	**10,941**	11,121
Exploration and evaluation expenditures *(Note 17)*	**59,083**	129,961
Professional fees (Note 13)	**36,246**	31,179
	(125,088)	(207,655)
Loss before the undernoted	**(122,553)**	(207,655)
Gain on sale of investment	**-**	1,365
Change in fair value of short-term investment	**(288,000)**	3,000
Net Loss and comprehensive loss for the year	**(410,553)**	(203,290)
(Deficit) Retained Earnings, beginning of year	**(186,628)**	16,662
Deficit, end of year	**(597,181)**	(186,628)
Loss per share - basic and diluted	**(0.10)**	(0.05)
Weighted average number of shares outstanding – basic	**3,961,372**	3,941,372
Weighted average number of shares outstanding –diluted	**3,961,372**	3,961,372

Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Capital Stock (Note 14)		Shares to be issued	Reserves		Retained earnings (Deficit)	Total
	Number of shares	Amount		Share based payments	Warrants		
Balance at January 1, 2010	3,941,372	$ 529,944	$ 1,750	$ 16,000	$ 250	$ 16,662	$ 564,606
Shares issued	20,000	1,750	(1,750)	-	-	-	-
Share based compensation	-	-	-	20,012	-	-	20,012
Net loss and comprehensive for the year	-	-	-	-	-	(203,290)	(203,290)
Balance at December 31, 2010	**3,961,372**	**531,694**	**-**	**36,012**	**250**	**(186,628)**	**381,328**
Expired warrants				**250**	**(250)**		-
Net loss for the year	**-**	**-**	**-**	**-**	**-**	(410,553)	(410,553)
Balance at December 31, 2011	**3,961,372**	**$ 531,694**	**$ -**	**$ 36,262**	**$ -**	**$ (597,181)**	**$ (29,225)**

EXPLORATION **SCHYAN** EXPLORATION INC.

Statements of Cash Flows
(Expressed in Canadian Dollars)

Year ended December 31,	**2011**	2010
	$	$
Operating activities		(Note 3)
Net Loss for the year	**(410,553)**	(203,290)
Adjustment to reconcile net loss to net cash used by operating activities:		
Stock based compensation	**-**	20,012
Change in fair value of short-term investment	**288,000**	(3,000)
Gain on sale of investment	**-**	(1,365)
	(122,553)	(187,643)
Net Change in non-working capital: items:		
Due to related parties	**20,309**	28,096
Trade and other receivables	**5,411**	(16,354)
Trade and other payables	**5,934**	1,261
Cash used in operating activities	**(90,899)**	(174,640)
Investing activities		
Proceeds from the sale of short-term investment	**-**	141,573
Cash provided by investing activities	**-**	141,573
Decrease in cash	**(90,899)**	(33,067)
Cash and cash equivalents at beginning of year (Note 8)	**271,271**	304,338
Cash and cash equivalents at end of year (Note 8)	**180,372**	271,271

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Schyan Exploration Inc. / Exploration Schyan Inc. (the "Company") was incorporated in Canada under the Business Corporations Act (Ontario) and carries on business in one segment, being the acquisition, exploration and development of mineral properties in Canada. The Company's registered and head office is located at 370 Steeles Avenue West, Suite 203, Thornhill, Ontario, L4J 6X1.

As at December 31, 2011, the Company had a working capital deficiency of $29,225 (December 31, 2010 - working capital of $381,328, January 1, 2010 – working capital of $564,606), had not yet achieved profitable operations, has accumulated losses of $597,181 (December 31, 2010 - $186,628, January 1, 2010 – accumulated income of $16,662) and expects to incur future losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiating contracts and political uncertainty.

Management plans to secure the necessary financing through a combination of the issue of new equity or debt instruments and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

The Company will require substantial additional funds to further explore and, if warranted, develop its exploration properties. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The policies applied in these financial statements are based on IFRS issued and outstanding as of April 23, 2012, the date on which the Board of Directors approved the audited financial statements.

These are the Company's first IFRS annual financial statements for the year ended December 31, 2011. Previously, the Company prepared its annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

These financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements, including IFRS1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed in Note 3, the Company has consistently applied the same accounting policies in the opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect

2.2 Basis of presentation

The financial statements have been prepared on the historical cost basis as explained in the accounting policies set out in Note 4. In addition, these financial statements are prepared using the accrual basis of accounting except for cash flow information.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

2. BASIS OF PREPARATION (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- IFRS 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

3. FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date 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 GAAP taken to retained earnings unless certain exemptions are applied. IFRS 1 provides for certain optional exemptions and certain mandatory exceptions for first time adopters. Prior to IFRS, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The Company elected to take the following IFRS 1 optional exemptions:

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

Mandatory exceptions to retrospective application

Estimates: Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

Other IFRS-1 exemptions and mandatory exceptions have not been discussed above as they are not applicable to the Company.

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

3. FIRST TIME ADOPTION OF IFRS (continued)

i. Share-based payments

IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010; and,
- From January 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the Company's policy.

Recognition of Expense

Canadian GAAP - Often in practice expense is recognized on a straight line basis over the vesting period. Forfeitures may be recognized as they occur.

IFRS - Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award. Forfeiture estimates are recognized in the current period and revised for actual experience in subsequent periods. IFRS does not provide for an election to treat the instruments as a pool and recognize the expense on a straight line basis.

The effects of the foregoing differences have had in immaterial impact on the Company as a substantial portion of the Company's options vest immediately and are recognized as an expense immediately at date of grant.

Forfeitures

Canadian GAAP – Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No adjustments were required.

ii. Impairments

Recoverable Amount

Canadian GAAP - A recoverability test is performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the asset does not recover its carrying value, an impairment loss is calculated as the excess of the asset's carrying amount over its fair value.

IFRS – The impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount, where recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. No adjustments were required.

Reversal of Impairment

Canadian GAAP - Reversal of impairment losses is not permitted.

IFRS - Reversal of impairment losses is required for assets other than goodwill if certain criteria are met. No adjustments were required.

Explanation of differences impacting the Company's financial statements including IFRS 1 First-Time Adoption of International financial Reporting Standards

IFRS 1 requires the Company to reconcile equity, comprehensive loss and cash flows for prior periods. An explanation of how the transition from Canadian GAAP to IFRS would have affected the Company's financial position, financial performance and cash flows, if there were any differences, is set out in the following tables.

(Expressed in Canadian Dollars)

3. FIRST TIME ADOPTION OF IFRS (continued)

Below is the Company's reconciliation of the Statement of Financial Position as at the transition date of January 1, 2010 under IFRS.

	As at January 1, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Assets				
Current Assets				
Cash and cash equivalents	$ 304,338	$ -	$ 304,338	
Short-term investments	553,208	-	553,208	
Trade and other receivables	2,461	-	2,461	
	860,007	-	860,007	
Mineral properties and deferred expenditures	128,308	(128,308)	-	(a)
	$ 988,315	$(128,308)	$ 860,007	
Liabilities				
Current Liabilities				
Trade and other payables	$ 137,755	$ -	$ 137,755	
Due to related parties	157,646	-	157,646	
	295,401		295,401	
Future income tax liability	24,800	(24,800)	-	(a)
	320,201	(24,800)	295,401	
Equity				
Capital Stock	529,944	-	529,944	
Shares to be issued	1,750	-	1,750	
Warrant Reserves	250	-	250	
Contributed Surplus	16,000	(16,000)	-	(b)
Share Payment Reserves	-	16,000	16,000	(b)
Retained Earnings (Deficit)	120,170	(103,508)	16,662	(a)(b)
	668,114	(103,508)	564,606	
	$ 988,315	$ (128,308)	$ 860,007	

(Expressed in Canadian Dollars)

3. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of the statement of financial position:

	As at December 31, 2010			
	GAAP	Effect of transition to IFRS	IFRS	Notes
Assets				
Current Assets				
Cash and cash equivalents	$ 271,271	$ -	$ 271,271	
Short-term investments	416,000	-	416,000	
Trade and other receivables	18,815	-	18,815	
	706,086	-	706,086	
Mineral properties and deferred expenditures	258,269	(258,269)	-	(a)
	$ 964,355	$ (258,269)	$ 706,086	
Liabilities				
Current Liabilities				
Trade and other payables	$ 139,016	$ -	$ 139,016	
Due to related parties	185,742		185,742	
	324,758	-	324,758	
Future income tax liability	16,300	(16,300)	-	(a)
	341,058	(16,300)	324,758	
Equity				
Capital Stock	531,694	-	531,694	
Warrant Reserves	250	-	250	
Contributed surplus	36,012	(36,012)	-	(b)
Share Payment Reserves	-	36,012	36,012	(b)
Retained Earnings (Deficit)	55,341	(241,969)	(186,628)	(a)(b)
	623,297	(241,969)	381,328	
	$ 964,355	$ (258,269)	$ 706,086	

(Expressed in Canadian Dollars)

3. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of statement of comprehensive loss

	Year ended December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Administrative Expenses				
General and office	$ 6,668	$ -	$ 6,668	
Share based payments	20,012	-	20,012	
Shareholders' information	8,714	-	8,714	
Investor relations and travel	11,121	-	11,121	
Exploration and evaluation expenditures	-	129,961	129,961	(a)
Professional fees	31,179	-	31,179	
	(77,694)	(129,961)	(207,655)	
Gain on sale of investment	1,365	-	1,365	
Change in fair value of short-term investment	3,000	-	3,000	
	(73,329)	(129,961)	(203,290)	
Future income tax recovery	8,500	(8,500)	-	(a)
Net loss and comprehensive loss	$ (64,829)	$ (138,461)	$ (203,290)	

(Expressed in Canadian Dollars)

3. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of Cash Flows

	Year ended December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Operations				
Net loss	$ (64,829)	$ (138,461)	$ (203,290)	(a)
Adjustments to reconcile net loss to cash flow from operating activities:				
Stock based compensation	20,012	-	20,012	
Change in fair value of short-term investment	(3,000)	-	(3,000)	
Gain on sale of investment	(1,365)	-	(1,365)	
Future income tax recovery	(8,500)	8,500	-	(a)
Net change in non-cash operating working capital items:				
Due to related parties	28,096	-	28,096	
Trade and other receivables	(16,354)	-	(16,354)	
Trade and other payables	(239)	1,500	1,261	(a)
	(46,179)	(128,461)	(174,640)	
Financing				
Proceeds on the sale on investments	141,573	-	141,573	
	141,573	-	141,573	
Investing				
Expenditures on deferred exploration	(128,461)	128,461	-	(a)
	(128,461)	128,461	-	
Net decrease in cash and cash equivalents	(33,067)	-	(33,067)	
Cash and cash equivalents, beginning of year	304,338	-	304,338	
Cash and cash equivalents, end of year	$ 271,271	$ -	$ 271,271	

3. FIRST TIME ADOPTION OF IFRS (continued)

Notes to Reconciliations

(a) Acquisition, exploration and evaluation expenditures

Under Canadian GAAP – Prior to 2011, the Company used the policy to defer the cost of mineral properties and their related exploration and development costs are until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS –On transition to IFRS, the Company changed its policy whereby acquisition, exploration and evaluation expenditures for each property are expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale.

(b) Share-based payments

Under Canadian GAAP – Prior to 2011, the Company recorded the value of share based payments and warrants issued to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Mineral properties
All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

4.2 Decommissioning, restoration and similar liabilities
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for a decommissioning provision is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding decommissioning provision is expensed to the statement of loss and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the decommissioning provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Share based payments

Share based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

Equity settled transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

4.4 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.4 Taxation (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Diluted loss per share assumes proceeds received upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the Year ended December 31, 2011 and 2010 all the outstanding stock options and warrants were anti-dilutive.

4.6 Financial assets

All 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 FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents and short-term investments are classified as FVTPL.

Financial assets classified as loans-and-receivables are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions 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.

4.7 Financial liabilities

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

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables and due to related parties are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At December 31, 2011 the Company has not classified any financial liabilities as FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

4.9 Impairment of non-financial assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 higher 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 of the time value of money and the risks specific to the asset.

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 income, unless the relevant asset is carried at a re-valued 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 (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

4.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.12 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.13 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

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

(i) the inputs used in accounting for valuation of warrants and options which are included in the statement of financial position;
(ii) the nil provision for asset retirement obligations which is included in the statement of financial position; and
(iii) the nil provision for income taxes which is included in the statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the statements of financial position.

5. CAPITAL MANAGEMENT

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts and retained earnings (deficit), which as at December 31, 2011 totaled $(29,225), (December 31, 2010 - $381,328, January 1, 2010 - $564,606). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business

The Company's properties are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended December 31, 2011 and 2010. The Company is not subject to externally imposed capital restrictions.

6. FINANCIAL INSTRUMENTS

Fair value

The Company has, designated its cash and cash equivalents and short-term investments as FVTPL, which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost.

As at December 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value of cash and cash equivalents and short-term investments are based on quoted market prices in active markets and are classified as level 1 financial instruments under the fair value hierarchy.

6. FINANCIAL INSTRUMENTS (continued)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) **Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian and therefore the risk of loss is minimal.

b. **Trade and other receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2011, the Company had a working capital deficiency of $29,225, (December 31, 2010 - working capital of $381,328, January 1, 2010 – working capital of $534,606). In order to meet its longer-term working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its some or all of its interests and reduce or terminate its operations therein.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

b. Price risk

The Company holds the common shares of a TSX-traded company. The Company has classified this investment as FVTPL and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

(Expressed in Canadian Dollars)

7. SENSITIVITY ANALYSIS

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

> The Company's investments are subject to fair value fluctuations. As at December 31, 2011, if the fair value of investments had decreased/increased by 25% net loss would have been approximately $32,000 (2010 - $104,000) higher/lower. Similarly, as at December 31, 2011, reported equity would have been approximately $32,000 (2010 - $104,000) lower/higher as a result of a 25% decrease/increase in the fair value of investments.

8. CASH AND CASH EQUIVALENTS

The balance at December 31, 2011, consists of $180,372 (December 31, 2010 - $271,271, January 1, 2010 - $304,338) on deposit with a major Canadian bank.

Cash and cash equivalents consists of the following:

	As at,		
	December 31, 2011	December 31, 2010	January 1, 2010
Cash	**$ 30,838**	$ 39,222	$ -
Cash equivalent	**149,534**	232,049	304,338
Total Cash and Cash Equivalents	**$ 180,372**	$ 271,271	$ 304,338

9. SHORT-TERM INVESTMENTS

Short-term investments are comprised of 100,000 (December 31, 2010 – 100,000, January 1, 2010 – 100,000) common shares of Lake Shore Gold Inc., a publicly listed company. As at December 31, 2011, the short-term investment had a quoted market value approximating $128,000, (December 31, 2010 - $416,000, January 1, 2010 - $553,208). The impact to the financial statements of this revaluation to market value resulted in a decrease of $288,000 (2010 – increase of $3,000) to the value of the investments with a corresponding loss on change in fair value of short-term investment of $288,000 (2010 – $3,000).

10. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from one main source: trade receivables: harmonized sales tax ("HST") receivable due from government taxation authorities. These are broken down as follows:

	As at,		
	December 31, 2011	December 31, 2010	January 1, 2010
HST receivable	**$ 13,404**	$ 18,815	$ 2,461
Total Trade and Other Receivables	**$ 13,404**	$ 18,815	$ 2,461

At December 31, 2011, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 6.

The Company holds no collateral for any receivable amounts outstanding as at December 31, 2011.

(Expressed in Canadian Dollars)

11. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at,		
	December 31, 2011	December 31, 2010	January 1, 2010
Less than 1 month	**$ 5,662**	$ 4,292	$ 1,001
Over 3 months	**139,288**	134,724	136,754
Total Trade and Other Payables	**$ 144,950**	$ 139,016	$ 137,755

12. DUE TO RELATED PARTIES

	December 31, 2011	December 31, 2010
Balance, beginning of year	**$ 185,742**	$ 157,646
Transactions in the year:		
Related party reimbursements payable	**20,309**	28,096
Balance, end of year	**$ 206,051**	$ 185,742

The balances due to related parties are owing to a director and officer of the Company and are unsecured, non-interest bearing and due on demand.

13. RELATED PARTY TRANSACTIONS

The remuneration of directors and members of key management personnel during the years ended December 31, 2011 and 2010 was as follows:

	2011	2010
Aggregate compensation	$ -	$ -
Share-based payments	$ -	$ 20,012
	$ -	$ 20,012

During the year ended December 31, 2011, $14,582 (2010 – $18,976) was expensed as professional fees to a law firm in which one of the directors of the Company is a partner.

See note 12.

(Expressed in Canadian Dollars)

14. CAPITAL STOCK

Capital Stock

The Company is authorized to issue an unlimited number of common shares without par value. The issued and outstanding common shares consist of the following:

	No. of Shares		$
Balance at January 1, 2010	3,941,372	$	529,944
Shares issued	20,000		2,000
Reclassified value of warrants issued	-		(250)
Balance at December 31, 2010 and December 31, 2011	**3,961,372**	**$**	**531,694**

	No. of Shares		$
Shares to be issued:			
Balance at January 1, 2010	**20,000**	**$**	**1,750**
Shares issued	(20,000)		(2,000)
Reclassified value of warrants issued	-		250
Balance at December 31, 2010 and December 31, 2011	**-**	**$**	**-**

During 2009, a director of the Company subscribed for 20,000 units at $0.10 per unit for gross proceeds of $2,000. Each unit consists of one common share and one-half of a share purchase warrant exercisable at $0.25 per whole warrant until May 6, 2011. The common shares were issued during the year ended December 31, 2010. These warrants have expired unexercised during 2011.

Stock Options

The Company has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 367,000 stock options. As at December 31, 2011 the Company had 67,000, (December 31, 2010 – 67,000) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	December 31, 2011		December 31, 2010	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of year	**$ 0.10**	**300,000**	$ -	-
Transactions during the year:				
Granted	**-**	**-**	0.10	300,000
Outstanding at end of year	**$ 0.10**	**300,000**	$ 0.10	300,000

The following table provides additional information about outstanding stock options as at December 31, 2011:

No. of Options Outstanding	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**No. of Options Exercisable**	**Weighted Average Exercisable Exercise Price**	**Value**
300,000	**3.50**	**$ 0.10**	**300,000**	**$ 0.10**	**$20,012**

(Expressed in Canadian Dollars)

14. CAPITAL STOCK (continued)

Stock-based Compensation

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended December 31, 2010:

Grant Date	**May 3, 2010**
Number of options	300,000
Exercise price	$ 0.10
Expected life in years	5
Volatility	100.00%
Risk-free interest rate	2.83%
Dividend yield	-
Fair value of options	$ 20,012

15. RESERVE FOR WARRANTS

A summary of the changes in the Company's reserve for warrants for the year ended December 31, 2011 and the year ended December 31, 2010 is set out below:

	December 31, 2011	December 31, 2010
	Amount	Amount
	$	$
Balance at beginning of year	**250**	250
Transactions during the year:		
Warrants expired	**(250)**	-
Balance at end of year	**-**	250

16. RESERVE FOR SHARE BASED PAYMENTS

A summary of the changes in the Company's reserve for share based payments for the year ended December 31, 2011 and the year ended December 31, 2010 is set out below:

	December 31, 2011	December 31, 2010
	Amount	Amount
	$	$
Balance at beginning of year	**36,012**	36,012
Transactions during the year:		
Warrants expired	**250**	-
Balance at end of year	**36,262**	36,012

(Expressed in Canadian Dollars)

17. EXPLORATION AND EVALUATION EXPENDITURES

The evaluation and exploration expenses for the Company are broken down as follows:

	Year ended		Cumulative to date*
	December 31, 2011	December 31, 2010	
Casino Property	**$ 59,083**	$129,961	**$ 317,352**
Exploration and evaluation costs	**$ 59,083**	$129,961	**$ 317,352**

* Only properties currently under exploration are included in this figure.

Casino Property

Pursuant to a purchase agreement dated August 29, 2008, the Company acquired 22 mining claims located in the Township of Cadillac, county of Abitibi, in the Province of Quebec. The purchase price of $100,000 was settled by the issuance of 1,000,000 common shares of the Company at a price of $0.10 per share. The property was acquired from a director and officer of the Company.

In September 2008, the Company entered into an Option Agreement with The Globex-Queenston Joint Venture ("Globex-Queenston") whereas the Company granted Globex-Queenston the right and option to acquire a 50% interest in the Casino Claims. Under the terms of the agreement, Globex-Queenston was required to spend $500,000 in exploration expenditures on or before September 2, 2010.

In March 2009, Globex-Queenston decided not to complete the Option Agreement and the Company will be reimbursed a total of $13,000 spent in exploration expenditures as per the terms outlined in the Option Agreement which has been accrued as at December 31, 2011.

18. INCOME TAXES

(a) Provision for Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

For the year ended December 31,	**2011**	2010
	$	$
Loss before income taxes	**(410,533)**	(203,290)
Combined statutory rate	**28.25%**	31%
	(116,000)	(63,000)
Non-deductible differences	**40,700**	7,200
Tax benefits not realized	**66,600**	41,000
Difference between current and future tax rates	**8,700**	14,800
	-	-

(Expressed in Canadian Dollars)

18. INCOME TAXES (continued)

(b) Deferred Tax Balances

The deferred income tax asset (liability) consists of the following temporary differences:

As at December 31,		2011		2010
Exploration and evaluation assets	$	110,300	$	79,000
Non-capital loss carry forwards		17,100		17,800
Other temporary differences		(12,500)		(48,500)
Deferred tax assets not benefitted		(114,900)		(48,300)
Deferred tax asset (liability)	$	-	$	-

(c) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of $68,000, which may be deducted in the calculation of taxable income in future years. The losses expire in 2018.

The Company has approximately $441,000 of Canadian development and exploration expenditures as at December 31, 2011 (December 31, 2010 - $315,000, January 1, 2010 - $128,000) which under certain circumstances may be utilized to reduce the taxable income of future years.

19. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.