SOLID RESOURCES LTD.

Consolidated Financial Statements

Year Ended December 31, 2011

(Expressed in Canadian Dollars)

K. R. MARGETSON LTD.

Chartered Accountant

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Report of Independent Registered Public Accounting Firm

To the Shareholders of
Solid Resources Ltd.:

We have audited the statements of changes in financial position of Solid Resources Ltd. as at December 31, 2011 and 2010 and the related statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Solid Resources Ltd. as at December 31, 2011 and 2010 and the results of its operations changes in shareholders' equity and cash flows and for the years then ended in accordance with International Financial Reporting Standards.

K. R. MARGETSON LTD. ***Chartered Accountants***

K. R. Margetson Ltd.

Chartered Accountants

Vancouver, Canada
April 30, 2012

SOLID RESOURCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	**December 31, 2011**	December 31, 2010 (Note 16)	January 1, 2010 (Note 16)
ASSETS				
Current assets				
Cash		**$ 264,735**	$ 964,378	$ 484,019
Prepaids		**4,300**	7,000	5,364
Receivables	4	**23,344**	42,173	59,132
Total current assets		**292,379**	1,013,551	548,515
Investment in Silver Bear Mines Ltd.	5	**-**	1,055,808	-
Property, plant and equipment	6	**-**	2,560	6,946
Exploration and evaluation assets	5	**3,353,605**	2,036,550	8,198,478
		3,353,605	3,094,918	8,205,424
TOTAL ASSETS		**$ 3,645,984**	$ 4,108,469	$ 8,753,939
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	7	**$ 159,395**	$ 68,433	$ 541,675
Deposit on share purchase		**-**	-	50,000
Notes payable	8	**-**	-	1,665,739
TOTAL LIABILIITES		**159,395**	68,433	2,257,414
EQUITY				
Share capital	10	**22,631,570**	22,017,434	19,883,175
Reserves	10	**4,811,711**	3,845,241	2,439,722
Subscription advances		**155,000**	-	-
Distribution to shareholders	5	**(1,055,808)**	-	-
Deficit		**(23,055,884)**	(21,822,639)	(15,826,372)
TOTAL EQUITY		**3,486,589**	4,040,036	6,496,525
TOTAL LIABILITIES AND EQUITY		**$ 3,645,984**	$ 4,108,469	$ 8,753,939

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

On behalf of the Board:

"Rick Gliege" Director *"Greg Pendura"* Director

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

SOLID RESOURCES LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

	Notes		2011		2010 (Note 16)
Expenses					
Administrative and general	11	**$**	**945,040**	$	1,034,037
Depreciation			**-**		5,631
Interest on note payable			**-**		39,404
Other interest and bank charges			**1,553**		3,195
Project investigation			**122,903**		-
Share-based payments	10		**150,856**		1,405,519
			1,220,352		2,487,786
Loss before other items			**(1,220,352)**		(2,487,786)
Other items					
Foreign exchange			**(10,333)**		(42,330)
Impairment of exploration and evaluation assets	5		**-**		(75,000)
Loss on disposal of Bear property	5		**-**		(3,395,991)
Other			**-**		4,840
Write-off of property, plant and equipment			**(2,560)**		-
Loss before income taxes			**(1,233,245)**		(5,996,267)
Income taxes					
Current			**-**		-
			-		-
Loss and comprehensive loss for the year		**$**	**(1,233,245)**	$	(5,996,267)
Basic and diluted loss per common share	9	**$**	**(0.01)**	$	(0.10)
Weighted average number of common shares outstanding			**88,241,316**		57,190,063

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

SOLID RESOURCES LTD.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital						
	Number of shares	Amount	Subscription advances	Reserves	Distribution to shareholders	Deficit	Total
Balance at January 1, 2010	46,349,515	$ 19,883,175	$ -	$ 2,439,722	$ -	$ (15,826,372)	$ 6,496,525
Private placement	28,933,333	2,060,000	-	-	-	-	2,060,000
Finders fees	1,000,000	210,000	-	-	-	-	210,000
Exercise of warrants	3,090,000	304,000	-	-	-	-	304,000
Share issuance costs	-	(439,741)	-	-	-	-	(439,741)
Share-based payments	-	-	-	1,405,519	-	-	1,405,519
Comprehensive loss for the year	-	-	-	-	-	(5,996,267)	(5,996,267)
Balance at December 31, 2010	79,372,848	$ 22,017,434	$ -	$ 3,845,241	$ -	$ (21,822,639)	$ 4,040,036
Private placement	10,000,000	1,000,000	-	-	-	-	1,000,000
Exercise of warrants	4,539,000	439,900	-	-	-	-	439,900
Warrant issuance		(808,348)	-	808,348	-	-	-
Share issuance costs	-	(17,416)	-	7,266	-	-	(10,150)
Share-based payments	-	-	-	150,856	-	-	150,856
Subscription advances	-	-	155,000	-		-	155,000
Distribution to shareholders	-	-	-	-	(1,055,808)	-	(1,055,808)
Comprehensive loss for the year	-	-	-	-	-	(1,233,245)	(1,233,245)
Balance at December 31, 2011	**93,911,848**	**$ 22,631,570**	**$ 155,000**	**$ 4,811,711**	**$ (1,055,808)**	**$ (23,055,884)**	**$ 3,486,589**

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

SOLID RESOURCES LTD.
Consolidated Statements of Cash Flows
For the years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**$ (1,233,245)**	$ (5,996,267)
Items not affecting cash:		
Depreciation	**-**	5,631
Finders' fee on Peru property	**-**	210,000
Impairment of exploration and evaluation assets	**-**	75,000
Loss on disposal of Bear property	**-**	3,395,991
Share-based payments	**150,856**	1,405,519
Write-off of property, plant and equipment	**2,560**	-
Changes in non-cash working capital items:		
Decrease in receivables	**18,830**	16,959
Decrease (increase) in prepaid expenses	**2,700**	(1,636)
Increase (decrease) in accounts payable and accrued liabilities	**90,961**	(208,809)
Net cash used in operating activities	**(967,338)**	(1,097,612)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**-**	(1,245)
Expenditures on exploration and evaluation assets	**(1,317,055)**	(295,043)
Net cash used in investing activities	**(1,317,055)**	(296,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	**1,439,900**	2,314,000
Subscription advances	**155,000**	-
Share issuance costs	**(10,150)**	(439,741)
Net cash provided by financing activities	**1,584,750**	1,874,259
Change in cash for the year	**(699,643)**	480,359
Cash, beginning of year	**964,378**	484,019
Cash, end of year	**$ 264,735**	$ 964,378

Supplemental disclosure with respect to cash flows (Note 14)

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

1. Nature and continuance of operations

Solid Resources Ltd. (the "Company") is incorporated under the laws of the Province of Alberta, Canada. Its shares are listed for trading on the TSX Venture Exchange and on the Frankfurt Stock Exchange. The Company is involved in the exploration and development of mineral resource properties and does not currently have a recurring revenue stream where its common shares trade under the symbol "SRW". The registered, head office, principal address and records office of the Company are located at 607-233 Robson Street, Vancouver, BC V6B 0E8.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

The consolidated financial statements for the year ended December 31, 2011 were authorized for issue on April 30, 2012 by the Board of Directors of the Company.

2. Significant accounting policies and basis of preparation

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles ("Canadian GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first annual financial statements presented in accordance with IFRS. Previously the Company prepared its annual financial statements in accordance with Canadian GAAP.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 16.

Basis of presentation

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign currency translation

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in loss for the period.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant accounting policies and basis of preparation (cont'd)

Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no asset retirement obligations as of December 31, 2011 and December 31, 2010 and January 1, 2010.

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 for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

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. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

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

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Significant accounting policies and basis of preparation (cont'd)

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 profit and loss. The Company's cash and equivalents and deposits are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2011, the Company has not classified any financial assets as available for sale.

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.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2011, the Company has not classified any financial liabilities as FVTPL.

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 rate method. The effective interest rate 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 discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, deposit on share purchase, and notes payable 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 and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company's cash is classified as FVTPL.

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. 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.

2. Significant accounting policies and basis of preparation (cont'd)

Share capital

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

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

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed surplus to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

Comprehensive income (loss)

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

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Comparative figures

Certain comparative figures have been reclassified to conform with presentation adopted for the current year.

3. New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2011 and have not been applied in preparing these interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its financial statements.

(Expressed in Canadian Dollars)

3. New standards, amendments and interpretations not yet effective (cont'd)

Joint ventures

The IASB issued Exposure Draft 9 – Joint Arrangements ("ED-9") in September 2007. ED-9 proposed to eliminate the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. During the second quarter of 2009, the IASB commenced re-deliberations of ED-9 and now 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. The IASB plans on publishing the final standard during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact that ED-9 and the final standard are expected to have on its financial statements.

Income taxes

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes 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. The Company does not anticipate this amendment to have a significant impact on its financial statements.

Consolidation

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

Financial instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

4. Receivables

	December 31, 2011	December 31, 2010	January 1, 2010
Sales and other taxes receivables	$ 23,344	$ 42,173	$ 59,132

(Expressed in Canadian Dollars)

5. Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and in good standing.

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

	Doade-Presqueira, Spain	**Peru Gold & Copper**	**Bear Canada**	**Sunset West Canada**	**Total**
Balance, January 1, 2010	$1,741,507	$ -	$6,381,971	$75,000	$8,198,478
Additions:					
Geological fees and expenses	229,096	54,995	-	-	284,091
Mining rights and taxes	6,952	4,000	-	-	10,952
Total additions	236,058	58,995	-	-	295,043
Sale	-	-	(6,381,971)	-	(6,381,971)
Write-down or impairment	-	-	-	(75,000)	(75,000)
Balance, December 31, 2010	1,977,555	58,995	-	-	2,036,550
Additions:					
Geological fees and expenses	342,910	41,880	-	-	384,790
Mining rights and taxes	57,168	-	-	-	57,168
Drilling, sampling and assay	875,097	-	-	-	875,097
Total additions	**1,275,175**	**41,880**	**-**	**-**	**1,317,055**
Balance, December 31, 2011	**$3,252,730**	**$100,875**	**$ -**	**$ -**	**$3,353,605**

Doade-Presqueira, Spain
The Company has 100% interest in this concession which is located in Northwestern Spain and is 4,902 hectares (12,108 acres) in size. This property is under exploration for Lithium, Tantalum, Tin, Rubidium, and Cesium. Two drilling programs consisting of a total of 17 holes drilled, sampled, and assayed have been completed to date.

Peru Gold & Copper Property
The Company entered into a binding option agreement with an arm's length third party (the "Optionor") pursuant to which it acquired the option to purchase a metallic mining license, covering an area of 1,000 hectares, located in Northwest Peru. Under the terms of the option agreement, the Company has the right to purchase the license, during the three year term, by paying the Optionor a total of US$500,000, to be paid in tranches over the course of the period ending on December 2012. The first cash payment of US$4,000 has already been paid to the Optionor.

5. Exploration and evaluation assets (cont'd)

Bear Property, Northwest Territories, Canada

During the fiscal year 2009, the Company entered into a letter of intent (the "Letter of Intent") dated April 30, 2010 with Golden Lion Resources Inc. now known as Silver Bear Mines Inc. ("Silver Bear") with respect to the proposed transfer of all of the Company's 49% interest in the Bear mineral property located in the Northwest Territories (the "Bear Property") to Silver Bear. The purchase price for the 49% interest in the Bear Property is $3,000,000, and was payable: (i) by the assumption of debt (the "Assumed Debt") owing by the Company to certain lenders in the aggregate amount of $1,930,172; and (ii) by the issuance and delivery of common shares in the capital of Silver Bear ("Silver Bear Shares") having an aggregate value of $1,055,808, which Silver Bear Shares will be distributed to the shareholders of the Company in a tax effective manner. The actual number (not to exceed 2,000,000) and deemed price of the Silver Bear Shares shall be determined at or before the time of execution of the definitive agreement(s) for the proposed transaction.

Concurrently with the execution of the Letter of Intent, the Company entered into a debt assumption agreement, pursuant to which Silver Bear assumed the Assumed Debt effective as of April 30, 2010 and the lenders released the Company from any further obligations under the Assumed Debt.

In 2010, the Company recorded a sale or disposal of asset of $6,381,971 for a net book value of $nil.

In 2011, the Company distributed 1,250,000 shares of Silver Bear Mines Inc. valued at $1,055,808 to its shareholders. The amount has been included in distribution to shareholders.

Sunset West, Northwest Territories, Canada

On September 26, 2008, the Company advanced a loan in the principal sum of $75,000 to Bearing Gold Resources Corp. ("Bearing Gold"). In 2009, the Company forgave the loan in exchange for Bearing Gold's rights, title and interest in its Sunset West Property. Sunset West comprises an 850 hectare mineral claim located approximately 110 kilometers Northeast of Yellowknife, Northwest Territories, Canada and is prospective for Silver, Lead and Zinc.

During the 2010 year, the Company decided to release its interest in this property and recorded an impairment of $75,000, resulting in a net book value of $nil as at December 31, 2010.

(Expressed in Canadian Dollars)

6. Property, plant and equipment

	Computer Equipment	Computers, Furniture and Leasehold Improvement	Total
Cost			
Balance, January 1, 2010	$ 17,847	$ 67,000	$ 84,847
Additions	-	1,245	1,245
Balance, December 31, 2010	17,847	68,245	86,092
Write-down	(17,847)	(68,245)	(86,092)
Balance, December 31, 2011	$ -	$ -	$ -
Depreciation			
Balance, January 1, 2010	$ 17,847	$ 60,054	$ 77,901
Additions	-	5,631	5,631
Balance, December 31, 2010	17,847	65,685	83,532
Write-down	(17,847)	(65,685)	(83,532)
Balance, December 31, 2011	$ -	$ -	$ -
Carrying amounts			
At January 1, 2010	$ -	$ 6,946	$ 6,946
Carrying amounts			
At December 31, 2010	$ -	$ 2,560	$ 2,560
Carrying amounts			
At December 31, 2011	$ -	$ -	$ -

7. Accounts payables and accrued liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts payables	$ 134,395	$ 63,433	$ 150,637
Accrued liabilities	25,000	5,000	26,010
Interest payable	-	-	365,028
	$ 159,395	$ 68,433	$ 541,675

8. Notes payable

	December 31, 2011	December 31, 2010	January 1, 2010
Notes payable	$ -	$ -	$ 1,665,739

As discussed in note 5, the Company entered into a debt assumption agreement, pursuant to which Silver Bear assumed the Assumed Debt effective as of April 30, 2010 and the lenders released the Company from any further obligations under the Assumed Debt.

9. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2011 was based on the loss attributable to common shareholders of $1,233,245 (2010 - $5,996,267) and the weighted average number of common shares outstanding of 88,241,316 (2010 - 57,190,063).

Diluted loss per share did not include the effect of 7,700,000 stock options as the effect would be anti-dilutive.

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2011 there were 93,911,848 issued and fully paid common shares (December 31, 2010 - 79,372,848 and January 1, 2010 - 46,349,515).

Please refer to the Statements of Changes in Equity for a summary of changes in share capital and reserves for the year ended December 31, 2011. Reserves relate to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placement

On July 15, 2011, the Company issued a total of 10,000,000 Units ("Unit") at a price of $0.10 per Unit. Each Unit consisted of one common share and one common share purchase warrant ("Warrant"). Each Warrant is exercisable into one additional common share until July 15, 2013 at a price of $0.15 per common share. The Company issued 101,500 finder's warrants, with each finder's warrant entitling the holder to purchase one common share at an exercise price of $0.15 per common share until July 15, 2013

The fair value of the finders' warrants, being $7,266 was determined using the Black-Scholes option pricing model weighted average assumptions with a volatility of 167%, average risk free interest rate of 1.41%, expected life of 2 year, and a dividend rate of 0%.

The fair value of the private placement warrants, being $808,348 was determined using the Black-Scholes option pricing model weighted average assumptions with a volatility of 167%, average risk free interest rate of 1.41%, expected life of 2 year, and a dividend rate of 0%.

(Expressed in Canadian Dollars)

10. Share capital (cont'd)

Stock options

The Company follows the policies of the TSX Venture Exchange, under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's common shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. The vesting period for all options is at the discretion of the board of directors.

The changes in options are as follows:

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of year	6,700,000	$ 0.17	1,800,000	$ 0.16
Options granted	1,150,000	0.12	7,050,000	0.21
Options cancelled/expired	(150,000)	0.25	(2,150,000)	0.29
Options outstanding, end of year	7,700,000	$ 0.16	6,700,000	$ 0.17
Options exercisable, end of year	7,700,000	$ 0.16	6,700,000	$ 0.17

During the year ended December 31, 2011:

i) On January 7, 2011, the Company granted stock options to purchase up to 500,000 common shares of the Company at a price of $0.135 per share to consultants, such stock options expiring on January 7, 2016; and
ii) On March 24, 2011, granted stock options to purchase up to 200,000 common shares of the Company at a price of $0.12 per common share to consultants, such stock options expiring on March 24, 2016.
iii) On September 1, 2011, the Company granted 450,000 stock options at an exercise price of $0.10 to directors and officers of the Company, such options expiring on September 1, 2016.

Share-based payments

The total share-based payments recognized during the year ended December 31, 2011, under the fair value method was $150,856 (2010 - $1,405,519).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2011 and 2010:

	2011	2010
Risk-free interest rate	1.25%	1.75%
Expected life of options	5 years	3 years
Annualized volatility	187%	223%
Dividend rate	0.00%	0.00%

(Expressed in Canadian Dollars)

10. Share capital (cont'd)

Stock option reserve

The stock option reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2010	24,710,000	$ 0.15
Granted	28,933,333	0.11
Exercised	(3,090,000)	0.10
Balance, December 31, 2010	50,553,333	$ 0.13
Granted	10,000,000	0.15
Exercised	(6,839,000)	0.10
Expired or cancelled	(23,381,000)	0.20
Balance outstanding, December 31, 2011	30,333,333	$ 0.09
Balance exercisable, December 31, 2011	30,333,333	$ 0.09

During the year ended December 31, 2011, in conjunction with private placement described earlier, the Company issued 10,000,000 warrants and 101,500 finder's warrants that are exercisable into one additional common share at a price of $0.15 per common share, until November 16, 2013.

Year ended December 31, 2010 – On February 9, 2010, the Company issued 8,100,000 units comprising of one common share and one warrant entitling the holder to purchase one additional common share at a price of $0.12 until February 8, 2011. On November 18, 2010, the Company issued 28,833,333 units comprising of one common share and one warrant entitling the holder to purchase one additional common share at a price of $0.10 until May 17, 2012.

Finders' Warrant

Finders' warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2010	-	$ -
Granted	589,167	0.10
Balance, December 31, 2010	589,167	$ 0.10
Granted	101,500	0.15
Balance outstanding, December 31, 2011	690,667	$ 0.11
Balance exercisable, December 31, 2011	589,167	$ 0.10

(Expressed in Canadian Dollars)

11. Related party transactions

The Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $131,428 (2010 - $45,000) to a company controlled by chief executive officer and director of the Company.

b) Paid or accrued salary and consulting fees of $61,431 (2010 - $63,364) to an operational and financial officer and director of the Company.

c) Paid or accrued consulting fees of $52,000 (2010 - $60,060) to a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key management personnel compensation

		Years ended			
			December 31, 2011		December 31, 2010
Short-term employee benefits	– management fees	$	131,428	$	45,000
	– salary		21,431		-
	– consulting fees		92,000		123,424
Share-based payments			36,202		525,312
Total		$	281,061	$	693,736

12. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash balances and components of shareholders' equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. 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 year ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

13. Financial risk management

International Financial Reporting Standards 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).

Cash is classified as Level 1.

As at December 31, 2011, the carrying values of cash, receivables and accounts payable and accrued liabilities, due to related parties and loans payable approximate their fair values due to their short terms to maturity.

Financial risks
The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At December 31, 2011, the Company’s exposure to credit risk is minimal

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 a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at December 31, 2011, the Company had cash balance of $264,735 (December 31, 2010 - $964,378 and January 1, 2010 - $484,019) to settle current liabilities of $159,395 (December 31, 2010 - $68,433 and January 1, 2010 - $2,257,414).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding

(Expressed in Canadian Dollars)

13. Financial risk management (cont'd)

Market risk

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

a) Interest risk

The Company has cash balances and interest-bearing loans payable. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2011, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's loans payable bear interest at fixed interest rates, and as such, the Company is not exposed to interest rate risk on its loans payable.

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

c) Price risk

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

14. Supplemental disclosure with respect to cash flows

The Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Years ended	
	December 31, 2011	**December 31, 2010**
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

There were no significant non-cash transactions for the years ended December 31, 2011 and 2010.

(Expressed in Canadian Dollars)

15. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2011	December 31, 2010
Net loss	$ (1,233,245)	$ (5,996,267)
Statutory tax rate	26.50%	28.35%
Expected income tax recovery at the statutory tax rate	$ (326,810)	$ (1,699,879)
Share-based payments	42,994	400,573
Effect of changes in enacted tax rates	104,365	10,701
Expenses not deductible for income tax purposes	1,548	969
Other	1,503	989,232
Revision to tax account estimates	(1,360,904)	-
Change in valuation allowance	1,537,304	298,404
Income tax recovery	$ -	$ -

The components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2011	December 31, 2010
Non capital losses	$ 1,354,331	$ 1,045,839
Expensed exploration costs	-	1,045,621
Impairment of note receivable for accounting	834,538	787,300
Other	48,096	15,268
Deferred exploration costs	787,540	(1,406,826)
Valuation allowance	(3,024,505)	(1,487,202)
Net deferred income tax asset	$ -	$ -

The Company has non capital loss carry forwards that can be used against future taxable income of $5,131,000 (2010 - $3,992,000) expiring beginning 2025.

16. Transition to IFRS

As stated in Note 2, these consolidated financial statements are the Company's first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the years ended December 31, 2011 and 2010, and the opening IFRS statement of financial position on January 1, 2010 (the "Transition Date").

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

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

b) IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.

c) to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date.

In preparing the consolidated financial statements, the Company has determined that there are no adjustments required for amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. As a result, the Company has not presented any reconciliations.

17. Subsequent events

1) On January 6, 2012, the Company closed a non-brokered private placement of 3,129,200 Units ("Unit") at a price of $0.10 per Unit for aggregate gross proceeds of $312,920 (the "Offering"). Each Unit consists of one common share and one common share purchase warrant ("Warrant"). Each Warrant is exercisable into one additional common share for a period of 24 months after the closing at a price of $0.15 per common share, subject to earlier termination in the event that the closing price (or closing bid price on days when there are no trades) of the common shares on the TSX Venture Exchange exceeds $0.25 for 20 consecutive trading days, then upon the Company sending subscribers written notice of such date and issuing a news release announcing such date, the Warrant will only be exercisable for a period of 30 days following the date on which such written notice is sent to the subscribers. The securities issued in connection with the Offering will be subject to a four month hold period that expires May 7, 2012. Finders acting in connection with the Offering received aggregate fees of $9,520.

2) On March 14, 2012, the Company granted an aggregate of 1,600,000 stock options to directors and officers of the Company. The options are at an exercise price of $0.10 per share and valid for a period of five years from the date of the grant, subject to vesting provisions. The options are granted in accordance with the Company's Stock Option Plan approved by the shareholders on December 13, 2010. The grant of the options has been approved by the Board of Directors and is subject to the final approval of the TSX Venture Exchange.