SearchGold Resources Inc.

(A Mining Exploration Company)

Consolidated Financial Statements
December 31, 2011 and 2010

Management's report

The consolidated financial statements of SearchGold Resources Inc. and the other financial information included in this annual report are Management's responsibility.

These consolidated financial statements and the other financial information have been prepared by Management in accordance with International Financial Reporting Standards.

The Audit Committee, which is composed of internal directors, meets with the external auditors to discuss matters relating to audit, internal control and financial information. The Committee also reviews the annual financial statements.

These consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, chartered accountants, whose report indicating the scope of their audit and their opinion on the consolidated financial statements is presented hereafter.

The Board of Directors has approved the Company's consolidated financial statements, on the recommendation of the Audit Committee.

/S/ Stanley Robinson
President and CEO

/S/ Isabelle Gauthier
CFO

April 23, 2012

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
SearchGold Resources Inc.

We have audited the accompanying consolidated financial statements of SearchGold Resources Inc. (an exploration stage company), which comprise the consolidated statement of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement 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 consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Corporation has a negative working capital of $ 211,541 and a deficit of $ 18,608,332 as at December, 2011. These conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty that may cast doubt about the Corporation's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP[1]

Montreal, Quebec
April 23, 2012

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[1] Chartered accountant auditor permit no. 18510

SearchGold Resources Inc.

Consolidated Statement of Financial Position

(in canadian dollars)

	Notes	2011-12-31	2010-12-31	2010-01-01
		$	$	$
ASSETS				
Current				
Cash		146,693	29,877	71,343
Other receivables	10	28,189	7,013	34,120
Advance to an associate, without interest, payable on demand				64,525
Prepaid expenses		10,405	9,577	8,142
		185,287	46,467	178,130
Non-current				
Exploration and evaluation assets	11	1,403,575	2,314,465	2,354,541
Property and equipment	12	4,375	5,440	8,421
Investment accounted for using the equity method	8		222,776	220,812
Other long-term financial assets	13	996,417	1,750,316	904,312
Total assets		2,589,654	4,339,464	3,666,216
EQUITY AND LIABILITIES				
LIABILITIES				
Current				
Trade and other payables	14	396,828	341,282	352,295
Total liabilities		396,828	341,282	352,295
EQUITY				
Share Capital	15.1	17,896,122	17,887,122	17,881,622
Contributed surplus		3,578,782	3,578,782	3,578,782
Deficit		(18,608,332)	(17,126,783)	(18,146,483)
Accumulated other comprehensive loss		(673,746)	(340,939)	
Total equity		2,192,826	3,998,182	3,313,921
Total liabilities and equity		2,589,654	4,339,464	3,666,216

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors April 23, 2012.

/S/ Stanley Robinson
Director

/S/ David Carbonaro
Director

SearchGold Resources Inc.

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2011 and 2010
(in canadian dollars)

	Notes	2011	2010
		$	$
Management fees		83,457	27,500
Professional services		460,712	222,794
Investors related fees		21,969	11,033
Regulatory fees		79,512	37,532
Other expenses		64,176	58,042
Property and equipment depreciation			1,138
Losses (gains) from exchange differences		5,957	(9,686)
Gain on disposal of exploration and evaluation assets			(92,457)
Write-off of exploration and evaluation assets			63,809
Expenses recovered		(117,130)	(105,420)
Operating loss		598,653	214,285
Share of loss from an equity-accounted investment		14,153	26,248
Gain on dilution from an equity-accounted investment		(91,640)	(28,212)
Loss from disposal of shares in a private company	7	260,133	
Gain on disposal of a subsidiary's shares	6		(1,417,497)
Gain on an equity-accounted investment reclassified as other long-term financial assets		(41,334)	
Impairment of other long-term financial assets	13	661,685	
Loss on available-for-sale assets recycled in net earnings (loss)	13	49,404	162,584
Financial costs		30,495	22,892
Net earnings (loss)		(1,481,549)	1,019,700
Other comprehensive loss			
Available-for-sale-financial assets			
Net change in fair value	13	(382,211)	(503,523)
Reclassification to net earning (loss)	13	49,404	162,584
Total of other comprehensive loss		(332,807)	(340,939)
Total comprehensive income (loss)		(1,814,356)	678,761
Net earnings (loss) per share			
Basic and diluted net earnings (loss) per share	18	(0.08)	0.05
Weighted average number of common share outstanding basic and diluted	18	18,585,894	18,562,778

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

SearchGold Resources Inc.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2011 and 2010
(in canadian dollars)

	Notes	Share Capital (Note 15.1)		Available-for-sale Financial Assets	Contributed surplus	Deficit	Total Equity
		Number	$	$	$	$	$
Balance at January 1, 2010		18,553,771	17,881,622	–	3,578,782	(18,146,483)	3,313,921
Shares issued for the acquisition of mining rights	11	12,500	5,500				5,500
Transactions with owers		12,500	5,500	–	–	–	5,500
Net earnings						1,019,700	1,019,700
Other comprehensive loss							
Available-for-sale financial assets							
Net change in fair value				(503,523)			(503,523)
Reclassification to net earnings				162,584			162,584
Total comprehensive income		–	–	(340,939)	–	1,019,700	678,761
Balance at December 31, 2010		18,566,271	17,887,122	(340,939)	3,578,782	(17,126,783)	3,998,182
Balance at January 1, 2011		18,566,271	17,887,122	(340,939)	3,578,782	(17,126,783)	3,998,182
Shares issued for the acquisition of mining rights	11	25,000	9,000				9,000
Transactions with owners		25,000	9,000	–			9,000
Net loss						(1,481,549)	(1,481,549)
Other comprehensive loss							
Available-for-sale financial assets							
Net change in fair value				(382,211)			(382,211)
Reclassification to loss				49,404			49,404
Total comprehensive loss		–	–	(332,807)	–	(1,481,549)	(1,814,356)
Balance at December 31, 2011		18,591,271	17,896,122	(673,746)	3,578,782	(18,608,332)	2,192,826

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

SearchGold Resources Inc.

Consolidated Statement of Cash Flows

For the years ended December 31, 2011 and 2010
(in canadian dollars)

	Notes	2011	2010
		$	$
OPERATING ACTIVITIES			
Net earnings (loss)		(1,481,549)	1,019,700
Adjustments			
Property and equipment depreciation			1,138
Share of loss from an equity-accounted investment		14,153	26,248
Gain on dilution from an equity-accounted investment	8	(91,640)	(28,212)
Gain of disposal of exploration and evaluation assets			(92,457)
Loss from disposal of shares in a private company	7	260,133	
Gain on disposal of a subsidiary's shares	6		(1,417,497)
Gain on an equity-accounted investment reclassified as other long-term financial assets	8	(41,334)	
Impairment of other long-term financial assets	13	661,685	
Loss on disposal of other long-term financial assets	13	49,404	162,584
Write-off of exploration and evaluation assets			63,809
Financial costs		30,495	22,892
Changes in working capital items	20	53,250	45,746
Cash flows from operating activities		(545,403)	(196,049)
INVESTING ACTIVITIES			
Proceed from disposal of exploration and evaluation assets		48,936	155,461
Proceed from disposal of shares in a private company	7	780,400	
Property and equipment		(262)	
Disposal of subsidiary's shares			(71)
Additions to exploration and evaluation assets		(168,251)	(110,483)
Other long-term financial assets		51,599	68,043
Advances to an associate			64,525
Cash flows from investing activities		712,422	177,475
FINANCING ACTIVITIES			
Due to an associate		(19,708)	
Financial costs paid		(30,495)	(22,892)
Cash flows from financing activities		(50,203)	(22,892)
Net change in cash		116,816	(41,466)
Cash, beginning of year		29,877	71,343
Cash, end of year		146,693	29,877

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

1. *NATURE OF OPERATIONS AND STATEMENT OF COMPLIANCE WITH IFRS*

SearchGold Resources Inc. and its subsidiary, (hereinafter the "Company") specializes in the acquisition and exploration of gold mining sites in Africa.

SearchGold Resources Inc. is the Company ultimate parent company and its shares are listed on the TSX Venture Exchange.

SearchGold Resources Inc. is incorporated under the Canada Business Corporations Act. The address of SearchGold Resources Inc. registered office and its principal place of business is 36 Lombard St., Suite 700, Toronto, Ontario, M5C 2X3.

These consolidated financial statements have been established in accordance with the International Financial Reporting Standards (the "IFRS"). These are the Company's first financial statement prepared in accordance with IFRS.

2. *GOING CONCERN ASSUMPTION*

The consolidated financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. As at December 31, 2011, the Company has a negative working capital of $211,541 ($294,815 as at December 31, 2010 and $174,165 as at January 1st, 2010) and a deficit of $18,608,332 ($17,126,783 as a December 31, 2010; $18,146,483 as at January 1, 2010). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

In March 2012, the Company has completed a private placement for a total amount of $500,000 as described in Note 25.

Management assesses its financing needs and strategic alternatives including potential changes relating to its mining property agreements, exploration programs and discretionary expenses.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the consolidated statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. GENERAL INFORMATION

Before the transition to IFRS, the Company's consolidated financial statements were prepared using Canadian Generally Accepted Accounting Principles effective before the transition to IFRS hereinafter ("pre-change accounting standards" or "Canadian GAAP").

Note 24 reconciles equity, and comprehensive loss in accordance with Canadian GAAP and in accordance with IFRS and describes the effect of the transition from Canadian GAAP to IFRS on those items.

These financial statements are prepared using the historical cost method, except for available-for-sale financial instruments that are recognized at fair value.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations and first-time adoption of IFRS

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

These accounting policies have been used throughout all periods presented, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 24.

4.2 Basis of consolidation

As at December 31, 2011, the consolidated financial statements include those of the parent company and its wholly-owned subsidiary Ressources SearchGold Guinée SARL. The subsidiary is an entity over which the Company has the power to control the financial and operating policies. The annual reporting date of the subsidiary is December 31.

As at December 31, 2010, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, SearchGold Guinée SARL and its wholly-owned subsidiary, SearchGold Burkina Faso (SMK) SARL until the date of disposal that is July 2, 2010 (Note 6).

Profit and loss and other comprehensive income of a subsidiary acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

All transactions between the parent company and its subsidiary, balances, income and expenses are eliminated upon consolidation.

4.3 Foreign currency translation

The consolidated financial statements are presented in canadian dollars, which is also the functional currency of the entities of the Company.

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in net earnings (loss).

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through net earnings (loss), which are measured initially at fair value.

Financial assets and financial liabilities of the Company are measured subsequently as described below.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, receivables from a private company, advances to an officer, advances to consultants and advances to an associate company fall into this category of financial instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include other long-term financial assets.

The equity interest in private companies is measured at cost less any impairment loss, when the fair value cannot be reasonably determined.

Available-for-sale financial assets are measured at fair value. The net change in fair value is recognized in other comprehensive income and reported within the available-for-sale reserve within equity. When the asset is derecognized, the cumulative gain or loss accounted in other comprehensive income is reclassified to net earnings (loss) in Gain or loss on available-for-sale assets recycled in net earnings (loss) if applicable and presented as a reclassification adjustment within other comprehensive loss. If applicable, interest calculated using the effective interest method and dividends are recognized in net earnings (loss) within Finance income.

Impairment charges are recognized in net earnings as impairment of other long term financial assets, if applicable.

Reversals of impairment losses are recognized in other comprehensive income (loss).

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default. When applicable, impairment are presented in net earnings within Other expenses.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in net earnings within Financial fees.

4.5 Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the net earnings (loss) generated by the associate are reported within Share of loss from equity accounted investments in the consolidated statement of comprehensive income.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. In that case additional losses are provided for, and a liability is recognized. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

4.6 Basic and diluted net earnings (loss) per share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares which include options and warrants. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted net earnings (loss) per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. For 2011, the diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and stock options, as described in Note 16.

For 2010, stock options to purchase 506,250 common shares were outstanding but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and their effect is anti-dilutive.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.7 Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in net earnings (loss) when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses is recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in net earnings (loss).

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in net earnings (loss) before reclassification.

To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, however these procedures do not guarantee the validity of the Company’s titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with the option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the amounts received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in net earnings (loss).

4.8 Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part of it. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs of day-to-day servicing of property and equipment are recognized in net earnings (loss) when incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.

4. *SUMMARY OF ACCOUNTING POLICIES (Continued)*

Upon the transfer of exploration and evaluation assets to property and equipement, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	Useful life
Property and equipment	
Computer equipment	3 years
Office furniture	5 years
Exploration equipment	
Machinery and equipment and Base camp	5 years

The amortization expense for each period is recognized in net earnings (loss) except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in net earnings (loss) when the item is derecognized.

4.9 Impairment of property and equipment and exploration and evaluation assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Impairment reviews for exploration and evaluation assets are carried out on a property-by-property basis, with each property representing a potential single cash-generating unit.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluations assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in net earnings (loss) for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash- generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

The impairment loss reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.10 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realized.

4.11 Income taxes

If applicable, tax expense recognized in net earnings (loss) comprises the sum of deferred tax and current tax not recognized in other comprehensive loss or directly in equity.

Current income tax assets or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from net earnings (loss) in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in net earnings (loss) is comprised only of deferred tax when applicable.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in net earnings (loss), except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.12 Equity

Share capital represents the amount received upon the share issuance. If shares are issued when options and warrants are exercized, the share capital account also comprises the compensation cost previously recognized in contributed surplus.

In addition, if the shares are issued as part of an option agreement, the shares represent the number of shares issued for the acquisition of mining rights multiply by the shares fair value according to the quoted price, the fair value of the mining rights acquired cannot be estimated.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Other elements of equity

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised.

Deficit includes all current and prior period retained net earnings (loss) and the share issue expenses net of any tax benefits from these issuance costs.

Accumulated other comprehensive income include the reserve " Available-for-sale Financial Assets". The net change in fair value on available-for-sale financial assets are recognized in the reserve.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.13 Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (stock options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement. Occasionally, the Company issue warrants to the brokers.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or service received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employee and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity-settled share-based payments under Equity-settled share-based payments plans (except warrants to brokers) are ultimately recognized as an expense in the net earnings (loss) or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Warrants issued to brokers are recognized as issuance cost of equity instruments with a corresponding credit to Contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs as well as the related compensation cost previously recorded as contributed surplus are credited to share capital.

4.14 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and Chief Executive Officer and the Board of Directors. Management currently identifies only one operating segment, that is exploration and evaluation in Africa.

4.15 Existing standards that are not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated interim financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated interim financial statements.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments (effective from 1 January 2015)

The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters will be effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

IFRS 10, Consolidated Financial Statements (effective beginning January 1st, 2013)

This new standard replaces IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. It revised the principle-based definition of control, applicable to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control.

IFRS 12, Disclosure of Interests in Other Entities (effective beginning January 1st, 2013)

This new standard provides minimum disclosure requirements when a reporting entity holds an interest in other entities. This standard combines disclosures required for interests in subsidiairies, joint arrangements, associates and unconsolidated structured entities, which were previously located in each applicable individual standard.

IFRS 13, Fair Value Measurement (effective beginning January 1st, 2013)

This new standard is meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement.

Management has yet to assess the impact that these new standards are likely to have on the Company's consolidated financial statements.

5. *ESTIMATES, JUDGMENTS AND ASSUMPTIONS*

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Impairment of property and equipment and evaluation assets

Determining if there are any facts and circumstances indicating impairment losses or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

(in canadian dollars)

5. *ESTIMATES, JUDGMENTS AND ASSUMPTIONS (Continued)*

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

There is no impairment losses for the year ended December 31, 2011 and 2010 and at January 1, 2010.

6. *DISPOSAL OF A SUBSIDIARY'S SHARES*

On July 2, 2010, the Company signed an agreement with SWALA Resources plc ("Swala"), under which Swala acquired all of the shares of SearchGold Burkina Faso (SMK) SARL for a $1,417,570 share investment in Swala, representing 10% of issued shares. The fair value was determined using Swala's price per share for similar transactions. The Company recognized a $1,417,497 gain on disposal of a subsidiary's shares.

The mining properties disposed of are Araé and Gassel.

The assets disposed of are as follows:

	$
Assets	
Cash	71
Mining properties	2
	73
Investment in a private company (Note 13)	1,417,570
Gain on disposal of a subsidiary shares	1,417,497

The results of this subsidiary were consolidated until July 2, 2010.

(in canadian dollars)

7. *DISPOSAL OF SHARES IN A PRIVATE COMPANY*

In May 2011, the Company signed a Sale Agreement (the "Agreement") with Managem International A.G. and Ressources Golden Gram Gabon SARL for the sale of its remaining 27% interest in the Bakoudou-Magnima gold project ("Bakoudou-Magnima") located in Gabon, Africa. Under the terms of the Agreement, the Company received a cash consideration of $780,400 (US$800,000) and retained a 0.75% Net Smelter Return ("NSR") in Bakoudou-Magnima.

The assets disposed of are as follows:

	$
Assets	
Exploration and evaluation assets	1,040,532
Investment (Note 13)	1
	1,040,533
Cash received	780,400
Loss from disposal of shares in a private company	(260,133)

8. *INVESTMENT IN AN ASSOCIATE*

The Company has a 2.0% interest in Golden Share Mining Corporation (3.2% in 2010). Although the Company owns less than 20% of the voting rights, in the opinion of management, it nevertheless exercises significant influence over Golden Share Mining Corporation because the majority of the members of the Board of Director are the same as the Company's. Accordingly, the Company has recognized its interest using the equity method. The associate's year-end date is December 31.

On July 13, 2011, the Company announced a management change and accordingly, the Company ceased to exercise its significant influence and recognized its investment as an available-for-sale financial asset in other long-term financial assets (Note 13) and a gain on an equity-accounted investment reclassified as other long-term financial assets of $41,334 was recorded in net earnings (loss).

Dilution of an interest

From beginning of year until July 13, 2011, Golden Share Mining Corporation issued shares pursuant to a private financing, to the contractual agreements pertaining to its mining properties and through the exercise of its stock options and warrants. This resulted in reducing the Company's interest from 3.2% to 2.0%. A $91,640 gain on dilution was recognized in net earnings (loss).

During the year 2010, Golden Share Mining Corporation completed two private financings which resulted in reducing the Company's interest from 5.4% to 3.2%. A $28,212 gain on dilution was recognized in net earnings (loss).

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9. *ENTITY-WIDE REPORTING*

The Company has reviewed its activities and determined that it operates in a single reportable operating segment (see Note 4.14).

The following information provides the required entity-wide disclosures :

	Canada	Africa	Total
	$	$	$
Non-current assets by geographic area			
2010	1,973,092	2,319,905	4,292,997
2011	996,417	1,407,950	2,404,367

10. *OTHER RECEIVABLES*

	2011-12-31	2010-12-31	2010-01-01
	$	$	$
Goods and services tax receivable	20,986	5,333	10,388
Receivables from a private company			11,500
Advances to an officer, without interest, due on demand		1,680	6,000
Advances to consultants, without interest	5,116		588
Deposits, without interest	2,087		5,644
	28,189	7,013	34,120

11. *EXPLORATION AND EVALUATION ASSETS*

The carrying amount can be analyzed as follows:

	Balance as at January 1, 2011	Additions	Option payment	Write-off and/or Impairment	Disposal (Note 6 and 7)	Balance as at December 31, 2011
	$	$	$	$	$	$
Guinea						
Mandiana						
Exploration and evaluation	1,241,910	120,158				1,362,068
	1,241,910	120,158	–	–	–	1,362,068
Burkina Faso						
Guéguéré						
Mining rights	11,500	58,420	(48,936)			20,984
Exploration and evaluation	20,523					20,523
	32,023	58,420	(48,936)	–	–	41,507

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11. *EXPLORATION AND EVALUATION ASSETS (Continued)*

	Balance as at January 1, 2011	Additions	Option payment	Write-off and/or Impairment	Disposal (Note 6 and 7)	Balance as at December 31, 2011
	$	$	$	$	$	$
Gabon						
Advances to a private company (a)	1,040,532				(1,040,532)	–
	1,040,532	–	–	–	(1,040,532)	–
Summary						
Mining rights	11,500	58,420	(48,936)			20,984
Exploration and evaluation	2,302,965	120,158	–		(1,040,532)	1,382,591
	2,314,465	178,578	(48,936)		(1,040,532)	1,403,575

	Balance as at January 1, 2010	Additions	Option payment	Write-off and/or Impairment	Disposal (Note 6 and 7)	Balance as at December 31, 2010
	$	$	$	$	$	$
Guinea						
Mandiana						
Exploration and evaluation	1,172,639	69,271				1,241,910
	1,172,639	69,271	–	–	–	1,241,910
Burkina Faso						
Dou						
Mining rights	2,490			(2,490)		–
Exploration and evaluation	19,044			(19,044)		–
	21,534	–	–	(21,534)	–	–
Taouremba						
Mining rights	2,490			(2,490)		–
Exploration and evaluation	17,288	1,635		(18,923)		–
	19,778	1,635	–	(21,413)	–	–
Zitenga II						
Mining rights	2,414			(2,414)		–
Exploration and evaluation	17,058	1,390		(18,448)		–
	19,472	1,390	–	(20,862)	–	–
Araé						
Mining rights	31,503		(31,502)		(1)	–
	31,503	–	(31,502)	–	(1)	–
Gassel						
Mining rights	31,503		(31,502)		(1)	–
	31,503	–	(31,502)	–	(1)	–

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11. *EXPLORATION AND EVALUATION ASSETS (Continued)*

	Balance as at January 1, 2010	Additions	Option payment	Write-off and/or Impairment	Disposal (Note 6 and 7)	Balance as at December 31, 2010
	$	$	$	$	$	$
Guéguéré						
Mining rights	6,000	5,500				11,500
Exploration and evaluation	11,580	8,943				20,523
	17,580	14,443	–	–	–	32,023
Gabon						
Advances to a private company	1,040,532					1,040,532
	1,040,532	–	–	–	–	1,040,532
Summary						
Mining rights	76,400	5,500	(63,004)	(7,394)	(2)	11,500
Exploration and evaluation	2,278,141	81,239		(56,415)		2,302,965
	2,354,541	86,739	(63,004)	(63,809)	(2)	2,314,465

All write-off are included within Write-off of exploration and evaluation assets in net earnings(loss) and all impairment charges (or reversals, if any) are included within Impairment of exploration and evaluation assets in net earnings (loss).

(a) During the year ended December 31, 2011, the Company sold its interest and its advances as described in Note 7.

Mandiana

On January 25, 2006, the Company signed an agreement under which it acquired a 100% interest in a property located in Guinea, West Africa covering an area of 487 km^2.

Under that agreement, the Company has to pay 5% of project expenditures to the vendor per quarter with a minimum US$10,000 and a maximum of US$50,000 per quarter. These payments are considered as an advance royalty and will be deductible from the net smelter royalty should the property advance to a production phase.

The vendor will retain a 2% net smelter return.

Under legislation governing exploration permits, the Company was required to incur US$964,000 in exploration expenses by November 2010. During the year ended December 31, 2010, the Company renewed its permits and benefited from an extension of the commitment to November 2012. As at December 31, 2011 the Company's commitments are US$964,000.

11. *EXPLORATION AND EVALUATION ASSETS (Continued)*

Dou

In 2008, the Company acquired a 100% interest in a permit for a period of three years renewable for two periods of three years for a cash consideration of $2,490. The permit is located in the Sanmatenga province and covers a surface area of 241 km^2.

During the year 2010, the Company has decided to not renew its permit and therefore wrote-off its mining rights and exploration and evaluation expenses for an amount of $2,490 and $19,044 respectively.

Taouremba

In 2008, the Company acquired a 100% interest in a permit for a period of three years renewable for two periods of three years for a cash consideration of $2,490. The permit is located in the Seno province and covers a surface area of 211 km^2.

During the year 2010, the Company has decided to not renew its permit and therefore wrote-off its mining rights and exploration and evaluation expenses for an amount of $2,490 and $18,923 respectively.

Zitenga II

In 2008, the Company acquired a 100% interest in a permit for a period of three years renewable for two periods of three years for a cash consideration of $2,414. The permit is located in the Oubritenga province and covers a surface area of 184 km^2.

During the year 2010, the Company has decided to not renew its permit and therefore wrote-off its mining rights and exploration and evaluation expenses for an amount of $2,414 and $18,448 respectively.

Araé and Gassel

In 2008, the Company entered into an option agreement with SOMIKA SARL, modified in October 2009, to acquire 100% interest in two permits, Araé and Gassel, covering a surface area of 400 km^2 and located in the Soum province at the following conditions:

- By paying a total of US$110,000, as US$50,000 upon signing, US$30,000 after six-month and US$30,000 on the first anniversary date;
- By issuing a total of 100,000 of the Company's common shares, as 25,000 common shares upon signing and 75,000 common shares on the first anniversary date;
- By incurring a total of US$750,000 in exploration expenses, as US$300,000 no later than November 29, 2009 and US$450,000 no later than January 15, 2010.

The vendor will retain a 3% net smelter return. The Company will have the right to purchase up to 1.5% of the net smelter return held by the vendors for US$500,000 per 0.5% net smelter return bracket for a total of US$1,500,000.

11. *EXPLORATION AND EVALUATION ASSETS (Continued)*

On April 22, 2009, the Company entered into an agreement with Swala Resources PLC ("Swala"), modified on December 6, 2009, for the development of its Arae-Gassel mining properties. Swala can acquire an interest up to 65%, over a five-year period, at the following conditions:

- By paying a total of US$300,000, as US$150,000 upon signature, US$50,000 on the first anniversary date, US$50,000 on the second anniversary date and US$50,000 on the third anniversary date;

- Swala will acquire its initial 40% interest in the project after executing a Phase 1 which comprise incurring exploration expenditures of up to US$750,000;

- By executing a Phase 2 development program which may comprise a small-scale mechanised mining and treatment operation and by concomitantly undertaking a Phase 2 exploration program with the objective to identify one or several gold deposits. If warranted by the results of Phase 2, Swala will execute a National Instrument 43-101 compliant pre-feasibility study ("PFS") within three years of the date of signature of the Agreement. Once the PFS is completed, Swala will have acquired an additional 11% interest for a total of 51%;

- Following the acquisition of a 51% interest, Swala may pursue the development of the project by executing a National Instrument 43-101 compliant bankable feasibility study ("BFS") within five years of the date of signature of the Agreement. Once the PFS completed, Swala will have acquired an additional 14% interest for a total of 65%.

As at December 31, 2009, the Company paid a total of US$110,000 and issued 800,000 common share of the Company for a total value of $31,000 respecting to two first conditions of the option agreement. In addition, the Company and Swala incurred US$795,460 in exploration and evaluation expenses, respecting the last condition of the option agreement.

Also, the Company has received the first payment of $179,356 (US$150,000) in connection with the agreement signed with Swala. The Company accounted this payment against mining properties and deferred exploration expenses for an amount of $97,114 and $82,242 respectively.

On February 18, 2010, Swala paid the last three instalments in advance, for a total of $155,461 (US$150,000) providing for a 40% interest in the mining properties. The Company applied this payment as a deduction of mining properties and an increase in consolidated earnings in the amount of $63,004 and $92,457 respectively.

On July 2, 2010, the Company signed an agreement with Swala, under which Swala acquired the residual 60% interest in the mining property by acquiring all of the shares of SearchGold Burkina Faso (SMK) SARL for a $1,417,570 share investment in Swala.

11. *EXPLORATION AND EVALUATION ASSETS (Continued)*

Guéguéré

In 2009, the Company entered into an option agreement with SOMIKA SARL enabling it to acquire 100% interest in the 500 km² area Guéguéré gold-bearing property located in the south-west part of Burkina Faso once all of the following conditions have been met:

- By paying a total of US$50,002, as US$2 upon signature, US$20,000 two years after the date of signature and US$30,000 three years after the date of signature;

- By issuing a total of 62,500 common shares of the Company, as 25,000 common shares upon signature, 12,500 common shares on the first anniversary date, 12,500 common shares on the second anniversary date and 12,500 common shares on the third anniversary date;

- By incurring a total of US$800,000 in exploration expenses, as US$400,000 on the second anniversary date and US$400,000 on the third anniversary date.

The vendor will retain a 2% net smelter return. The Company will have the right to purchase up to 1% of the net smelter return held by the vendors for US$1,000,000 per 0.5% net smelter return bracket for a total of US$2,000,000.

On December 23, 2011, the Company signed an addendum with Somika to postponed the exploration expenses requirements to January 16, 2013.

As at December 31, 2011, the Company paid an amount of $49,420 (US$50,002) and issued 62,500 common shares of the Company (25,000 in 2011; 12,500 in 2010; 12,500 in 2009) for a total value of $20,500 ($9,000 in 2011; $5,500 in 2010; $6,000 in 2009).

On January 28, 2011, the Company signed a joint venture agreement with Swala for the development of its Gueguere mining property under which Swala can acquire an interest of up to 80% at the following conditions:

- Acquisition of an initial interest of 25% upon paying the Company the sum of $49,730 (US$50,000) and agreeing to take over the exploration expenditure commitments for the two Gueguere exploration licences.

- Acquisition of an additional interest of 26% for a total of 51%, upon the completion of a Phase 1 program entailing exploration expenditures of $390,840 (US$400,000) on each of the exploration licences, for total of $795,680 (US$800,000) over the entire property, prior to March 29th 2012;

- Acquisition of an additional interest of 9% for a total of 60%, upon the completion of a Phase 2 program entailing the execution of a NI 43-101 compliant report demonstrating the existence of indicated and inferred resources. Phase 2 will be executed within such time frame and with the necessary associated expenditures to insure full compliance with the Burkina Faso Mining Code;

- Acquisition of an additional interest of 20% for a total of 80%, upon the completion of a Phase 3 program entailing the execution of a preliminary NI 43-101 compliant feasibility study followed by a bankable NI 43-101 compliant feasibility study regarding all promising sites identified on the property.

The Company will then participate in the development costs or will be diluted in proportion to its interest. Swala will be the project operator and a technical committee will be created to supervise the development work carried out on the property. Should there be a commercial start of output, both parties agree to be diluted in proportion to their respective interest through the Burkina Faso state’s non-contributing 10% interest.

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12. *PROPERTY AND EQUIPMENT*

	Property and equipment			Exploration equipment			
	Office furniture	Computer Equipment	Total	Machinery and equipment	Base camp	Total	Total
	$	$	$	$	$	$	$
Gross carrying amount							
Balance as at January 1, 2011	33,797	32,684	66,481	4,058	8,211	12,269	78,750
Additions	–	–	–	262	–	262	262
Balance as at December 31, 2011	33,797	32,684	66,481	4,320	8,211	12,531	79,012
Accumulated depreciation							
Balance as at January 1, 2011	33,797	32,684	66,481	2,701	4,128	6,829	73,310
Depreciation	–	–	–	455	872	1,327	1,327
Balance as at December 31, 2011	33,797	32,684	66,481	3,156	5,000	8,156	74,637
Carrying amount as at December 31, 2011	–	–	–	1,164	3,211	4,375	4,375

	Property and equipment			Exploration equipment			
	Office furniture	Computer Equipment	Total	Machinery and equipment	Base camp	Total	Total
	$	$	$	$	$	$	$
Gross carrying amount							
Balance as at January 1, 2010	33,797	32,684	66,481	4,058	8,211	12,269	78,750
Additions	–	–	–	–	–	–	–
Balance as at December 31, 2010	33,797	32,684	66,481	4,058	8,211	12,269	78,750
Accumulated depreciation							
Balance as at January 1, 2010	32,659	32,684	65,343	2,076	2,910	4,986	70,329
Depreciation	1,138	–	1,138	625	1,218	1,843	2,981
Balance as at December 31, 2010	33,797	32,684	66,481	2,701	4,128	6,829	73,310
Carrying amount as at December 31, 2010	–	–	–	1,357	4,083	5,440	5,440
Carrying amount as at January 1, 2010	1,138	–	1,138	1,982	5,301	7,283	8,421

All depreciation charges are included within Property and Equipment Depreciation in net earnings (loss) and all depreciation charges related to exploration and evaluation equipment used for specific projects are capitalized to exploration and evaluation assets. An amount of $1,327 ($1,843 in 2010) was capitalized as Exploration and evaluation assets during the year.

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13. *OTHER LONG-TERM FINANCIAL ASSETS*

	2011-12-31	2010-12-31	2010-01-01
	$	$	$
Common shares in private companies, at cost			
Ressources Golden Gram Gabon SARL			
Shares representing a -% interest (27% as at December 31, 2010 and 27% as at January 1, 2010) (Note 7) (a)		1	1
Swala Resources Inc.			
Shares representing a 7% interest (10% in 2010) (Note 6) (b)	755,885	1,417,570	
Common shares in a quoted companies, at fair value			
Stellar Diamonds Limited			
Shares representing a 0.8% interest (1.4% as at December 31, 2010 and 5.4% as at January 1, 2010) (c)	80,408	332,745	904,311
Golden Share Mining Corporation			
Shares representing a 2.0% interest (Note 8) (d)	160,124		
	996,417	1,750,316	904,312

(a) In May 2011, the Company sold its 27% interest as described in Note 7.

(b) The Company recognized an investment impairment of $661,685 in net earnings (loss) as Impairment of other long-term financial assets; this impairment was necessary to take account of the fair value attributed to the shares of Concordia Resource Corp. following their acquisition of all Swala Resources Inc. shares on January 16, 2012.

(c) Stellar Diamonds Limited ("Stellar") is a diamond mining exploration company.

During the year ended December 31, 2011, the Company recognized a change in fair value of investments of $200,737 in other comprehensive income of which an amount of $49,404 was reallocate to profit and loss in relation with the 300,000 shares disposed.

During the year ended December 31, 2010, the Company recognized a change in fair value of investments of $503,523 in other comprehensive income of which an amount of $162,584 was reallocate to profit and loss in relation with the 685,000 shares disposed.

(d) Golden Share Mining Corporation ("Golden Share") is a gold mining exploration company.

During the year ended December 31, 2011, the Company recognized a change in fair value of investments of $181,474 in other comprehensive income.

(in canadian dollars)

14. *TRADE AND OTHER PAYABLES*

	2011-12-31	2010-12-31	2010-01-01
	$	$	$
Due to an associate company, without interest (a)		19,708	
Others payables	396,828	321,574	352,295
Trade and other payables	396,828	341,282	352,295

(a) Transactions with a related company are described in Note 21.

15. *SHARE CAPITAL*

15.1 Share Capital

The share capital of the company consists only of fully paid common shares.

Authorized Share Capital
Unlimited number of common shares voting and participating

Consolidation of the common shares

On October 13, 2011, the shareholders of the Company approved a eight-for-one consolidation of the common shares of the Company. The common shares began trading on a consolidated basis on the TSX on November 1st, 2011. All references to shares, warrants, options and per share amounts in these consolidated financial statements are references to post-consolidation shares. As a result, comparative figures have been adjusted as if the consolidation had occured since inception.

15.2 Warrants

Outstanding warrants entitle their holder to subscribe to an equal number of common shares as follows:

	2011-12-31		2010-12-31	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	–	–	1,741,000	0.56
Expired			(1,741,000)	0.56
Balance, end of year	–	–	–	–

(in canadian dollars)

16. *EMPLOYEE REMUNERATION*

16.1 Share-based payments

The Company has adopted a stock-based compensation plan under which members of the Board of Directors may award options for common shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plan is 1,375,000.

The exercise price of each option is determined by the Board of Directors and cannot be less than the market value of the common shares on the eve of the award and the term of the options cannot be more than five years. The options are exercisable immediately.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's stock options are as follows for the reporting periods presented:

	2011-12-31		2010-12-31	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	506,250	1.20	637,500	1.20
Forfeited	(218,750)	1.18	(43,750)	1.60
Cancelled	(100,000)	1.29	(87,500)	1.20
Balance, end of year	187,500	1.14	506,250	1.20
Number of options exercisable	187,500	1.14	506,250	1.20

The table below summarizes the information related to stock options:

2011-12-31			2010-12-31		
Number of options outstanding	Weighted average exercise price	Remaining contractual average life	Number of options outstanding	Weighted average exercise price	Remaining contractual average life
	$	(years)		$	(years)
			12,500	0.80	0.02
50,000	0.96	1.48	50,000	0.96	2.48
137,500	1.20	0.68	393,750	1.20	1.04
			18,750	1.28	0.80
			25,000	1.44	1.04
			6,250	1.68	1.42
187,500	1.14	0.89	506,250	1.20	1.17

(in canadian dollars)

17. *FINANCIAL ASSETS AND LIABILITIES*

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the consolidated statement of financial position are as follows:

		2011-12-31		2010-12-31		2010-01-01	
	Notes	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$	$	$
Financial assets							
Loans and receivables							
Cash		146,693	146,693	29,877	29,877	71,343	71,343
Receivables from a private company	10					11,500	11,500
Advances to an officer	10			1,680	1,680	6,000	6,000
Advances to consultants	10	5,116	5,116			588	588
Advances to an associate						64,525	64,525
Available-for-sale financial assets							
Common shares in private companies							
Ressource Golden Gram Gabon SARL	13			1	(a)	1	(a)
Swala Resources Inc.	13	755,885	(a)	1,417,570	(a)		
Common shares in a quoted Company							
Stellar Diamond Limited	13	80,408	80,408	332,745	332,745	904,311	904,311
Golden Share Mining Corporation	13	160,124	160,124				
Financial liabilities							
Financial liabilities measured at amortized cost							
Trade and other payables	14	396,828	396,828	341,282	341,282	352,295	352,295

(a) These equity interests are measured at cost less any impairment loss, because at this time the fair value cannot be reasonably determined.

The carrying value of cash, receivables from a private company, advances to an officer and to consultants, advance to an associate and trade and other payables are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

See Note 4.4 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 23.

17. *FINANCIAL ASSETS AND LIABILITIES (Continued)*

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. 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 within 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 assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Common shares in quoted companies are classified under level 1, that is valuation based on active market price in determining fair value.

The fair value of the common shares in quoted mining exploration companies was determined by reference to the quoted bid prices at the reporting date.

There have been no transfers between Levels 1 and 2 in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

18. *NET EARNINGS (LOSS) PER SHARE*

The calculation of basic net earning (loss) per share is based on the net earnings (loss) for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted net earnings (loss) per share, potential dilutive ordinary shares such as share options and warrants have not been included as they would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 15 and 16.

Both the basic and diluted loss per share have been calculated using the net earnings (loss) as the numerator, i.e. no adjustment to the net earnings (loss) was necessary in 2011 and 2010.

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19. *INCOME TAXES*

Relationship between expected tax expense and accounting net earnings (loss)

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive income can be reconciled as follows:

	2011-12-31	2010-12-31
	$	$
Expected taxes revovery calculated using the combined federal and provincial income tax rate in Canada of 28.40% (29.90% as at December 31, 2010)	(420,760)	304,890
Adjustments for the following items:		
Impact of change in tax rates	20,689	(14,090)
Prior period adjustments	(14,935)	
Portion of capital loss not deductible		(211,916)
Recognition of tax attributes not previously benefited	384,359	
Unrecognition of tax attributes not previously benefited		(135,711)
Non-deductible expenses and other	30,647	56,827
Income tax expense	–	–

Deferred tax assets and liabilities

The Company has the following timing differences:

	2011-12-31		2010-12-31		2010-01-01	
	Federal	Provincial	Federal	Provincial	Federal	Provincial
	$	$	$	$	$	$
Exploration and evaluation assets	320,748	320,748	320,748	320,748	193,933	193,933
Property and equipment	63,592	57,027	63,592	57,027	62,454	55,889
Other long-term financial assets	4,315,395	4,315,395	4,718,023	4,718,023	5,390,019	5,390,019
Issuance costs of equity instruments	29,497	29,497	73,928	73,928	162,984	162,984
Capital losses	2,440,548	2,440,548	98,152	98,152	338,518	338,518
Non-capital losses carried forwards	4,389,166	4,129,476	3,719,160	3,459,954	3,551,728	3,299,055
	11,558,946	11,292,691	8,993,603	8,727,832	9,699,636	9,440,398

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, no deferred tax assets have been recognized, these deferred tax assets not recognized equal an amount of $2,169,118 as at December 31, 2011 ($1,739,996 as at December 31, 2010 and $1,807,983 ast at January 1st, 2010).

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19. *INCOME TAXES (Continued)*

The Company has non-capital losses of $4,389,166 which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the consolidated statement of financial position, that can be carried over the following years:

	Federal	Provincial
	$	$
2013	157,429	70,776
2014	610,615	550,745
2025	1,040,877	1,021,128
2026	557,157	509,318
2028	958,736	937,235
2029	226,914	210,648
2030	183,490	183,491
2031	653,948	646,135
	4,389,166	4,129,476

Nature of evidence supporting recognition of deferred tax assets

In assessing the recoverability of deferred tax assets, the Company's management determines, at each balance sheet date, whether it is probable that the amount recognized will be realized. This determination is based on the Company management's quantitative and qualitative assessments and the weighting of all available evidence, both positive and negative. Such evidence included, notably, the scheduled reversal of deferred tax liabilities, projected future taxable income, and the implementation of tax planning strategies. Generally, since the Company is still in the exploration and evaluation stage of development, no deferred tax assets have been recognized.

20. *ADDITIONAL INFORMATIONS – CASH FLOWS*

The changes in working capital items are detailed as follows:

	2011	2010
	$	$
Other receivables	(21,176)	27,107
Prepaid expenses	(828)	(1,435)
Trade and other payables	75,254	20,074
	53,250	45,746

Additional disclosures regarding cash flows that did not result in a cash outflow:

	2011	2010
Exploration and evaluation assets	$	$
Shares issued for the acquisition of mining rights	9,000	5,500
Exploration equipment depreciation	1,327	1,843

(in canadian dollars)

21. *RELATED PARTY TRANSACTIONS*

The Company's related parties include its joint key management and directors as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

21.1. Transactions with key management personnel and directors

Remuneration of the key management personnel, that is, the President, the Vice-President Finance, the Vice-President Exploration and the directors, includes the following expenses

	2011-12-31	2010-12-31
	$	$
Management fees	83,457	23,750
Professional services (a)	191,551	150,420
	275,008	174,170

(a) In professional services, there is an amount of $117,130 ($105,420 in 2010) was recovered in relation to services rendered for the Araé-Gassel project.

During the reporting periods, key management personnel did not exercise any stock options.

22. *CAPITAL MANAGEMENT POLICIES AND PROCEDURES*

The Company’s capital management objectives are:

– to ensure the Company’s ability to continue as a going concern;
– to increase the value of the assets of the business; and
– to provide an adequate return to Shareholders

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in the consolidated statement of changes in equity.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce liabilities.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

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23. *FINANCIAL INSTRUMENT RISKS*

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 16. The main types of risks the Company is exposed are credit risk, liquidity risk and market risk. The Company does not use financial assets for speculative purposes.

No change were made in the objectives, policies and processes related to financial instrument risk management during the reported periods.

The most significant financial risks to which the Company is exposed are described below.

23.1 Credit risk analysis

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	2011-12-31	2010-12-31
	$	$
Cash	146,693	29,877
Advances to an officer		1,680
Advances to consultants	5,116	
	151,809	31,557

The Company has no trade accounts. The receivables are mainly receivables from advances to an officer and to consultants. The exposure to credit risk for the Company's receivables is considered immaterial. The Company continuously monitors defaults of counterparties. No impairment loss has been accounted for the periods presented.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk regarding cash is considered to be negligible because the counterparties are reputable banks with an investment grade external credit rating.

23.2 Liquidity risk analysis

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company.

Over the past period, the Company has financed its exploration and evaluation expense commitments, its working capital requirements and acquisitions through private financings.

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23. *FINANCIAL INSTRUMENT RISKS (Continued)*

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	Within three months	
	2011-12-31	2010-12-31
	$	$
Trade accounts	396,828	321,574
Due to an associate company, without interest		19,708
Total	396,828	341,282

23.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following three type of market risks: currency risk, interest risk and other price risk.

Currency risk

Currency risk is the risk that the faire value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk as a result of its transactions denominated in foreing currency.

As at December 31, 2011, there were no trade and others payables denominated in foreign currency (US$100,000 as $99,800 as at December 31, 2010 and US$45,200 as $47,433 as at January 1st, 2010).

The Company does not enter into arrangements to hedge its foreign exchange risk.

An increase or decrease of 10% in the exchange rate of the foreign currency in relation to the Canadian dollar would not have had an impact on net earnings (loss) for the year ended December 31, 2011 (impact of $10,000 on net earnings (loss) for the year ended December 31, 2010).

Interest rate risk

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

The Company is not exposed to a significant interest rate risk since the Company has no credit facility.

Only the interest revenue arising from the balance of operating cash accounts is therefore subject to interest rate fluctuations.

Based on the balances outstanding as at December 31, 2011, and 2010 a 1% increase (decrease) in the interest rate index would have no significant impact on earnings.

23. *FINANCIAL INSTRUMENT RISKS (Continued)*

Other price risk

The Company is exposed to fluctuation in the market prices of its investments in quoted mining companies. The fair value of the investments in quoted companies represents the maximum exposure to price risk.

As of December 31, 2011, a 10% decrease (increase) in the closing price on the stock market would have had an impact of $24,000 ($33,000 as at December 31, 2010) on net earnings (loss).

24. *FIRST-TIME ADOPTION OF IFRS*

These are the Company's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS for the Company is January 1, 2010.

The Company's accounting policies presented in Note 4 have been applied in preparing the consolidated financial statements for the reporting period ended December 31, 2011, the comparative information and the opening consolidated statement of financial position at the date of transition.

The Company has applied IFRS 1, First time adoption of International Financial reporting standards, in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

24.1 First-time adoption – exemptions applied

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

Mandatory exceptions

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets and liabilities that had been de-recognized before January 1, 2010 under Canadian GAAP have not been recognized under IFRS. The Company early adopted the amendment to IFRS 1 in this respect for the application date of the exception, that is January 1, 2010.

Optional exemptions

The Company has chosen not to apply IFRS 2, Share-based Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

The Company has elected not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occured before the date of transition.

(in canadian dollars)

24. *FIRST-TIME ADOPTION OF IFRS (Continued)*

24.2 Reconciliation of equity

Equity at the date of transition and at December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Note	2010-12-31	2010-01-01
		$	$
Equity under pre-change accounting standards	15.1	3,998,182	3,313,921
Increase (decreases) in equity reported in accordance with pre-change accounting standards, as a result of the differences between pre-change accounting standards and IFRS		–	–
Equity under IFRS		3,998,182	3,313,921

24.3 Reconciliation of comprehensive income

Total comprehensive income for the reporting period ended December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	2010-12-31
	$
Comprehensive income under pre-change accounting standards	678,761
Increases (decreases) in total comprehensive loss reported in accordance with pre-change accounting standards, as a result of the differences between pre-change accounting standards and IFRS	–
Total comprehensive income under IFRS	678,761

24.4 Presentation differences

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

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The following tables list the total effect on the financial position :

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	December 31, 2010 Previous GAAP	December 31, 2010 Effect of transition to IFRSs	December 31, 2010 IFRSs	January 1, 2010 Previous GAAP	January 1, 2010 Effect of transition to IFRSs	January 1, 2010 IFRSs	IFRS description
		$	$	$	$	$	$	
ASSETS								***ASSETS***
Current assets								**Current**
Cash		29,877		29,877	71,343		71,343	Cash
Amounts receivable		7,013		7,013	34,120		34,120	Other receivables
						64,525	64,525	Advance to an associate, without interest, payable on demand
Prepaid expenses		9,577		9,577	8,142		8,142	Prepaid expenses
		46,467	–	46,467	113,605	64,525	178,130	
								Non-current
Plant and equipment			5,440	5,440	1,138	7,283	8,421	Property and equipment
Exploration plant and equipment		5,440	(5,440)		7,283	(7,283)		
	24.5 b)		2,314,465	2,314,465		2,354,541	2,354,541	Exploration and evaluation assets
Mining properties	24.5 b)	11,500	(11,500)		76,400	(76,400)		
Deferred exploration expenses	24.5 b)	2,302,965	(2,302,965)		2,278,141	(2,278,141)		
	24.5 b)		222,776	222,776		220,812	220,812	Investment accounted for using the equity method
Investments in mining exploration companies	24.5 b)	1,973,092	(222,776)	1,750,316	1,189,649	(285,337)	904,312	Other long-term financial assets
		4,339,464	–	4,339,464	3,666,216	–	3,666,216	**Total assets**
LIABILITIES								***LIABILITIES***
Current liabilities								Current
Accounts payable and accrued liabilities	24.5 b)	321,574	19,708	341,282	352,295		352,295	Trade and other payables
Du to Golden Share Mining Corporation, without interest and repayment terms	24.5 b)	19,708	(19,708)					
		341,282	–	341,282	352,295	–	352,295	**Total liabilities**
SHAREHOLDERS' EQUITY								***EQUITY***
Capital stock	24.5 (a)	17,887,122		17,887,122	17,881,622		17,881,622	Share Capital
Contributed surplus	24.5 (a)	3,578,782		3,578,782	3,578,782		3,578,782	Contributed surplus
Deficit	24.5 (a)	(17,126,783)		(17,126,783)	(18,146,483)		(18,146,483)	Deficit
Accumulated of other comprehensive loss		(340,939)		(340,939)				Accumulated of other comprehensive loss
		3,998,182	–	3,998,182	3,313,921	–	3,313,921	**Total equity**
		4,339,464	–	4,339,464	3,666,216	–	3,666,216	**Total liabilities and equity**

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The following table shows the total effect of the transition on the consolidated statement of comprehensive loss :

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	December 31, 2010 Previous GAAP	Effect of transition to IFRSs	IFRSs	IFRS description
		$	$	$	
Management fees		27,500		27,500	Management fees
Professional services		222,794		222,794	Professional services
Travel and entertainment		13,065	(13,065)		
Investors related fees		11,033		11,033	Investors related fees
Corporate development		4,320	(4,320)		
Registration and listing fees		37,532		37,532	Regulatory fees
Telecommunication	24.5 c)	5,784	(5,784)		
Rental expenses	24.5 c)	21,185	(21,185)		
Office supplies	24.5 c)	4,224	(4,224)		
Taxes, interests and bank charges	24.5 c)	23,987	(23,987)		
Insurance	24.5 c)	8,369	(8,369)		
Amortization of plant and equipment		1,138		1,138	Property and equipment depreciation
	24.5 c)		58,042	58,042	Other expenses
	24.5 c)		(9,686)	(9,686)	Losses (gains) from exchange differences
			(105,420)	(105,420)	Expenses recovered
	24.5 c)		(92,457)	(92,457)	Gain on disposal of exploration and evaluation assets
	24.5 c)		63,809	63,809	Write-off of exploration and evaluation assets
		380,931	(166,646)	214,285	**Operating loss**
Gain on disposal of an interest in a subsidiary shares		(1,417,497)		(1,417,497)	Gain on disposal of a subsidiary's shares
Loss on available for sale assets reclassified as other comprehensive income global		162,584		162,584	Loss on available for sale assets recycled in net earnings (loss)
Gain on dilution of an interest in a company subject to significant influence		(28,212)		(28,212)	Gain on dilution from equity-accounted investments
Interest in a company subject to significant influence		26,248		26,248	Share of loss from equity-accounted investments
Write-off of mining properties	24.5 c)	7,394	(7,394)		
Write-off of deferred exploration expenses	24.5 c)	56,415	(56,415)		
Options revenue	24.5 c)	(92,457)	92,457		
Exchange gain	24.5 c)	(9,686)	9,686		
Recovered fees	24.5 c)	(105,420)	105,420		
	24.5 c)		22,892	22,892	Financial fees
Net earnings		1,019,700	–	1,019,700	**Net earnings**

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The following table shows the total effect of the transition on the consolidated statement of comprehensive loss :

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	December 31, 2010 Previous GAAP	Effect of transition to IFRSs	IFRSs	IFRS description
		$	$	$	
Other comprehensive loss					**Other comprehensive loss**
					Available-for-sale financial assets
Change in fair value of an investment in a mining			503,523	503,523	Current period gains (losses)
exploration company		340,939	(503,523)	(162,584)	Reclassification to loss
		340,939	–	340,939	
Comprehensive income		678,761	–	678,761	**Total comprehensive income**
		$	$	$	
Net earnings per share					**Net earnings per share**
Basic and diluted net loss per share		0.05	–	0.05	Basic and diluted net loss per share

24. *FIRST-TIME ADOPTION OF IFRS (Continued)*

24.5 Notes to reconciliation

(a) Share-based payments

Pursuant to IFRS 2, each portion of an award with graded vesting options must be considered as a separate award with its own vesting date and fair value and must be recognized on that basis. Additionally, under IFRS, entities are required to estimate awards that are expected to vest and to revise that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates.

Under Canadian GAAP, the entity can consider the entire award as a group, determine the fair value using the average term of the instruments and then recognize the compensation expense on a straight-line basis over the vesting period. Additionally, under Canadian GAAP, forfeitures must be recognized as they occur.

As at January 1, 2010 and as at December 31, 2010, no adjustment was required as all options had vested and all awards during the periods had vested at the award date.

(b) Consolidated statement of Financial position

Mining sites and deferred exploration expenses

Under the pre-changeover accounting standards, mining sites and deferred exploration expenses were presented separately in long-term assets. Under IFRS, they are presented in non-current assets under Exploration and evaluation assets.

Advance to an associate company

Under the pre-changeover accounting standards, the advance to an associate company was presented in long-term assets under Investments in mining exploration companies. Under IFRS, it is presented separately in current assets.

Investments in mining exploration companies

Under the pre-changeover accounting standards, the shares own in Golden Share Mining Corporation were presented in long term assets under Investments in mining exploration companies. Under IFRS, there are presented in non-current assets as an Investment accounted for using the equity method.

Due to an associate company

Under the pre-changeover accounting standards, the due to an associate company was presented separately in current liabilities. Under IFRS, it is presented in current liabilities under trade and other payables.

24. *FIRST-TIME ADOPTION OF IFRS (Continued)*

(c) Consolidated statement of Comprehensive Loss

Change of presentation

In order to simplify the information presented in the consolidated statement of comprehensive income, the Company decided to combine the following expenses under Other expenses in the IFRS financial statements.

- Entertainment and travel
- Corporate development
- Telecommunications
- Rental expenses
- Office supplies
- Taxes, interest and bank charges
- Insurance

Interest

Under the pre-changeover accounting standards, interest was presented in taxes, interest and bank charges under administrative expenses. Under IFRS, they are presented separately in net earnings (loss) under financial fees.

Exchange gains

Under the pre-changeover accounting standards, exchange gains were presented under other expenses. Under IFRS, they are presented in net earnings (loss) under Losses (gains) from exchange differences.

Write-off of mining sites and deferred exploration expenses

Under the pre-changeover accounting standards, the write-off of mining sites and deferred exploration expenses were presented separately under other expenses. Under IFRS, they are combined in net earnings (loss) under impairment of exploration and evaluation assets.

Option revenue

Under the pre-changeover accounting standards, option revenue was presented under other expenses. Under IFRS, it is presented in net earnings (loss) under gain on disposal of exploration and evaluation assets.

Expenses recovered

Under the pre-changeover accounting standards, expenses recovered were presented under Administrative expenses. Under IFRS, they are presented separately in net earnings (loss).

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24. *FIRST-TIME ADOPTION OF IFRS (Continued)*

(c) Restatement of previous GAAP

For the year ended December 31, 2010, the Company realized a sale of available for sale financial assets on which a loss of $162,584 should have been reclassified to earnings. The previous GAAP consolidated statements of earnings and deficit have been amended and restated as follows :

	Year ended December 31 2010	Adjustment	Restated Year ended December 31 2010
	$	$	$
Loss on available for sale assets reclasified to net earnings		162,584	162,584
Net earnings	1,182,284	(162,584)	1,019,700
Deficit	(16,964,199)	(162,584)	(17,126,783)
Accumulated other comprehensive income	(503,523)	162,584	(340,939)
Net earnings per share			
Basic and diluted	0.06	(0.01)	0.05

24.6 Consolidated statement of cash flows

Under pre-change accounting standards, interest paid and received were presented through the notes. Under IFRS, interests are classified to investing and financing activities. There are no other material adjustments to the consolidated statement of cash flows. The components of cash under pre-change accounting standards are similar to those presented under IFRS.

25. *SUBSEQUENT EVENT*

In March 2012, the Company completed a private placement for $500,000. The Company issued 10,000,000 common shares of the Company at a price of $0.05 per share.