Trueclaim Exploration Inc.
(“an Exploration Stage entity”)

Consolidated Financial Statements
December 31, 2011

April 27, 2012

Independent Auditor's Report

To the Shareholders of
Trueclaim Exploration Inc.

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

Management's responsibility for the consolidated financial statements

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

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 audits 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 risk 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, Chartered Accountants
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Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Trueclaim Exploration Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statement of Financial Postition

As at December 31, 2011, December 31, 2010 and January 1, 2010

(expressed in Canadian dollars)

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents	579,817	989,047	1,009,157
Receivables	85,076	112,401	46,004
Prepaid expenses	19,386	53,497	25,763
	684,279	1,154,945	1,080,924
Non-current assets			
Fixed assets (note 4)	16,037	2,886	3,322
Intangible assets (note 5 and 10)	5,036,656	3,012,392	1,829,701
	5,736,972	4,170,223	2,913,947
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	665,162	293,735	202,424
Other liabilities (note 6e)	259,733	418,206	409,132
Advance on private placement (note 14)	855,000	-	-
	1,779,895	711,941	611,556
Shareholders' Equity			
Share capital (note 6)	6,647,549	5,253,576	2,534,727
Contributed surplus (note 7c)	1,074,313	563,989	535,351
Warrants (note 6)	324,162	418,917	438,986
Accumulated deficit	(4,088,947)	(2,778,200)	(1,206,673)
	3,957,077	3,458,282	2,302,391
	5,736,972	4,170,223	2,913,947

Going concern (note 1)

Commitments (note 11)

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

Approved by the Board of Directors

"Luard Manning" Director "John Carter" Director

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2011 and December 31, 2010

(expressed in Canadian dollars)

	2011 $	2010 $
Expenses		
Administrative expenses	613,676	450,960
Management fees (note 10)	499,323	385,267
Professional fees (note 10)	214,256	208,497
Share based payments (note 10)	250,356	87,254
Travel	138,664	116,105
Amortization	2,927	1,236
Impairment of intangible assets (note 5)	-	696,450
Loss and comprehensive loss before taxes	(1,719,202)	(1,945,769)
Deferred income tax recovery (note 8)	408,455	374,242
Net loss and comprehensive loss for the year	(1,310,747)	(1,571,527)
Net loss per share (note 2)		
Basic	(0.02)	(0.03)
Diluted	(0.02)	(0.03)
Weighted average number of basic and diluted common shares	73,212,853	52,268,935

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

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and December 31, 2010

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Warrants $	Accumulated deficit $	Total equity $
Balance - January 1, 2011	5,253,576	563,989	418,917	(2,778,200)	3,458,282
Net loss and comprehensive loss for the year	-	-	-	(1,310,747)	(1,310,747)
Share options exercised	50,290	(39,751)	15,621	-	26,160
Share options granted	-	250,356	-	-	250,356
Expired warrants (net of tax)	-	275,501	(314,858)	-	(39,357)
Private placement	659,181	-	161,526	-	820,707
Flow through unit issuance	396,527	24,218	42,956	-	463,701
Shares issued for mining properties	287,975	-	-	-	287,975
Balance - December 31, 2011	6,647,549	1,074,313	324,162	(4,088,947)	3,957,077
Balance - January 1, 2010	2,534,727	535,351	438,986	(1,206,673)	2,302,391
Net loss and comprehensive loss for the year	-	-	-	(1,571,527)	(1,571,527)
Options and warrants exercised	1,934,534	(130,395)	(175,791)	-	1,628,348
Share options granted	-	140,336	-	-	140,336
Warrants issued	-	-	54,739	-	54,739
Expired warrants (net of tax)	-	18,697	(18,697)	-	-
Flow through unit issuance	569,315	-	119,680	-	688,995
Shares issued for mining properties	215,000	-	-	-	215,000
Balance - December 31, 2010	5,253,576	563,989	418,917	(2,778,200)	3,458,282

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

Trueclaim Exploration Inc. ("an Exploration Stage entity")

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and December 31, 2010

(expressed in Canadian dollars)

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	(1,310,747)	(1,571,527)
Adjustments for:		
Amortization	2,927	1,236
Share based payments	250,356	87,254
Income taxes	(408,455)	(374,242)
Impairment of intangible assets (note 5)	-	696,450
Changes in items of working capital:		
Receivables	27,325	(66,397)
Prepaid expenses	34,111	(27,731)
Trade payables and accrued liabilities	335,754	91,311
	(1,068,729)	(1,163,646)
Investing activities		
Intangible assets	(1,700,617)	(1,664,141)
Purchase of fixed assets	(16,078)	(800)
	(1,716,695)	(1,664,941)
Financing activities		
Net proceeds on issuance of units	1,495,035	1,125,389
Net proceeds on exercise of warrants and options	26,159	1,683,088
Advance on private placement	855,000	-
	2,376,194	2,808,477
Decrease in cash and cash equivalents	(409,230)	(20,110)
Cash and cash equivalents - Beginning of year	989,047	1,009,157
Cash and cash equivalents - End of year	579,817	989,047
Supplemental operating cash flow information		
Income taxes paid	-	-
Interest paid	-	-

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

(expressed in Canadian dollars)

1 Nature of operations and going concern

Trueclaim Exploration Inc. (the "Company") is a Canadian company which is engaged in the acquisition, exploration and evaluation of resource properties in Canada and the United States. The Company has not yet determined whether its mining properties contain reserves that are economically recoverable. The recoverability of the amounts shown as intangible assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to fund costs to complete the exploration and evaluation of its properties, and upon future profitable production or proceeds from the disposal of properties.

The consolidated financial statements of the Company have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material. During the year ended December 31, 2011, the Company reported a net loss of $1,310,747 (2010 - $1,571,527) and a deficit of $4,088,947 as at that date (2010 - $2,778,200). These circumstances may lend significant doubt as to the ability of the Company to continue operations into the foreseeable future as a going concern and, accordingly, the ultimate appropriateness of the use of reporting standards applicable to a going concern. Management has obtained financing through the issuance of new equity instruments from third parties for the Company to continue its operations and, while it has been successful in raising funds in the past, there can be no assurance that the Company will be able to do so in the future should additional funding be needed. Without such additional funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

Although management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

The Company is a public company which is listed on the TSX Venture Exchange (the "Exchange"). The address of its registered office is One London Place, 255 Queens Avenue, Suite 1000, London, Ontario N6A 5R8.

In 2010, the Canadian Institute of Chartered Accountants ("CICA") Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in its consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). Subject to certain transition elections disclosed in note 3, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 3 discusses the impact of the transition to IFRS on the Company's

(expressed in Canadian dollars)

reported equity as at January 1, 2010 and December 31, 2010 and comprehensive income for the year ended December 31, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010 prepared under Canadian GAAP.

The financial statements were approved by the board of directors for issue on April 27, 2012.

2 Summary of significant accounting policies and significant judgements and estimates

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

Consolidation

The financial statements of the Company consolidate the accounts of Trueclaim Exploration Inc. and its subsidiaries, Trueclaim Resources Inc. and Trueclaim Resources (US) Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks.

Fixed assets

Fixed assets are stated at cost less accumulated amortization and impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

(expressed in Canadian dollars)

The major categories of fixed assets are amortized on a declining balance as follows:

Computer Equipment	30%

Intangible Assets

The Company records its interests in mining properties and areas of geological interest at cost as intangible assets in the consolidated statements of financial position. Each individual mining property is defined as a cash generating unit. Exploration and evaluation costs relating to these interests and projects are capitalized until the properties to which they relate are placed into production, sold or allowed to lapse. During the year ended December 31, 2011, $2,024,264 (2010 - $1,879,141) of costs were incurred for exploration, evaluation and acquisitions of mining properties. Management reviews the carrying values of intangible assets on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production, or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers at an agreed upon date.

The fair value of the tax benefit received by the subscriber is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

Income Tax

Current income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(expressed in Canadian dollars)

Deferred income taxes

Deferred tax assets and liabilities represent income taxes expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets also represent income taxes expected to be recoverable on unclaimed losses carried forward.

Deferred taxes are calculated using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, with some exceptions described below. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Neither deferred tax liabilities, nor deferred tax assets, are recognized as a result of temporary differences that arise from the initial recognition of goodwill or a transaction, other than a business combination, that affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax asset and liabilities are measured using the enacted or substantively enacted tax rates as of the balance sheet date that are expected to be in effect when the differences reverse or when unclaimed losses are utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for asset recognition, a deferred tax asset is recognized.

Deferred tax is recognized in the consolidated statements of loss and comprehensive loss, unless it relates to items recognized directly in equity, in which case the deferred tax related to those items is also recognized directly in equity.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. During the years ended December 31, 2011 and 2010, all of the outstanding stock options and warrants were antidilutive.

(expressed in Canadian dollars)

Share capital

Non-monetary consideration

Shares issued as purchase consideration in non-monetary transactions are recorded at the fair value of the consideration received by the Company.

Shares issued to non-employees are recorded at the fair value of the goods and services received by the Company.

Stock-based compensation

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock-based payment transactions, whereby they render services as consideration for equity instruments. These amounts are recorded at the fair value of the equity instrument granted.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital.

Significant accounting judgments and estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the consolidated financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant estimates relate to determining the fair value of share based payments to non-employees and impairment testing of the Company's intangible assets. During the year, $538,331 (2010 - $302,254) was recorded as share based payments and either capitalized to intangible assets or expensed in the statement of loss and comprehensive loss.

Financial instruments

All financial assets are initially classified into one of four categories: fair value through profit and loss, available for sale, loans and receivables and amortized cost.

Financial assets classified as loans-and-receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment. The Company's cash and cash equivalents and receivables are classified as loans-and-receivables.

Financial liabilities at amortized cost consist of trade payables and accrued liabilities and advance on private placement. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method.

(expressed in Canadian dollars)

Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

i) IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. The amendment is applicable for annual periods being on or after January 1, 2005, with earlier application permitted.

   Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS39, *Financial Instruments - Recognition and Measurement,* except that fair value through profit and loss are generally recorded in other comprehensive income.

ii) IFRS 12, *Disclosure of Interest in Other Entities,* establishes disclosure requirements for interest in other entities, such as subsidiary, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interest in other entities.

iii) IFRS 13, *Fair Value Measurement,* is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

iv) IFRS 7, *Financial Instruments: Disclosures,* has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

v) IAS 1, *Presentation of Financial Statements,* has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may not be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

(expressed in Canadian dollars)

3 Transition to IFRS

The effect of the Company's transition to IFRS, as described in note 1, is summarized as follows:

i) Transition elections
ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS

i) Transition elections
The Company has applied the following transition exemptions to full retrospective application of IFRS:

- To apply the requirements of IFRS3, Business Combinations, prospectively from January 1, 2010

- To apply the requirements of IFRS 2, Share based payments, only to equity instruments granted after November 7, 2002 which had not vested as of January 1, 2010.

ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS

	December 31, 2010 $	January 1, 2010 $
Equity		
Equity as reported under Canadian GAAP	3,876,488	2,711,523
IFRS adjustments increase (decrease) flow-through share financing	(418,206)	(409,132)
Equity as reported under IFRS	3,458,282	2,302,391

	December 31, 2010
Comprehensive loss	
As reported under Canadian GAAP	(1,475,497)
Increase in net loss for: Income tax	(96,030)
As reported under IFRS	(1,571,527)

(expressed in Canadian dollars)

	December 31, 2010			January 1, 2010		
	CDN GAAP $	Adjustments $	IFRS $	CDN GAAP $	Adjustments $	IFRS $
Assets						
Current assets						
Cash and cash equivalents	989,047	-	989,047	1,009,154	-	1,009,154
Receivables	112,401	-	112,401	46,004	-	46,004
Prepaid expenses	53,497	-	53,497	25,766	-	25,766
	1,154,945	-	1,154,945	1,080,924	-	1,080,924
Non-current assets						
Fixed assets	2,886	-	2,886	3,322	-	3,322
Intangible assets	3,012,392	-	3,012,392	1,829,701	-	1,829,701
	4,170,223	-	4,170,223	2,913,947	-	2,913,947
Liabilities						
Trade payables and accrued liabilities	293,735	-	293,735	202,424	-	202,424
Other liabilities	-	418,206	418,206	-	409,132	409,132
	293,735	418,206	711,941	202,424	409,132	611,556
Equity						
Share capital	5,465,338	(211,762)	5,253,576	2,747,862	(213,135)	2,534,727
Contributed surplus	563,989	-	563,989	535,351	-	535,351
Warrants	529,331	(110,414)	418,917	634,983	(195,997)	438,986
Accumulated deficit	(2,682,170)	(96,030)	(2,778,200)	(1,206,673)	-	(1,206,673)
	3,876,488	(418,206)	3,458,282	2,711,523	(409,132)	2,302,391
	4,170,223	-	4,170,223	2,913,947	-	2,913,947

(expressed in Canadian dollars)

	CDN GAAP $	December 31, 2010 Adjustments $	CDN IFRS $
Expenses			
Administrative expenses	450,960	-	450,960
Management fees	385,267	-	385,267
Professional fees	208,497	-	208,497
Share based payments	87,254	-	87,254
Travel	116,105	-	116,105
Amortization	1,236	-	1,236
Impairment of intangible assets	696,450	-	696,450
Loss and comprehensive loss before taxes	(1,945,769)	-	(1,945,769)
Income tax recovery	470,272	(96,030)	374,242
Net loss and comprehensive loss	(1,475,497)	(96,030)	(1,571,527)

Explanatory note

Upon transition to IFRS, there was a reclassification of share capital of $213,135 and warrants of $195,997 to other liabilities as at January 1, 2010 due to a difference in accounting treatment for flow-through units. There was a reclassification of share capital of $211,762, warrants of $110,414 and accumulated deficit of $96,030 to other liabilities as at December 31, 2010. There was a reduction in income tax recovery of $96,030 for the year ended December 31, 2010.

(expressed in Canadian dollars)

4 Fixed assets

	Computer equipment $
Cost	
As at January 1, 2010	4,206
Additions	800
Disposals	-
As at December 31, 2010	5,006
Additions	16,078
Disposals	-
As at December 31, 2011	21,084
Accumulated amortization	
As at January 1, 2010	884
Expense for the year	1,236
As at December 31, 2010	2,120
Expense for the year	2,927
As at December 31, 2011	5,047
Net book value	
As at December 31, 2010	2,886
As at December 31, 2011	16,037

5 Intangible assets

	Mineral properties $
Cost	
As at January 1, 2010	1,829,701
Additions	1,879,141
Disposals	-
As at December 31, 2010	3,708,842
Additions	2,024,264
Disposals	-
As at December 31, 2011	5,733,106
Impairment	
As at January 1, 2010	-
Expense for the year	(696,450)
As at December 31, 2010	(696,450)
Expense for the year	-
As at December 31, 2011	(696,450)
Net book value	
As at December 31, 2010	3,012,392
As at December 31, 2011	5,036,656

(expressed in Canadian dollars)

Mineral Properties	2011 $	2010 $
Sandeb mining property	-	-
Scadding area mining properties	4,426,189	2,902,924
Black Diamond mining property	403,168	109,468
Linear mining property	78,627	-
Berry-Desboues Township mining property	37,341	-
Hebecourt Township mining property	20,118	-
Boston Township mining property	49,288	-
Cook/Guibord Townships mining property	21,925	-
	5,036,656	3,012,392

Sandeb mining property

There has been no active exploration performed on Sandeb in over two years. As such, management assessed that the property is unable to generate future cash flows and accordingly has assessed an impairment charge of $658,635 during the year ended December 31, 2010.

Scadding area mining properties

The Company has an in interest in leases and mineral property claims which are contiguous in the area of Scadding, Ontario. These leases/claims were acquired for gold exploration purposes.

The leased property consists of an option to earn a 51% interest in certain provincial mining leases and mineral claims located in the district of Sudbury in the province of Ontario. The Scadding claims were acquired by management for gold exploration purposes, and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an aggregate of 2,000,000 common shares in installments of 500,000 shares every six months over a period of two years with the first issuance due February 13, 2010. The first two installments of the shares were issued during 2010, and the third and fourth installments were issued during the year.

2. The Company must issue an aggregate of 300,000 common shares in installments of 150,000 shares over a period of three years with the first issuance due May 5, 2010 and the second issuance on or before May 5, 2012. The first installment of these shares was issued during 2010 and the second installment was issued during the year.

3. The Company must incur an aggregate of $2,000,000 in cash exploration costs. This requirement was met during the year ended December 31, 2010.

(expressed in Canadian dollars)

The Company can increase its interest in the Scadding claims from 51% to 100% by paying $2,000,000 in cash on or before commencement of commercial production on the Scadding area mining properties. The Scadding claims are subject to a $1.00 per ton royalty covering ore removed from the property and a 3% net smelter return ("NSR") royalty. Included in the Scadding mining properties are several staked properties that have been registered with the Ontario Ministry of Natural Resources.

On February 10, 2010, the Company issued 50,000 common shares and paid $12,500 for an option on approximately 4,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 300,000 common shares in the following installments: 100,000 common shares at or before January 16, 2011, which were issued during the year, and 200,000 common shares at or before January 16, 2012.

The Company issued 100,000 common shares for an option on approximately 17,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 700,000 common shares in the following installments; 200,000 common shares at or before July 23, 2011, 200,000 common shares at or before July 23, 2012 and 300,000 common shares at or before July 23, 2013. The first installment of shares was issued during the year.

2. The Company must make cash payments of $100,000 in the following installments: $20,000 on or before July 23, 2011, $30,000 on or before July 23, 2012 and $50,000 on or before July 23, 2013. The first installment was made during the year.

The Company determined that an optioned parcel of the Scadding mining area properties would not be pursued and assessed an impairment charge of $37,815 during the year ended December 31, 2010 in respect of costs incurred. The Company reviewed the impairment at December 31, 2011 and believes that the impairment is accurate.

Black Diamond Mining Property

The Company has an option to acquire a 100% working interest in a mineral property option in the area of Gila County, Arizona. These claims were acquired for mineral exploration purposes.

The Black Diamond property is subject to a 10% NSR royalty, which can be reduced to 1% subject to the Company completing a series of payment requirements to the claim holder. The Company issued 200,000 common shares and paid $25,000 for the options and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 600,000 common shares in the following installments: 200,000 on or before May 19, 2011, 200,000 on or before May 19, 2012 and 200,000 on or before May 19, 2013. The first installment of shares was issued during the year.

(expressed in Canadian dollars)

2. The Company must make additional cash payment of $825,000 USD in the following installments; $25,000 USD is due on or before May 19, 2011, $100,000 USD is due on or before November 19, 2011, $200,000 USD on or before May 19, 2012 and $500,000 USD on or before May 19, 2013. The first two installments were made during the year.

3. The Company must incur an aggregate of $1,500,000 USD in cash exploration costs; $1,000,000 USD of which must be incurred on or before May 19, 2012 and a further $500,000 must be incurred on or before May 19, 2013. As of December 31, 2011, the Company has incurred costs of $226,684.

Linear Mining Property

The Company has an option to acquire a 100% working interest in mineral property claims in the area of Gander, Newfoundland. These claims were acquired for mineral exploration purposes.

The Linear property is subject to a 3% NSR, which can be reduced to 1.5% subject to the Company making a cash payment of $1,500,000 to the claim holder. The Company issued 150,000 common shares and paid $33,000 for the claims. In order to maintain its interest in good standing, the Company is required to comply with the following requirements:

1. The Company must issue an additional 600,000 common shares in the following installments: 150,000 common shares on or before June 16, 2012, 210,000 common shares on or before June 16, 2013 and 240,000 common shares on or before June 16, 2014.

2. The Company must make additional cash payment of $165,000 in the following installments: $25,000 on or before June 16, 2012, $60,000 on or before June 16, 2013 and $80,000 on or before June 16, 2014.

3. The Company must incur an aggregate of $1,350,000 in cash exploration costs; $250,000 of which must be incurred by June 16, 2012, $400,000 of which must be incurred by June 16, 2013 and $700,000 of which must be incurred by June 16, 2014. As of December 31, 2011, the Company has incurred $24,627 in exploration costs.

Berry-Desboues Township Mining Property

The Company has an option to acquire a 100% working interest in contiguous mining claims in the province of Quebec. These claims were acquired for mineral exploration purposes.

The Berry-Desboues township property is subject to a 2.5% NSR, which can be reduced to 1.5% subject to a cash payment of $1,000,000 to the claim holder, which can be further reduced to 0.5% with another cash payment of $1,000,000. The Company issued 30,000 common shares and paid $17,000 for the option. In order to maintain its interest in good standing, the Company is required to comply with the following requirements:

(expressed in Canadian dollars)

1. The Company must issue an additional 300,000 common shares in the following installments: 50,000 common shares by the first anniversary date of August 22, 2012, 60,000 common shares by August 22, 2013, 90,000 common shares by August 22, 2014 and 100,000 common shares by August 22, 2015.

2. The Company must make additional cash payments of $385,000 in the following installments: $25,000 by the August 22, 2012, $60,000 by August 22, 2013, $100,000 by August 22, 2014 and $200,000 by the August 22, 2015.

3. The Company must incur an aggregate of $2,650,000 in cash exploration costs: $250,000 must be incurred by August 22, 2012, an additional $400,000 must be incurred by August 22, 2013, an additional $500,000 must be incurred by August 22, 2014, an additional $600,000 must be incurred by August 22, 2015, and an additional $900,000 by August 22, 2016. As of December 31, 2011, the Company has incurred $16,441 in exploration costs.

Hebecourt Township Mining Property

The company has an option to acquire a 100% working interest in mining claims in Hebecourt Township, Quebec, near Rouyn-Noranda. These claims were acquired for mineral exploration purposes.

The Hebecourt township property is subject to a 2.5% NSR, which can be reduced to 1.5% subject to a cash payment of $1,000,000 to the claim holder, which can be further reduced to 0.5% with another cash payment of $1,000,000. The Company issued 2,500 common shares and paid $5,000 for the option. In order to maintain its interest in good standing, the Company is required to comply with the following requirements:

1. The Company must issue an additional 185,000 common shares in the following installments: 15,000 common shares by the first anniversary date of August 23, 2012, 20,000 common shares by August 23, 2013, 50,000 common shares by August 23, 2014 and 100,000 common shares by August 23, 2015.

2. The Company must make additional cash payment of $300,000 in the following installments: $20,000 by August 23, 2012, $30,000 by August 23, 2013, $50,000 by August 23, 2014 and $200,000 by August 23, 2015.

3. The Company must incur an aggregate of $2,500,000 in cash exploration costs: $200,000 must be incurred by August 23, 2012, an additional $400,000 must be incurred by August 23, 2013, an additional $500,000 must be incurred by August 23, 2014, an additional $500,000 must be incurred by August 23, 2015, and an additional $900,000 by August 23, 2016. As of December 31, 2011, the Company has incurred $14,793 in exploration costs.

(expressed in Canadian dollars)

Boston Township Mining Property

The Company has an option to acquire a 100% working interest in contiguous mining claims situated southeast of Kirkland Lake, Ontario. These claims were acquired for mineral exploration purposes.

The Boston township property is subject to a 2.5% NSR, which can be reduced to 1.5% subject to a cash payment of $1,000,000 to the claim holder, which can be further reduced to 0.5% with another cash payment of $1,000,000. The Company issued 50,000 common shares and paid $15,000 for the option. In order to maintain its interest in good standing, the Company is required to comply with the following requirements:

1. The Company must issue an additional 138,000 common shares in the following installments: 60,000 common shares by the first anniversary date of September 12, 2012, 30,000 common shares by September 12, 2013, 24,000 common shares by September 12, 2014 and 24,000 common shares by September 12, 2015.

2. The Company must make additional cash payment of $271,000 in the following installments: $25,000 by September 12, 2012, $60,000 by September 12, 2013, $66,000 by September 12, 2014 and $120,000 by September 12, 2015.

3. The Company must incur an aggregate of $1,550,000 in cash exploration costs: $150,000 must be incurred by September 12, 2012, an additional $150,000 must be incurred by September 12, 2013, an additional $300,000 must be incurred by September 12, 2014, an additional $450,000 must be incurred by September 12, 2015, and an additional $500,000 by September 12, 2016. As of December 31, 2011, the Company has incurred $28,288 in exploration costs.

Cook/Guibord Townships Mining Property

The Company has an option to acquire a 100% working interest in contiguous mining claims situated in Cook and Guibord Townships, Ontario. These claims were acquired for mineral exploration purposes.

The Cook/Guibord township property is subject to a 2.5% NSR, which can be reduced to 1.5% subject to a cash payment of $1,000,000 to the claim holder, which can be further reduced to 0.5% with another cash payment of $1,000,000. The Company issued 10,000 common shares and paid $10,000 for the option. In order to maintain its interest in good standing, the Company is required to comply with the following requirements:

1. The Company must issue an additional 220,000 common shares in the following installments: 40,000 common shares by the first anniversary date of September 12, 2012, 50,000 common shares by September 12, 2013, 50,000 common shares by September 12, 2014 and 80,000 common shares by September 12, 2015.

2. The Company must make additional cash payment of $305,000 in the following installments: $15,000 by September 12, 2012, $40,000 by September 12, 2013, $100,000 by September 12, 2014 and $150,000 by September 12, 2015.

(expressed in Canadian dollars)

3. The Company must incur an aggregate of $1,700,000 in cash exploration costs: $100,000 must be incurred by September 12, 2012, an additional $200,000 must be incurred by September 12, 2013, an additional $400,000 must be incurred by September 12, 2014, an additional $500,000 must be incurred by September 12, 2015 and an additional $500,000 by September 12, 2016. As of December 31, 2011, the Company has incurred $10,725 in exploration costs.

6 Share capital

Authorized
Unlimited number of common shares with no par value

Issued

	Note	2011 Number	2011 Amount $	2010 Number	2010 Amount $
Common shares					
Beginning of year		66,219,111	5,253,576	43,704,604	2,534,727
Options and warrants exercised	6d	361,150	50,290	16,206,815	1,934,534
Share issuance costs	6a	-	(117,729)	-	(123,847)
Flow through units issued	6e	4,529,411	460,886	4,807,692	693,162
Private placement	6g	5,615,528	712,551	-	-
Shares issued as consideration	6c	1,892,500	287,975	1,500,000	215,000
Balance		78,617,700	6,647,549	66,219,111	5,253,576
Warrants					
Beginning of year		11,614,755	418,917	24,866,727	438,986
Warrants expired	6f	(9,422,059)	(314,858)	(1,103,987)	(18,697)
Flow through units issued	6e	2,264,705	49,381	2,403,846	138,632
Private placement	6g	5,615,528	174,604	-	-
Finders options exercised	6d	211,150	15,621	802,492	54,739
Warrant issuance costs	6b	-	(19,503)	-	(18,952)
Exercised warrants	6d	-	-	(15,354,323)	(175,791)
Balance		10,284,079	324,162	11,614,755	418,917

a) Share issuance costs

Share issuance costs in conjunction with the December 30, 2010 private placement amounted to $123,847 net of tax of $30,442 and included 385,913 finder's options with a fair value of $45,569 Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.26 per unit until December 30, 2012. Each Finder's Unit will consist of one common share of the Company and one-half of

(expressed in Canadian dollars)

one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.40 per share until June 30, 2012.

Share issuance costs in conjunction with the May 17, 2011 private placement amounted to $53,370 net of tax of $9,190. This includes units issued in lieu of a cash finders fee with a fair value of $45,315, of which $36,396 is attributable to share issuance costs and $8,919 of which is attributable to warrant issuance costs.

Share issuance costs in conjunction with the July 7, 2011 private placement amounted to $64,359 net of tax of $17,081, and included 452,941 finder's options with a fair value of $21,938. Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.17 per unit until July 5, 2013. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.25 per share until January 6, 2013.

b) Warrant issuance costs

Warrant issuance costs in conjunction with the December 30, 2010 private placement amounted to $18,952 net of tax of $4,448 and included 56,394 finder's options with a fair value of $7,514. Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.26 per unit until December 30, 2012. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise of $0.40 per share until June 30, 2012.

Warrant issuance costs in conjunction with the May 17, 2011 private placement amounted to $13,078 net of tax of $2,252. This includes units issued in lieu of a cash finders fee with a fair value of $45,315, of which $36,396 is attributable to share issuance costs and $8,919 of which is attributable to warrant issuance costs.

Warrant issuance costs in conjunction with the July 7, 2011 private placement amounted to $6,425 net of tax of $1,775, and included 452,941 finder's options with a fair value of $2,280. Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.17 per unit until July 5, 2013. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.25 per share until January 6, 2013.

c) Shares issued as consideration

On February 10, 2010, the Company issued 50,000 common shares as partial consideration for additional property in the Scadding area mining properties, and a 2% NSR on projects developed within the acquired area. These shares were valued at $7,500 on the date the transaction occurred.

On February 15, 2010, the Company issued 500,000 common shares as part of the original contract signed August 6, 2009 to obtain mining rights to the Scadding area mining properties. These shares were valued at $82,500, on the date the transaction occurred. On August 13, 2010, 500,000 common shares were

(expressed in Canadian dollars)

issued, valued at $70,000 on the date of issuance. On February 13, 2011, 500,000 common shares were issued, valued at $90,000 on the date of issuance. On May 5, 2011, 500,000 common shares were issued, valued at $70,000 on the date of issuance.

On May 5, 2010, the Company issued 150,000 common shares as part of the original contract signed August 13, 2009 to obtain a 51% interest in the Scadding area mining properties. These shares were valued at $21,000, on the date of issuance. On April 20, 2011, 150,000 common shares were issued at $24,000 on the date of issuance.

On July 7, 2010, the Company issued 100,000 common shares as partial consideration for additional property in the Scadding area mining properties and a 2% NSR on projects developed within the area. These shares were valued at $12,000 on the date of issuance.

On July 15, 2010, the Company issued 200,000 common shares as part of the contract signed July 8, 2010, to obtain mining rights to the Black Diamond property. These shares were valued at $22,000 on the date the transaction occurred. On May 12, 2011, 200,000 common shares were issued, valued at $28,000 on the date of issuance.

On February 14, 2011, the Company issued 100,000 common shares as part of the contract signed on January 16, 2010 to obtain mining rights to the Scadding area mining properties. These shares were valued at $18,000 on the date the transaction occurred.

On June 27, 2011, the Company issued 150,000 common shares as part of the agreement to acquire the Linear property. These shares were valued at $21,000 on the date of issuance.

On July 18, 2011, the Company issued 200,000 common shares as part of a Scadding area mining properties contract signed on July 23, 2010. These shares were valued at $25,550 on the date of issuance.

On August 24, 2011, the Company issued 30,000 common shares as part of the Berry-Desboues contract signed on July 18, 2011. These shares were valued at $3,900 on the date of issuance.

On August 24, 2011, the Company issued 2,500 common shares as part of the Hebecourt contract signed on July 18, 2011. These shares were valued at $325 on the date of issuance.

On September 9, 2011, the Company issued 50,000 common shares as part of the Boston contract signed on August 31, 2011. These shares were valued at $6,000 on the date of issuance.

On September 9, 2011, the Company issued 10,000 common shares as part of the Cook-Guibord contract signed on August 22, 2011. These shares were valued at $1,200 on the date of issuance.

d) Options and warrants exercised

During the year ended December 31, 2010, 15,354,323 warrants were exercised for a total cash consideration of $1,631,906. This amount plus the previously estimated fair value of $175,791 has been recorded as an increase to share capital.

(expressed in Canadian dollars)

During the year ended December 31, 2010, 802,492 finder's options were exercised for a total cash consideration of $45,180. $30,120 of this amount, plus the previously estimated fair value of $86,146 has been recorded as an increase to share capital, and $15,060 of the cash consideration and $39,679 of the previously estimated fair value has been recorded as an increase to warrants.

During the year ended December 31, 2010, 50,000 share purchase options were exercised for total cash consideration of $6,000. This amount plus the previously estimated fair value of $4,571 has been recorded as an increase to share capital.

During the year ended December 31, 2011, 150,000 share purchase options were exercised for total cash consideration of $13,490. This amount plus the previously estimated fair value of $6,645 has been recorded as an increase to share capital.

During the year ended December 31, 2011, 211,150 finder's options were exercised for a total cash consideration of $12,669. $8,346 of this amount, plus the previously estimated fair value of $21,809 has been recorded as an increase to share capital, and $4,323 of the cash consideration and $11,298 of the previously estimated fair value has been recorded as an increase to warrants.

e) Flow through units issued

In December 2010, 4,807,692 units were issued at $0.26 per unit on a flow-through basis whereby the Company will renounce $1,245,192 of Canadian exploration expenditures to the shareholders. The Company intends to apply the look-back rule whereby the expenses are renounced to the shareholders in the year the shares are issued and prior to the expenditures being incurred. Each unit issued consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable into one non-flow through common share at a price of $0.40 per warrant until June 30, 2012.

The fair value of the warrants issued during the year ended December 31, 2010 was estimated at $138,632 using the Black-Scholes pricing model. A liability in the amount of $418,206 has been recognized as a liability related to renounced expenditures.

In July 2011, 4,529,411 units were issued at $0.17 per unit on a flow-through basis whereby the Company will renounce $770,000 of Canadian exploration expenditures to the shareholders. The Company intends to apply the look-back rule whereby the expenses are renounced to the shareholders in the year the shares are issued and prior to the expenditures being incurred. Each unit issued consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable into one non-flow through common share at a price of $0.25 per warrant until January 6, 2013.

The fair value of the warrants issued during the year ended December 31, 2011 was estimated at $49,381 using the Black-Scholes pricing model. A liability in the amount of $259,733 has been recognized as a liability related to renounced expenditures.

(expressed in Canadian dollars)

The following assumptions were used in the Black-Scholes pricing model:

	2011	**2010**
Risk-free interest rate	1.43%	0.5%
Expected dividend yield	0%	0%
Expected price volatility	78%	100-150%
Expected life	1.5 years	1.5 - 2 years

f) Expired warrants

During the year ended December 31, 2011, 9,422,059 warrants expired (year ended December 31, 2010, 1,103,987 warrants expired). The value of the expired warrants $314,858 (2010 - $18,697) has been transferred to contributed surplus (note 7c) less the tax on the capital gain of $39,357.

g) Private placement

On May 17, 2011, 5,334,740 units were issued for total proceeds of $841,841. Of this amount, $676,155 was attributable to common shares and $165,686 was attributable to warrants using the Black-Scholes pricing model. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise of $0.25 per share until November 17, 2012.

In conjunction with the May 17, 2011 private placement, 280,788 units were issued in lieu of a cash finder's fee of $45,315. $36,396 of which was attributable to share capital and $8,919 was attributable to warrants using the Black-Scholes pricing model.

The following assumptions were used in the Black-Scholes pricing model:

	2011
Risk-free interest rate	1.53%
Expected dividend yield	0%
Expected price volatility	86%
Expected life	1.5 years

7 Stock options

a) Stock option plan

The Company has a stock option plan, which allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the plan shall not exceed 10% of shares issued and outstanding at the time of granting of the options. Options granted under the plan may have a maximum term of five years. The exercise price of options granted under the plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date), less the applicable discount permitted by the rules of the

(expressed in Canadian dollars)

Exchange. Stock options granted under the plan vest immediately subject to vesting terms, which may be imposed at the discretion of the directors.

Stock option transactions during years ended December 31, 2011 and year ended December 31, 2010, were as follows:

	2011		2010	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Beginning of period/year	3,484,500	0.14	3,297,000	0.15
Issued	2,920,000	0.17	1,300,000	0.15
Exercised	(150,000)	0.09	(50,000)	0.12
Expired	(223,000)	0.13	(1,062,500)	0.18
Balance	6,031,500	0.15	3,484,500	0.14

As at December 31, 2011, the following share purchase options were outstanding:

Grant date	**Number of options**	**Value $**	**Exercise price $**	**Weighted average exercise price $**	**Expiry date**
March 28, 2007	36,500	-	0.150	0.150	March 28, 2012
February 20, 2009	725,000	32,088	0.090	0.090	February 20, 2014
July 17, 2009	300,000	22,500	0.100	0.100	July 17, 2014
August 27, 2009	1,100,000	116,600	0.180	0.140	August 27, 2014
September 1, 2010	400,000	27,548	0.120	0.120	September 1, 2015
October 19, 2010*	300,000	30,249	0.165	0.165	December 31, 2012
December 6, 2010*	250,000	26,224	0.215	0.215	December 6, 2012
April 28, 2011	2,200,000	178,640	0.170	0.170	April 28, 2016
June 13, 2011**	720,000	47,633	0.150	0.150	June 8, 2013
Balance	6,031,500	481,482		0.150	

*These options vest equally over four quarters beginning in the last quarter of 2010. The total compensation cost recognized in the current year relating to these options was $27,060.
**These options vest equally over four quarters beginning in the second quarter of 2011. The total compensation cost recognized in the current year related to these options was $44,656.

(expressed in Canadian dollars)

No expense relating to stock options granted prior to 2009 have been recorded in these consolidated financial statements as the options were granted by the Company prior to the reverse takeover transaction on December 18, 2008 and the amounts were not significant.

During the year ended December 31, 2011, 223,000 options with an estimated fair value of $9,720 expired.

The following assumptions were used under the Black- Scholes options pricing model for the options granted:

	2011	2010
Risk-free interest rate	1.55 - 1.96%	0.5%
Expected dividend yield	0%	0%
Expected price volatility (based on historical volatility)	81 - 87%	100-150%
Expected life	2 - 2.5 years	1.5 - 2.5 years

b) Finder's option transactions for the year ended December 31, 2011 and the year ended December 31, 2010, were as follows:

	2011		2010	
	Number of finder's options	Weighted average exercise price $	Number of finder's options	Weighted average exercise price $
Beginning of period/year	1,023,457	0.22	1,383,642	0.11
Issued	452,941	0.17	442,307	0.26
Exercised	(211,150)	0.06	(802,492)	0.06
Expired	(370,000)	0.25	-	-
Balance	895,248	0.21	1,023,457	0.22

Grant date	Number of options	Value $	Exercise price $	Weighted average exercise price $	Expiry date
December 30, 2010	442,307	53,082	0.26	0.26	June 30, 2012
July 7, 2011	452,941	24,218	0.17	0.17	January 7, 2013
Balance	895,248	77,300		0.21	

(expressed in Canadian dollars)

c) Contributed surplus

The fair value of stock options which vest immediately, are recorded as an increase to contributed surplus upon issuance of the options. The fair value of stock options which do not vest immediately, are recorded as an increase to contributed surplus over the vesting period. On exercise of a stock option, the fair value previously recorded in contributed surplus is removed and recorded as share capital.

The following is the change in contributed surplus for the year ended December 31, 2011 and the year ended December 31, 2010:

	2011 $	**2010 $**
Opening balance, January 1	563,989	535,351
Issuance of stock options	250,356	87,254
Issuance of finder's options	24,218	53,082
Exercised finder's options	(33,106)	(125,824)
Exercised stock options	(6,645)	(4,571)
Expired warrants (net of tax of $39,357; 2010 - $nil)	275,501	18,697
	1,074,313	563,989

8 Income taxes

Deferred income tax assets are recorded to the extent it is probable that the Company will be able to recover such deferred income tax assets.

Deferred tax items recognized in net income were distributed as follows:

	2011 $	**2010 $**
Deferred tax recovery (expense) originated or reversed in current year	(5,150)	(15,075)
Effect of deferred tax recovery (expense) from changes in tax rates	(4,601)	(19,815)
Recognition of renounced mining expenditures	418,206	409,132
	408,455	374,242

(expressed in Canadian dollars)

A reconciliation of the deferred income tax liabilities is as follows:

	Share issuance costs $	Eligible capital $	Non-capital losses carried forward $	Mining properties $	Total $
Balance - January 1, 2010	64,852	-	128,248	(193,100)	-
Deferred income tax recovery (expense)	(23,945)	21,711	203,300	173,176	374,242
Movement in equity	34,890	-	-	-	34,890
Movement from other liability	-	-	-	(409,132)	(409,132)
Balance - December 31, 2010	75,797	21,711	331,548	(429,056)	-
Deferred income tax recovery (expense)	(33,879)	6,490	279,576	156,268	408,455
Movement in equity	49,108	-	(39,357)	-	9,751
Movement from other liability	-	-	-	(418,206)	(418,206)
Balance - December 31, 2011	91,026	28,201	571,767	(690,994)	-

A reconciliation between the Company's statutory and effective tax rate for the year ended December 31, 2011 and the year ended December 31, 2010 is as follows:

	2011 $	%	2010 $	%
Loss before income taxes	(1,719,202)		(1,945,769)	
Expected income tax recovery	(485,675)	28.25	(602,994)	30.99
Non-deductive expenses	56,983	(3.31)	36,469	(1.87)
Current year losses and deductible temporary differences for which no deferred tax asset was recognized	127,734	(7.43)	72,858	(3.74)
Recognition of renounced mining expenditures	(106,908)	6.22	96,030	(4.94)
Change in tax rates	4,601	(0.27)	19,815	(1.02)
Prior year true-up	(4,724)	0.27	3,289	(0.17)
Other	(466)	0.03	291	(0.01)
Income tax (recovery) expense	(408,455)	23.76	(374,242)	19.24

(expressed in Canadian dollars)

The statutory rate is 28.25% (2010 - 30.99%). The decrease in the statutory rate is due to the Canadian federal tax rate decreasing from 18.00% to 16.50 effective January 1, 2011, and the Ontario tax rate decreasing from 12.00% to 11.50% effective July 1, 2011.

As at December 31, 2011, the Company has operating losses of approximately $4,084,744 available to reduce taxable income of future years. The Company has not recognized a deferred tax asset of $449,419 relating to $1,797,676 of these losses. Unless utilized, these losses will expire as follows:

	$
2014	6,213
2015	472
2026	107,159
2027	128,435
2028	294,924
2029	850,436
2030	1,218,229
2031	1,478,876
	4,084,744

During the year, the Company renounced certain deductions for Canadian exploration expenditures incurred on the Company’s resource properties in connection with the flow-through shares issued in December 2010, resulting in an increase in future income tax liability of $311,298, a decrease in other liability of $418,206 and a deferred tax recovery of $106,908. As at December31, 2011, the Company has incurred all of the $1,245,192 flow-through expenditures agreed to be incurred by December 31, 2011.

9 Segment reporting

The Company is only involved in the exploration of minerals. Segment information is provided on the basis of geographic segments as the Company manages its business through two geographic regions - Canada and the United States.

The entire loss incurred during the year, was incurred in Canada.

Total assets by geography

	2011 $	2010 $
Canada	5,333,804	4,060,755
USA	403,168	109,468
Total	5,736,972	4,170,223

(expressed in Canadian dollars)

10 Related party transactions

During the year ended December 31, 2011, the Company incurred key management compensation expenses in the amount of $581,597 (2010 - $412,820). Of this amount, $131,950 (2010 - $32,119) represents share based compensation and $48,000 (2010 - $48,000) represents costs incurred for mining exploration expenditures which were capitalized as mining properties during the period. The Company paid fees of $8,270 (2010 - $52,116) to an organization owned by a director of the Company for services received.

11 Commitments

Issuance of flow-through shares

The Company is partially financed through the issuance of flow-through shares, requiring that the Company spend the proceeds for qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

In 2010, the Company received $1,249,990 following an issuance of flow-through units. During the year ended December 31, 2011, but effective December 31, 2010, the Company renounced $1,245,192 of its tax deductions relating to flow-through expenditures. The Company had until December 31, 2011 to make qualified mining exploration expenses totaling $1,245,192, all of which were made during the year.

During the year, the Company received $770,000 following an issuance of flow-through units and subsequent to year end but effective December 31, 2011, the Company renounced $769,547 of its tax deductions relating to flow-through expenditures. The Company has until December 31, 2012 to make qualified mining exploration expenses totaling $769,547. As at December 31, 2011, the Company had incurred $297,593 of qualifying expenditures.

The Company has an existing lease commitment for is office space expiring on September 30, 2012. The minimum lease payments required to be made in 2012 are $6,300.

Investor relations

The Company has entered into a contract with investor relation companies that require the Company to make monthly payments for services received. These commitments require the Company to pay the investor relation firm $5,000 per month until June 2012.

(expressed in Canadian dollars)

12 Financial risk factors

Fair value

The carrying value of cash and cash equivalents, receivables, prepaid expenses, trade accounts payable and accrued liabilities and other liabilities approximate fair value, due to their short-term nature.

Foreign exchange risk

The Company had no revenue, operating expenses, monetary assets or liabilities that were denominated in a foreign currency. Certain expenditures in respect of the Black Diamond mining property are incurred in US dollars.

Credit risk

The Company did not have any commercial customers during the periods presented and is exposed to minimal credit risk through its bank.

Interest rate risk

The Company is exposed to minimal market interest rate fluctuations with respect to its cash and cash equivalents on hand.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2011, the Company had current assets of $684,279 (2010 - $1,154,945) and current liabilities of $1,779,895 (2010 - $711,941). As described in note 14, the Company completed a financing subsequent to the year end.

13 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares to obtain financing.

(expressed in Canadian dollars)

14 Subsequent events

Assignment of option agreements

On February 9, 2012, the Company signed an agreement with Northern Skye Resources Inc. ("Northern Skye") whereby Northern Skye has assumed all obligations and payments under the Berry-Desboues, Boston-McElroy, Cook-Guibord, Hebecourt, and Linear option agreements. As consideration for assigning the Option Agreements to Northern Skye, Northern Skye has agreed:

(i) to issue to the Company three million (3,000,000) common shares in the capital of Northern Skye;
(ii) to pay in cash such amounts representing the actual cash expenditures already paid by the Company in respect of the acquisition of its option rights in and to each of the Optioned Properties
(iii) the Company retains a ten percent (10%) carried working interest (the "Retained Interest") in each of the Optioned Properties
(iv) Northern Skye shall have the right, but not the obligation, to purchase at any time and from time-to-time in increments of not less than one percent (1%) up to the entire Retained Interest in any or all of the Optioned Properties for consideration of one million dollars ($1,000,000) per one percent (1%) interest.

The above transaction was approved by the TSX Venture Exchange on April 11, 2012.

Private placement

On February 14, 2012, the Company closed a non-brokered private placement of 15,382,500 Units at $0.08 per unit for total gross proceeds of $1,230,600. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 per share for a period of 24 months after the date of closing of the private placement. Prior to year end, the Company received $855,000 in advance of the closing of the private placement. The Company issued 1,119,000 units as a finder's fee in conjunction with the private placement.

Contingent Liability

The Company has a legal claim against it in the amount of $44,220. The Company intends to defend itself against this claim. The outcome and amount to be paid, if any, are unknown, and as such no amounts related to this claim have been recorded in the financial statements.