KARIANA RESOURCES INC.

(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

Year Ended December 31, 2011

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kariana Resources Inc.

We have audited the accompanying financial statements of Kariana Resources Inc., which comprise the statements of financial position as at December 31, 2011 and 2010 and the statements of comprehensive loss, changes in shareholders equity and cash flows for the year ended December 31, 2011 and the period from September 14, 2010 (inception) to December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Kariana Resources Inc. as at December 31, 2011 and 2010 and the results of its operations and its cash flows for the year ended December 31, 2011 and the period from September 14, 2010 (inception) to December 31, 2010 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 4, 2012

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KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)
STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2011 $	December 31, 2010 $
ASSETS			
Current assets			
Cash		686,498	360,732
Short term investment		11,500	-
HST Receivable		22,231	195
Total Current Assets		720,229	360,927
Non-Current assets			
Deferred financing costs	4	-	15,000
Exploration and evaluation assets	3	103,145	46,357
Total Non-Current Assets		103,145	61,357
TOTAL ASSETS		823,374	422,284
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		2,418	7,500
Total Current Liabilities		2,418	7,500
SHAREHOLDERS' EQUITY			
Share capital	4	925,291	422,500
Reserves	4	163,596	-
Accumulated deficit		(267,931)	(7,716)
Total Shareholders' Equity		820,956	414,784
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		823,374	422,284

Events after the reporting date 12

These financial statements are authorized for issue by the Board of Directors on April 4, 2012. They are signed on the Company's behalf by:

"Herrick Lau" Director
Herrick Lau

"David Velisek" Director
David Velisek

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

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)
STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year Ended December 31, 2011 $	Period from September 14, 2010 (Inception) to December 31, 2010 $
EXPENSES			
Accounting fees		16,030	-
Consulting fees		70,578	-
Filing fees		27,981	-
Legal fees		2,963	7,500
Meals and travel expenses		4,437	-
Office and general		6,201	216
Share-based payments	4	132,076	-
Loss before undernoted income (expenses)		(260,266)	(7,716)
Other Income			
Interest Income		51	-
Loss and comprehensive loss for the period		(260,215)	(7,716)
Loss per share, basic and diluted		$0.03	$0.00
Weighted average common shares outstanding		9,378,836	4,810,870

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

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares	Common Shares $	Reserves $	Deficit $	Shareholders' Equity $
Balance – September 14, 2010	-	-	-	-	-
Share issued upon incorporation	1	1	-	-	1
Repurchase of share and cancelled, September 30, 2010	(1)	(1)	-	-	(1)
Non-brokered private placement, September 30, 2010	1,500,000	15,000	-	-	15,000
Non-brokered private placement, November 8, 2010	5,000,000	250,000	-	-	250,000
Non-brokered private placement, December 3, 2010	1,500,000	150,000	-	-	150,000
Finder's shares	75,000	7,500	-	-	7,500
Loss for the period	-	-	-	(7,716)	(7,716)
Balance – December 31, 2010	8,075,000	422,500	-	(7,716)	414,784
Initial public offering ("IPO"), August 15, 2011	3,000,000	600,000	-	-	600,000
IPO agent's shares	350,000	70,000	-	-	70,000
IPO agent's warrants	-	-	31,520	-	31,520
Share issuance costs	-	(187,209)	-	-	(187,209)
Issuance pursuance to mineral property option agreement	100,000	20,000	-	-	20,000
Share-based payments	-	-	132,076	-	132,076
Loss for the year	-	-	-	(260,215)	(260,215)
Balance – December 31, 2011	11,525,000	925,291	163,596	(267,931)	820,956

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

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2011 $	Period from September 14, 2010 (Inception) to December 31, 2010 $
Cash provided by (used in):		
Operating activities		
Loss for the period	(260,215)	(7,716)
Adjustment for items not involving cash:		
Share-based payments	132,076	-
Changes in non-cash operating working capital:		
HST receivable	(22,036)	(195)
Accounts payable and accrued liabilities	(5,082)	7,500
Net change in operating activities	(155,257)	(411)
Investing activities		
Short-term investment	(11,500)	-
Acquisition of mineral interest	(15,000)	(37,000)
Deferred exploration expenditures	(21,788)	(1,857)
Net change in investing activities	(48,288)	(38,857)
Cash flow from financing activities:		
Share capital	600,000	415,000
Loan proceed received	-	25,000
Loan repayment	-	(25,000)
Deferred financing costs	-	(15,000)
Share issuance cost	(70,689)	-
Net change in financing activities	529,311	400,000
Net change in cash	325,766	360,732
Cash, beginning of the period	360,732	-
Cash, end of the period	686,498	360,732

Supplemental disclosures of cash flow information (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Kariana Resources Inc. (the "Company") was incorporated on September 14, 2010 pursuant to the provision of the *Business Corporations Act* (British Columbia). The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties. The Company's head office is located at 1980 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada. The Company's shares commenced trading on the Canadian Stock Exchange under the trading symbol "KAA" on August 17, 2011.

The financial information is presented in Canadian Dollars, which is the functional currency of the Company.

The amounts shown as exploration and evaluation assets represent net costs to date, less any amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place these assets into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop these assets.

The Company has working capital as at December 31, 2011 of $717,811 and an accumulated deficit of $267,931. These financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Management believes that there is sufficient working capital to cover the Company's operational expenses for the next 12 months.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Conversion to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

The Company's annual financial statements for the year ending December 31, 2011 is presented in accordance with IFRS. Previously, the Company prepared its financial statements in accordance with GAAP.

Basis of presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the December 31, 2010 financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The impact of the transition from GAAP to IFRS is explained in Note 11.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Foreign currencies

The Company's reporting and functional currency is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

Short-term investment

Short term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value. As at December 31, 2011, the Company has one short term investment totalling to $11,500 of principal and $51 of interest due on July 13, 2012 with an annual yield of prime minus 2.05%.

Exploration and evaluation assets

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are at the exploration/pre-development stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

All capitalized exploration and evaluation expenditure is assessed for impairment for each reporting period and is impaired if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

Decommissioning and rehabilitation liabilities

The Company recognizes the fair value of a decommissioning and restoration liability the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations.

Share-based payments

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

At the time when the share options are exercised, the amount previously recognized in reserves is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in reserves is transferred to accumulated losses.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale. The Company does not have any items representing comprehensive income or loss.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

Taxation

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Financial instruments – recognition and measurement

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL.
b) Short-term investments have been classified as FVTPL
c) Receivables have been classified as loans and receivables.
d) Payables and accruals have been classified as financial liabilities not at fair value through profit and loss.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

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

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

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

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

Contingent liabilities are not recognized in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes to the financial statements if their recovery is deemed probable.

Related party transactions

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

Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

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

a) The provision for income taxes which is included in the statements of comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the statement of financial position.

b) The recoverability of exploration and evaluation assets in the statements of financial position.

c) The inputs used in accounting for share purchase option expense in the statements of comprehensive loss.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2011 reporting period:

(a) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

(b) IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(c) IFRS 11, Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(e) IFRS 13, Fair Value Measurements

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(f) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not in the production phase, the Company is currently assessing the future impact of this interpretation.

3. EXPLORATION AND EVALUATION ASSETS

South Baird Property, Ontario, Canada

	$
Acquisition Costs	12,000
Finder's Fee	32,500
Mineral Property Interest	44,500
Exploration Costs	
Geological consulting	1,857
Balance December 31, 2010	46,357
Acquisition Costs	35,000
Exploration Costs	
Drilling	5,585
Field expenses and others	4,698
Geological consulting	7,350
Report and assays	4,155
Balance December 31, 2011	103,145

On September 21, 2010, the Company signed an option agreement (the "Option Agreement") with Perry Vern English, for and on behalf of Rubicon Minerals Corporation (the "Optionor") to acquire an undivided 100% interest in the South Baird Property (the "South Baird Property"), subject to a 2% net smelter return ("NSR") to the Optionor, with an option buyout of 50% of the NSR for $1,000,000 upon or prior to the commencement of commercial production. The South Baird Property is located in the District of Red Lake Mining in the province of Ontario.

As at December 31, 2011, the Company has the following future requirements to fulfill its obligation under the Option Agreement:

Date	Shares	Cash Payments
Paid on September 21, 2010	-	$12,000 (Paid)
Issue within 30 days of completion of IPO	100,000 (Issued)	-
September 21, 2011	-	$15,000 (Paid)
September 21, 2012		$20,000
September 21, 2013	-	$30,000
September 21, 2014	-	$35,000
Total	**100,000**	**$112,000**

The Company entered into a finder's fee agreement dated November 25, 2010 in connection with the acquisition of the South Baird Property. The Company paid finder's fee in cash of $25,000 and issued 75,000 common shares on December 23, 2010.

Pursuant to the Option Agreement, the Company issued 100,000 common shares at $0.20 per share to the Optionor on August 17, 2011 after the Company's IPO.

4. CAPITAL AND RESERVES

A. Common Shares

Authorized: Unlimited number of common voting shares without nominal or par value

4. CAPITAL AND RESERVES (CONT'D…)

B. Issued share capital:

At December 31, 2011, there were 11,525,000 common shares issued and outstanding (2010 – 8,075,000).

i. Upon incorporation on September 14, 2010, the Company issued one common share at $1.00 per share which was subsequently repurchased and cancelled on September 30, 2010.

ii. On September 30, 2010, the Company issued 1,500,000 common shares at $0.01 per share for gross cash proceeds of $15,000.

iii. On November 8, 2010, the Company issued 5,000,000 common shares at $0.05 per share for gross cash proceeds of $250,000.

iv. On December 3, 2010, the Company issued 1,500,000 common shares at $0.10 per share for gross cash proceeds of $150,000.

v. On December 23, 2010, the Company issued 75,000 common shares at a value of $0.10 per share, for a total value of $7,500, pursuant to a finder's fee agreement (Note 3).

vi. On August 15, 2011, the Company completed its IPO raising gross proceeds of $600,000. A total of 3,000,000 common shares of the Company were issued at a price of $0.20 per share pursuant to the final prospectus of the Company dated May 13, 2011.

   As part of the IPO, the Company incurred share issuance costs of $187,209, which included 300,000 Shares ("Agent's Shares") at a value of $0.20 per Agent's Share , agent's warrants ("Agent's Warrants") to purchase up to 300,000 shares at a price of $0.20 per share for a period of 24 months after closing of the IPO, and a corporate finance fee comprised of $45,000 and 50,000 shares at a value of $0.20 per share.

vii. On August 17, 2011, the Company issued 100,000 common shares of the Company at a value of $0.20 per share, for a total value of $20,000, pursuant to the provisions of the South Baird Option Agreement (Note 3).

C. Share purchase option compensation plan

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

4. CAPITAL AND RESERVES (CONT'D…)

The continuity of stock options for the period ended December 31, 2011 is as follows:

	December 31, 2011		December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	-	-	-	-
Granted	830,000	$0.21	-	-
Options outstanding, end of the year	830,000	$0.21	-	-
Options exercisable, end of the year	830,000	$0.21	-	-

The options outstanding and exercisable at December 31, 2011 are as follows:

Outstanding Options

Number Outstanding and Exercisable	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life (Years)
600,000	0.20	9.63
230,000	0.25	4.67
830,000	0.21	8.26

On August 15, 2011, the Company granted 600,000 stock options whereby the option holders can purchase up to 600,000 shares at a price of $0.20 per share. The options are vested immediately and are exercisable until August 15, 2021.

On September 1, 2011, the Company granted 230,000 stock options whereby the option holder can purchase up to 230,000 shares at a price of $0.25 per share. The options are vested immediately and are exercisable until September 1, 2016.

The weighted average fair value of the share options awarded, estimated using the Black-Scholes option pricing model, was $0.16 per option, with a total fair value of $132,076. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	2011	2010
Risk-free interest rate	1.17%	-
Dividend yield	-	-
Expected volatility	100.00%	-
Expected option life	5 years	-

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon the average volatility rates of other companies in the same industry, due to the Company's limited history. Changes in the underlying assumptions can materially affect the fair value estimates.

4. CAPITAL AND RESERVES (CONT'D…)

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	December 31, 2011		December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the year	-	-	-	-
Issued	300,000	$0.20	-	-
Warrants outstanding, end of the year	300,000	$0.20	-	-

On August 15, 2011, the Company completed its IPO and issued 300,000 Agent Warrants to purchase up to 300,000 Shares at a price of $0.20 per share for a period of 24 months. The Agent Warrants were valued at $31,520 or $0.10 per warrant, using the Black-Scholes option pricing model assuming a risk-free interest of 1.01%, expected volatility of 100%, expected dividend yield of Nil, and expected life of two years.

E. Escrow shares

As at December 31, 2011, the Company had 2,624,850 common shares held in escrow (December 31, 2010 – Nil).

5. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period presented is based on the following data:

	Year ended December 31, 2011	Period ended December 31, 2010
	$	$
Net Loss	(260,215)	(7,716)
Weighted average number of common shares outstanding	9,378,836	4,810,870
Loss per share, basic and diluted	$0.03	$0.00

The Company's outstanding options and warrants have been excluded from diluted loss per share calculations because they are anti-dilutive.

6. CAPITAL MANAGEMENT

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

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. 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 issue new shares through private placements. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

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

7. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Year Ended December 31,	
Services provided by:	Notes	2011	2010
Baron Global Financial Canada Ltd.	(a)	$61,655	-
Compensation benefits to key management	(b)	$132,076	-

(a) On September 1, 2011, the Company entered into an advisory agreement with Baron Global Financial Canada Ltd. (“Baron”) to provide accounting and administrative services. The term of agreement is 12 months. The CEO and director of the Company is also the managing director of Baron. For the year ended December 31, 2011, the Company has paid consulting fees of $60,000 (December 31, 2010 – Nil) and geological consulting fees of $1,655 (December 31, 2010 – Nil) to Baron.

(b) Compensation benefits to key management personnel consists of share-based payments made during the year. On August 15, 2011, the Company granted 600,000 stock options to the officers and directors of the Company. On September 1, 2011, the Company granted 230,000 stock options to Baron.

8. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash operating and cash and financing activities include:

	Year Ended December 31, 2011	Period Ended December 31, 2010
Fair value of IPO agent’s warrants	31,520	-
Fair value of IPO agent’s shares	70,000	-
Fair value of shares issued for mineral property	20,000	-
Deferred financing fees moved to share issuance costs	15,000	7,500

9. DEFERRED INCOME TAX

The recovery of income taxes differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	Year Ended December 31, 2011 $	Period Ended December 31, 2010 $
Combined federal and provincial statutory tax rate	26.5%	28.5%
Loss for the period before income taxes	(260,215)	(7,716)
Expected income tax recovery	69,000	2,200
Permanent differences	(35,900)	-
Share issuance costs	41,300	-
Change in unrecognized deductible temporary differences	(74,800)	(2,200)
Tax expense	**-**	**-**

The significant components of deductible temporary differences and unused tax losses that have not been included on the statements of financial position are as follows:

	Year Ended December 31, 2011 $	Expiring through:	Period Ended December 31, 2010 $
Share issuance costs	124,600	-	-
Non-capital loss carry-forwards	136,300	2031	7,700

The potential tax benefits related to the loss carry forwards and other temporary differences, the application of which may be restricted, have not been recognized in these consolidated financial statements as management does not consider it likely that such assets will be realized in the carry forward period.

10. FINANCIAL INSTRUMENTS

Classification of Financial Instruments:

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2011 as follows:

	Fair Value Measurements Using				
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2011 $	Balance, December 31, 2010 $
Cash	686,498	–	–	686,498	360,732
Short term investment	11,500			11,500	-

10. FINANCIAL INSTRUMENTS (CONT'D…)

The fair values of other financial instruments, which include amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments and loan payable.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and short term investment with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure (Note 6). The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settled financial liabilities.

Contractual maturity analysis is as follows:

December 31, 2011	Less than 3 months	3 – 12 months	1 – 5 years	Longer than 5 years	Total
	$	$	$	$	$
Cash	686,498	-	-	-	686,498
Short term investment	-	11,500	-	-	11,500
HST Receivable	6,195	15,986			22,181
Account Payable	2,418	-	-	-	2,418
December 31, 2010					
Cash	360,732	-	-	-	360,732
Account Payable	7,500	-	-	-	7,500

(d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks and GIC carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Company during the prior year and are considered to be effective.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Initial elections upon IFRS adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption options
IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested by the transition date.

IFRS Mandatory exceptions
Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliations of Canadian GAAP to IFRS
IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows.

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income:

Under IFRS, "Reserves" has taken the place of "Contributed Surplus".

The accounting policies in Note 2 have been applied as follows:

- in preparing the financial statements for the year ended December 31, 2011; and
- the comparative information for the period ended December 31, 2010.

In these IFRS financial statements, the Company adopted the accounting policies in Note 2 and applied them towards the financial statements, statements of comprehensive loss, changes in equity and cash flows since inception on September 14, 2010, the transition has had no effect to the amounts reported previously in financial statements prepared in accordance with Canadian GAAP, other than the name change to the contributed surplus account stated above.

12. EVENTS AFTER THE REPORTING PERIOD

On February 28, 2012, the Company granted 350,000 incentive stock options to a newly appointed officer and director of the Company. The option has an exercise price of $0.195 and will expire on February 28, 2017. In addition, the Company has issued 500,000 treasury shares to the officer as a signing bonus.