HUNT

MINING CORP

Audited Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended December 31, 2011 and 2010

Management's Report

To the Shareholders of Hunt Mining Corp. (the "Company")

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors has appointed an Audit Committee, consisting entirely of directors who are neither management nor employees of the Company. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

(signed)	(signed)
Matthew Hughes	Matthew Fowler
President and Chief Executive Officer	Chief Financial Officer

Liberty Lake, Washington
April 26, 2012

Independent Auditors' Report

To the Shareholders of Hunt Mining Corp.:

We have audited the accompanying consolidated financial statements of Hunt Mining Corp. 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 shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' 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 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 during our audits is sufficient and appropriate to provide a basis for our audit opinion.

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

Emphasis of Matter - Going Concern
Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates that Hunt Mining Corp. has had no revenues and has accumulated losses of $24,324,113. These conditions indicate the existence of a material uncertainty which may cast significant doubt on Hunt Mining Corp.'s ability to continue as a going concern.

MNP LLP

April 26, 2012
Calgary, Alberta

Chartered Accountants

MNP

Hunt Mining Corp.

Consolidated Financial Statements

Years ended December 31, 2011 and 2010 **Page**

Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statements of Financial Position

	NOTE	December 31, 2011	December 31, 2010 (Note 18)	January 1, 2010 (Note 18)
CURRENT ASSETS:				
Cash and equivalents	7	$ 8,840,000	$ 6,361,897	$ 3,165,966
Accounts receivable		64,364	53,943	11,648
Prepaid expenses		46,020	11,071	-
Deposits receivable	12	52,177	-	-
Deferred income tax		-	-	208,754
Total Current Assets		9,002,561	6,426,911	3,386,368
NON-CURRENT ASSETS:				
Property and equipment	8	824,289	632,000	704,754
Performance bond		227,596	257,208	209,303
V.A. Tax, net of discount		1,143,509	622,761	513,636
Deposits receivable	12	104,354	200,000	200,000
Minimal presumed income tax receivable		192,479	-	214,044
Total Non-Current Assets:		2,492,227	1,711,969	1,841,737
TOTAL ASSETS:		$ 11,494,788	$ 8,138,880	$ 5,228,105
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities		$ 516,696	$ 318,679	$ 1,444,729
Taxes payable		224,233	76,851	127,919
Shareholder loan	12	-	103,021	842,668
Interest payable on shareholder loan		-	10,240	3,698
Due to related parties		-	-	612,850
Total Current Liabilities:		740,929	508,791	$ 3,031,864
Other non-current liabilities	15(c)	125,000	125,000	-
Total Long-Term Liabilities:		125,000	125,000	-
TOTAL LIABILITIES:		$ 865,929	$ 633,791	$ 3,031,864
SHAREHOLDERS' EQUITY				
Preferred shares	9	$ 177,417	$ 177,417	177,417
Share capital	9	25,885,064	18,250,138	13,989,654
Contributed surplus	10	3,159,826	2,339,072	460,882
Warrants	9	5,860,183	2,838,467	250,000
Deficit		(24,324,113)	(16,043,952)	(12,681,712)
Accumulated other comprehensive loss		(129,518)	(56,053)	-
Total Shareholders' Equity:		$ 10,628,859	$ 7,505,089	$ 2,196,241
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 11,494,788	$ 8,138,880	$ 5,228,105

Going Concern (Note 3)
Subsequent Events (Note 17)
Commitments and Contingencies (Note 15)

Approved on behalf of the Board of Directors

Signed "Tim Hunt" Director

Signed "Matt Hughes" Director

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

Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statements of Loss and Comprehensive Loss

	NOTE	Years ended December 31, 2011		2010 (Note 18)
OPERATING EXPENSES:				
Professional fees		1,188,067		954,580
Directors fees		91,937		-
Exploration expenses		3,522,458		395,011
Travel expenses		352,576		256,664
Administrative and office expenses		913,124		656,272
Payroll expenses		1,179,840		945,383
Share based compensation	10	410,912		1,010,783
Interest expense and banking charges		66,282		66,327
Depreciation	8	112,448		113,497
Total operating expenses		7,837,644		4,398,517
OTHER INCOME/(EXPENSE):				
Interest income		87,083		21,269
Debt forgiveness gain		-		1,637,578
Gain on debt discount		3,085		21,870
Miscellaneous income		420		24,632
Taxes		(89,636)		(5,500)
Bank fees		(3,388)		(2,362)
VAT discount and accretion		(332,308)		2,397
Loss on foreign exchange		(109,758)		(11,041)
Contingent liability accrual		-		(125,000)
Total other income/(expense):		(444,502)		1,563,843
LOSS - before income tax		(8,282,146)		(2,834,674)
Income tax (expense) recovery		1,985		(527,566)
NET LOSS FOR THE YEAR to equity owners		$ (8,280,161)		$ (3,362,240)
Other comprehensive loss:				
Change in value of performance bond		(29,612)		47,905
Translation of assets and liabilities into Canadian dollar reporting currency		(43,853)		(103,958)
TOTAL NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		$ (8,353,626)		$ (3,418,293)
Weighted average shares outstanding - basic and diluted		88,180,466		47,172,054
NET LOSS PER SHARE - BASIC AND DILUTED		$ (0.09)		$ (0.07)

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

Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital	Deficit	Accumulated Other Comprehensive Loss	Contributed Surplus	Warrants	Preferred Shares	Total
Balance - January 1, 2010	$ 13,989,654	$ (12,681,712)	$ -	$ 460,882	$ 250,000	$ 177,417	2,196,241
							-
Net Loss	-	(3,362,240)	-	-	-	-	(3,362,240)
Other comprehensive loss	-	-	(56,053)	-	-	-	(56,053)
Share Capital Issued	4,260,484	-	-	-	-	-	4,260,484
Fair value of warrants issuable pursuant to broker compensation units	-	-	-	637,512	-	-	637,512
Exercise of agent's options	-	-	-	(20,105)	-	-	(20,105)
Expiration of warrants	-	-	-	250,000	-	-	250,000
Share issue costs and filing statement fees	-	-	-	-	-	-	-
Portion of units attributable to warrants issued	-	-	-	-	2,588,467	-	- 2,588,467
Share based compensation	-	-	-	1,010,783	-	-	1,010,783
Balance - December 31, 2010	$ 18,250,138	$ (16,043,952)	$ (56,053)	$ 2,339,072	$ 2,838,467	$ 177,417	$ 7,505,089
Balance - January 1, 2011	$ 18,250,138	$ (16,043,952)	$ (56,053)	$ 2,339,072	$ 2,838,467	$ 177,417	7,505,089
Net Loss	-	(8,280,161)	-	-	-	-	(8,280,161)
Fair value of warrants issuable pursuant to broker compensation units	-	-	-	464,896	-	-	464,896
Other comprehensive loss	-	-	(73,465)	-	-	-	(73,465)
Share Capital Issued	11,540,250	-	-	-	-	-	11,540,250
Share issue costs and filing statement fees	(1,547,503)	-	-	-	-	-	(1,547,503)
Portion of units attributable to warrants issued	(3,331,620)	-	-	-	3,331,620	-	-
Share based compensation	-	-	-	410,912	-	-	410,912
Exercise of warrants	852,929	-	-	-	(309,904)	-	543,025
Exercise of agent's options	49,644	-	-	(21,544)	-	-	28,100
Exercise of broker compensation warrants	71,226	-	-	(33,510)	-	-	37,716
Balance - December 31, 2011	$ 25,885,064	$ (24,324,113)	$ (129,518)	$ 3,159,826	$ 5,860,183	$ 177,417	$ 10,628,859

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

Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statements of Cash Flows

	NOTE	Years ended December 31, 2011	2010 (Note 18)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss		$ (8,280,161)	$ (3,362,240)
Items not affecting cash			
Debt forgiveness gain	12	-	(1,637,578)
Deferred income tax		-	208,754
Contingent liability		-	125,000
Depreciation	8	112,448	113,497
Unrealized foreign exchange (loss)		(43,853)	(101,366)
Minimal presumed income tax receivable		(192,479)	214,044
V.A. tax		(520,748)	(109,125)
Share based compensation	10	410,912	1,010,783
Net change in non-cash working capital			
Increase in accounts receivable		(10,421)	(42,295)
Decrease (increase) in prepaid expenses		165,051	(11,071)
Increase in deposits receivable	12	(156,531)	-
Increase (decrease) in accounts payable and acrrued liabilities		198,017	(101,322)
Increase (decrease) in taxes payable		147,382	(51,068)
Net cash used in operating activities		(8,180,623)	(3,737,445)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment		(304,737)	(43,335)
Net cash used in investing activities		(304,737)	(43,335)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of share capital, net of share issue costs		11,066,484	7,716,358
Repayments of shareholder loan		(103,021)	(739,647)
Net cash provided by financing activities		10,963,463	6,976,711
NET INCREASE IN CASH AND EQUIVALENTS		$ 2,478,103	$ 3,195,931
CASH AND EQUIVALENTS, BEGINNING OF YEAR		6,361,897	3,165,966
CASH AND EQUIVALENTS, END OF YEAR		$ 8,840,000	$ 6,361,897
Cash and cash equivalents consist of:			
Cash		7,840,000	896,897
Term deposits		1,000,000	5,465,000
		8,840,000	6,361,897
SUPPLEMENTAL CASH FLOW INFORMATION			
Taxes paid		(89,636)	(5,500)
Interest received		71,339	71

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

(Expressed in Canadian Dollars)

1. Nature of Business

Hunt Mining Corp., previously Sinomar Capital Corporation (the "Company"), is a mineral exploration company incorporated on January 10, 2006 under the laws of Alberta, Canada and, together with its subsidiaries, is engaged in the exploration of mineral properties in Santa Cruz Province, Argentina. Prior to December 23, 2009, the Company was a Capital Pool Company within the meaning ascribed by Policy 2.4 of the TSX Venture Exchange. On that date, the Company completed its Qualifying Transaction, the acquisition of all of the issued and outstanding shares of Cerro Cazador S.A. ("CCSA"), an Argentine minerals exploration company, in a reverse takeover transaction ("RTO").

Subsequent to the RTO, the Company changed its name to Hunt Mining Corp.

The Company's registered office is located at 1900, 736 – 6th Avenue SW, Calgary, Alberta T2P 3T7.

The consolidated financial statements include the accounts of the following subsidiaries after elimination of intercompany transactions and balances:

Corporation	Incorporation	Percentage ownership
CCSA	Argentina	100%
Hunt Gold USA LLC	Washington, USA	100%
1494716 Alberta Ltd.	Alberta	100%

As of December 31, 2011, the Company is in the process of exploring mineral properties in Argentina. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties is entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production or a sale of these properties.

The consolidated financial statements were authorized for issue on April 26, 2012 by the Board of Directors of the Company.

2. Basis of presentation and adoption of IFRS

In 2010, the CICA Handbook was revised to incorporate the *International Financial Reporting Standards* ("IFRS"), as published by the *International Accounting Standards Board* ("IASB"), and require publically 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 these consolidated financial statements. In the consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before adoption of IFRS.

The Company's functional and presentation currency is the Canadian Dollar.

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Standard 1, *First-time Adoption of International Financial Reporting Standards*.

Subject to certain transition elections disclosed in Note 18, the Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, 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.

3. Going Concern

The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company is an exploration stage company and has incurred losses since its inception. As shown in the accompanying consolidated financial statements, the Company has had no revenues and has incurred an accumulated loss of $24,324,113 through December 31, 2011. However, the Company believes it has sufficient cash at December 31, 2011 to fund normal operations for the next 12 months.

The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability to obtain necessary financing to complete development and fund operations and future production or proceeds from their disposition. Additionally, the current capital markets and general economic conditions in the United States and Canada provide no assurance that the Company's funding initiatives will continue to be successful. These factors raise doubt about the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

4. Significant Accounting Policies

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

(a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

(b) Consolidation

The Company's consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

(c) Foreign currency translation

Monetary assets and liabilities, denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at the exchange rate prevailing at the transaction date. Revenues and expenses are translated at average exchange rates throughout the reporting period.

Gains and losses on translation of foreign currencies are included in the consolidated statements of loss and comprehensive loss.

The Company's subsidiaries have adopted the United States Dollar as its functional currency. Financial statements are translated to their Canadian dollar equivalents using the current rate method. Under this method, the statements of operations and cash flows for each period have been translated using the average exchange rates prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the statement of financial position date. Translation adjustments are recorded as income or losses in other comprehensive income or loss. Transaction gains and losses resulting from fluctuations in currency exchange rates on transactions denominated in currencies other than the United States dollar are recognized as incurred in the accompanying consolidated statements of loss and comprehensive loss.

(d) Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instrument were acquired.

<u>Financial assets</u>

Fair value through profit or loss
A financial asset can be classified as fair value through profit or loss only if it is designated at fair value through profit or loss or held-for-trading. The Company's financial assets at fair value through profit or loss are held for trading financial assets. They are measured at fair value with changes in fair value included in profit or loss.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortized cost using the effective interest method. Any gains or losses on the realization of receivables are included in the statement of loss.

Assets available for sale
Assets available for sale ("AFS") represent securities and other financial investments that are non-strategic, that are neither held for trading, nor held to maturity, nor held for strategic reasons, and that have a readily available market price. As such, gains or losses from revaluation of the asset are recorded as other comprehensive loss, except to the extent that any losses are assessed as being permanent, and the asset is therefore impaired, under IAS 39, or if the asset is sold or otherwise disposed of. If the asset is impaired, sold or otherwise disposed of the revaluation gain or loss implicit in the transaction is recognized as a revenue or expense in the statement of loss.

Impairment of financial assets
All financial assets except for those at fair value through profit or loss are subject to review for impairment at each reporting date or when events indicate that impairment may exist. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets are impaired. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

<u>Financial liabilities</u>

Fair value through profit or loss
These liabilities are comprised of derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value with changes in fair value included in profit or loss.

Other financial liabilities
They are measured at amortized cost using the effective interest method. Any gains or losses in the realization of other financial liabilities are included in the statement of loss.

Fair values
Fair values of financial assets and liabilities are based upon quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models using quoted market prices.

(e) Cash and equivalents

Cash and equivalents include cash on hand, deposits held with banks and other highly liquid short-term investments with original maturities of three months or less. In the normal course of business, 30% of all funds wired to CCSA from the Company are withheld by the Government of Argentina unless they are applied to a capital increase. These withheld amounts are deposited in non-remunerated US dollar fixed terms deposits until the Government of Argentina approves the Company's formal application for release. Year-end balances of such funds total $350,889 (December 31, 2010 - $199,423, January 1, 2010 - $103,640).

(f) Value added tax ("VAT")

VAT is generally charged for goods and services purchased in Argentina. The VAT paid may be recovered from VAT payable on future sales and therefore the Company recognizes VAT paid as an asset. The Company discounts its VAT receivable in order to reflect the present value of the VAT asset.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an 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 future economic benefit associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs are charged to the consolidated statements of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property and equipment less their residual values over their estimated useful lives using the straight-line method. Equipment and vehicles are stated at cost and depreciated over an estimated useful life of three years.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains or losses in the consolidated statement of loss.

Exploration and evaluation expenditures

All exploration expenditures are expensed as incurred. Expenditures to acquire mineral rights, to develop new mines, to define further mineralization in mineral properties which are in the development or operating stage, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to the consolidated statements of loss and comprehensive loss. The Company charges to the consolidated statements of loss and comprehensive loss the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

Impairment

The carrying value of property and equipment and exploration and evaluation expenditures is reviewed for indicators at each reporting period and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Expected future cash flows for property and equipment and exploration and evaluation expenditures are based on estimates of future metal prices and foreign exchange rates, proven and probable reserves, and future operating, capital, and reclamation cost assumptions.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(h) Provisions

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when:

(i) the Company has a present legal or constructive obligation as a result of past events;
(ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and
(iii) the amount can be reliably estimated

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as accretion expense. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Company's property and equipment and exploration and evaluation expenditures. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. At December 31, 2011 the Company has not recorded any provisions (December 31, 2010 - $Nil, January 1, 2010 - $Nil).

(i) Current and deferred income tax

Income tax expense represents the sum of current tax and deferred tax expense. Income tax is recognized in the statement of loss except to the extent it relates to items recognized directly in shareholders' equity, in which case the income tax expense is recognized in shareholders' equity. Current income taxes are measured at the amount, if any, expected to be recoverable from or payable to taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the liability method of accounting for deferred taxes. Under this method, deferred income tax assets or liabilities are recorded to reflect differences between the accounting and tax base of assets and liabilities, and income tax loss carry forwards. Deferred taxes are measured using tax rates that are expected to apply to the period when the deferred tax asset is realized or deferred tax liability is settled, based on income tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The effect of any changes in tax rate is recognized in the statement of loss in the period in which the change occurs or in shareholders' equity, depending on the nature of the item(s) affected by the adjustment.

Deferred income tax assets and liabilities are not recognized for temporary differences relating to: the initial recognition of goodwill; 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 accounting profit or loss or taxable profit or loss; certain differences associated with subsidiaries, branches and associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for deductible temporary differences to the extent it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient profits will be available to allow the asset to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities relating to the same taxable entity. The Company may also offset deferred tax assets and deferred tax liabilities relating to different taxable entities, where the amounts relate to income taxes levied by the same taxation authority and the entities intended to realize the assets and settle the liabilities simultaneously.

(j) Share-based compensation

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Share based compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

(k) Revenue Recognition

Interest income is accrued at the end of accounting periods on a proportion of time basis.

(l) Earnings per share

The calculation of earnings per share ("EPS") is based on the weighted average number of shares outstanding for each year. The basic EPS is calculated by dividing the earnings or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the year.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

5. Accounting standards issued but not yet applied

<u>IFRS 9, *International Financial Reporting Standard*, ("IFRS 9")</u>

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, 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, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive loss.

Where such equity instruments are measured at fair value through other comprehensive loss, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive loss.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, *Consolidated Financial Statements*

On May 12, 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* that addresses the accounting for consolidated financial statements by establishing a single control model that applies to all entities, including special purpose entities or structured entities. IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent as a single economic entity.

IFRS 10 establishes criteria for determining control which includes the ability to direct the activities of the investee that significantly affect the investee's return, exposes the controlling entity to variable returns of the investee and has power over the investee sufficient to affect returns to the investor. Control activities outlines in IFRS 10 include the ability to determine operating policies, making capital decisions, appointing key management and managing underlying investments.

The standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 10 must be adopted in conjunction with IFRS 11 and 12. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 11, *Joint Arrangements*

On May 12, 2011, the IASB issued IFRS 11, *Joint Arrangements* which establishes principals for financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and is effective for reporting periods after January 1, 2013. IFRS 11 describes the accounting for a "joint arrangement," defined as a contractual arrangement over which two or more parties have joint control. While IFRS 11 supersedes IAS 31, it does not broaden the scope of the standard.

Under IFRS 11 joint control is determined by the contractually agreed sharing of control of an arrangement whereby the decisions about the relevant activities require unanimous consent of the parties sharing control. Key in determining joint control include; contractual agreement among the parties, the ability to exert control over the relevant activities and the requirement for unanimous consent amongst the parties to an arrangement. Joint arrangements will be classified as either "joint operations" or "joint ventures" under IFRS 11. For joint operations the operator will continued to recognize its assets, liabilities, revenues and expenses under its control as they would have under IAS 31. In a joint venture the parties have joint control and rights to the net assets of the arrangement.

The standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 11 must be adopted in conjunction with IFRS 10 and 12. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

<u>IFRS 12, *Disclosure of Involvement with Other Entities*</u>

On May 12, 2011, the IASB issued IFRS 12, *Disclosures of Interests in Other Entities*. IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard as previously included in IAS 27, 28 and 31 along with new disclosure standards. IFRS 12 is intended to disclose information that help users of financial statements evaluate the nature and risk associated with interest in another entity and the effect those interests have on its financial position, financial performance and cash flows.

IFRS 12 requires that management disclose significant judgments and estimates used in determining whether it has control, joint control or significant influence over another entity and the type of joint arrangement established when done through a separate vehicle.

The standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 12 must be adopted in conjunction with IFRS 10 and 11. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

<u>IFRS 13, *Fair Value Measurements*</u>

On May 12, 2011, the IASB issued guidance on the fair value measurement disclosure requirements for IFRS. This standard 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 standard is required to be applied for accounting periods beginning on or after January 1, 2013. The Company has not yet assessed the potential impact of the standard.

<u>IAS 1, *Presentation of Items of OCI: Amendments to IAS I Presentation of Financial Statements*</u>

In June 2011, the IASB issued IAS 1, *Presentation of Items of OCI: Amendments to IAS I Presentation of Financial Statements.* The amendments stipulate the presentation of net earnings and OCI and also require the Company to group items within OCI based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1 are effective for the Company beginning on January 1, 2012, with retrospective application and early adoption permitted. The adoption of the amendments to this standard is not expected to have a material impact on the Company's consolidated financial statements.

<u>IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*</u>

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 yet in the production phase, the Company is currently assessing the future impact of this interpretation.

6. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions relate to exploration and evaluation expenditures; income taxes; title to mineral property interests and share-based payments. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company is also exposed to legal risk. The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partly, under insurance policies and that could significantly influence the business and results of operations.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the various jurisdictions in which it operates. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(Expressed in Canadian Dollars)

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

7. Cash and Equivalents

Cash and equivalents are comprised of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash on hand	$ 7,489,111	$ 697,474	$ 3,062,326
Cash on deposit	350,889	199,423	103,640
Short-term investments	1,000,000	5,465,000	-
	$ 8,840,000	$ 6,361,897	$ 3,165,966

8. Property and Equipment

	Land	Vehicles and equipment	Total
Cost			
Balance at January 1, 2010	$ 614,313	$ 235,781	$ 850,094
Additions	-	43,335	43,335
Foreign exchange movement	(51,998)	16,062	(35,935)
Balance at December 31, 2010	562,315	295,178	857,493
Additions	-	304,737	304,737
Foreign exchange movement	(32,088)	13,891	(18,197)
Balance at December 31, 2011	**$ 530,227**	**613,806**	**$ 1,144,033**
Accumulated amortization			
Balance at January 1, 2010	$ -	$ 145,340	$ 145,340
Depreciation for the year	-	113,497	113,497
Foreign exchange movement	-	(33,344)	(33,344)
Balance at December 31, 2010	-	225,493	225,493
Depreciation for the year	-	112,448	112,448
Foreign exchange movement	-	(18,197)	(18,197)
Balance at December 31, 2011	**$ -**	**$ 319,744**	**$ 319,744**
Net book value			
At January 1, 2010	$ 614,313	$ 90,441	$ 704,754
At December 31, 2010	$ 562,315	$ 69,685	$ 632,000
At December 31, 2011	**$ 530,227**	**$ 294,062**	**$ 824,289**

(Expressed in Canadian Dollars)

9. Share Capital

a) Authorized:

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Issued:

Common Shares

	December 31, 2011			December 31, 2010		
	Number		Amount	Number		Amount
Balance, beginning of year	**73,167,565**		**$ 18,250,138**	44,612,040		$ 13,989,654
Short form prospectus	-		-	28,420,900	(i)	8,526,270
Share issue costs and filing statement fees	-		**(1,547,503)**	-		(1,487,811)
Portion of units attributable to warrants issued	-		-	-		(2,838,467)
Bought-deal private placement	**25,645,000**	(v)	**11,540,250**	-		-
Portion of units attributable to warrants issued	-	(v)	**(3,331,620)**	-		-
Exercise of agent's options	**93,667**	(vii)	**49,644**	134,625		60,492
Exercise of broker compensation warrants	**108,932**	(iv)(vi)	**50,226**	-		-
Exercise of broker warrants	**46,666**	(ix)	**21,000**			
Exercise of warrants	**1,551,500**	(viii)	**852,929**	-		-
Balance, end of year	**100,613,330**		**$ 25,885,064**	73,167,565		$ 18,250,138

Preferred Shares

	December 31, 2011		December 31, 2010	
	Number	Amount	Number	Amount
Balance, beginning of year	**20,881,493**	**$ 177,417**	20,881,493	$ 177,417
Balance, end of year	**20,881,493**	**$ 177,417**	20,881,493	$ 177,417

Warrants

	December 31, 2011			December 31, 2010		
	Number		Amount	Number		Amount
Balance, beginning of year	**14,210,450**		**$ 2,838,467**	2,500,000		$ 250,000
Portion of units attributable to warrants issued	-		-	14,210,450	(i)	2,838,467
Expiry of warrants	-		-	(2,500,000)	(iii)	(250,000)
Exercise of warrants	**(1,551,500)**	(viii)	**(309,904)**	-		-
Portion of units attributable to warrants issued	**12,822,500**	(v)	**3,331,620**	-		-
Balance, end of year	**25,481,450**		**$ 5,860,183**	14,210,450		$ 2,838,467

Common share issuances

(i) On November 30, 2010 the Company issued 28,420,900 units at $0.30 per unit pursuant to a short form prospectus offering for gross proceeds of $8,526,270. Each unit consisted of one common share and one half share purchase warrant exercisable at $0.35 per warrant before November 30, 2013. A fair value of $2,838,467 was assigned to warrants. In conjunction with the offering, the Company granted broker compensation warrants to Wolverton, Canaccord Genuity Corp. and Octagon Capital Corporation to acquire 2,842,090 broker compensation units. Each broker warrant entitles the holder to acquire one broker compensation unit at an exercise price of $0.30 per share on or before November 30, 2013. Each broker compensation unit will consist of one common share and one half of one common share purchase warrant exercisable at $0.35 prior to November 30, 2013. The fair value of the broker warrants are $637,513 (see ii).

(Expressed in Canadian Dollars)

(ii) The fair value of the warrants and broker compensation warrants issued on November 30, 2010 pursuant to the short for prospectus unit offering was estimated using the Black-Scholes option pricing model with the following assumptions:

	2010
Risk free interest rate	1.6%
Expected volatility	116%
Expected life (years)	3
Expected dividend yield	0%
Forfeiture rate	0%

(iii) On December 23, 2010 all of the warrants issued in conjunction with the December 23, 2009 brokered private placement expired.

(iv) During the year ended December 31, 2011, the Company issued 34,745 shares pursuant to the cashless exercise of 125,196 broker compensation warrants granted in conjunction with the Company's November 2010 short form prospectus offering. Pursuant to the issuance, the Company recorded $14,288 in common shares to reflect the Black-Scholes valuation of the cashless exercise of broker compensation warrants.

(v) On June 14, 2011, the Company issued 25,645,000 units at $0.45 per unit pursuant to a bought-deal private placement for gross proceeds of $11,540,250, of which $3,331,620 was the fair value of the warrants. Each unit consisted of one common share and one half share purchase warrant exercisable at $0.65 per warrant before June 14, 2013. In conjunction with the private placement, the Company granted broker compensation options to Macquarie Capital Markets Canada Ltd. to acquire 1,788,150 broker compensation units. Each broker compensation unit will consist of one common share and one half of one common share purchase warrant exercisable at $0.45 prior to June 14, 2013. The fair value of the warrants issuable pursuant to the broker compensation units is $464,896.

(vi) During year ended December 31, 2011, the Company issued 74,187 shares pursuant to the exercise of 45,000 broker compensation warrants and 29,187 compensation warrants granted in conjunction with the Company's November 2010 short form prospectus offering. Pursuant to the issuance, the Company recorded $12,222 in common shares to reflect the Black-Scholes valuation of the exercise of broker compensation warrants and compensation warrants and cash proceeds of $23,716.

(vii) During the year ended December 31, 2011, the Company issued 93,667 shares pursuant to the exercise of 93,667 agent's options granted in conjunction with the Company's December 2009 qualifying transaction. Pursuant to the issuance, the Company recorded $21,544 in common shares to reflect the Black-Scholes valuation of the exercise of agent's options and cash proceeds of $28,100.

(viii) During the year ended December 31, 2011, the Company issued 1,551,500 shares pursuant to the exercise of 1,551,500 warrants granted at an exercise price of $0.35 in conjunction with the Company's November 2010 short form prospectus offering. Pursuant to the issuance, the Company recorded $309,904 in common shares to reflect the Black-Scholes valuation of the exercise of warrants and cash proceeds of $543,025.

(Expressed in Canadian Dollars)

(ix) During the year ended December 31, 2011, the Company issued 46,666 shares pursuant to the exercise of 46,666 broker warrants granted in conjunction with the Company's December 2009 qualifying transaction. Pursuant to the issuance, the Company recorded $7,000 in common shares to reflect the Black-Scholes valuation of the exercise of broker warrants and cash proceeds of $14,000.

b) Stock options:

Under the Company's share option plan, and in accordance with TSX Venture Exchange requirements, the number of common shares reserved for issuance under the option plan shall not exceed 10% of the issued and outstanding common shares of the Company. In connection with the foregoing, the number of common shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding common shares; and (b) all consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised the greater of twelve months after the completion of the Qualifying Transaction and ninety days following cessation of the optionee's position with the Company.

	Range of exercise prices	Number outstanding	Weighted average life (years)	Weighted average exercise price	Number exercisable on December 31, 2011
Stock options	$0.30 - $0.65	5,997,470	3.26	$0.35	5,467,603
Agent's options	$0.30	572,996	0.98	$0.30	572,996
		6,570,466	3.06	$0.35	6,040,599

	December 31, 2011		December 31, 2010	
	Number of options	Weighted Average Price	Number of options	Weighted Average Price
Balance, beginning of year	5,999,398	$0.32	4,651,013	$0.30
Granted to officers and directors	764,735	$0.33	1,710,000	$0.42
Forfeiture of stock options	(100,000)	$0.30	-	-
Exercise of agent's options	(93,667)	$0.30	(134,625)	$0.30
Expiration of agent's options	-	-	(32,035)	$0.30
Cancellation of stock options granted to officers and directors	-	-	(194,955)	$0.30
Balance, end of year	6,570,466	$0.32	5,999,398	$0.32

In January of 2010, the Company granted 600,000 stock options to two directors of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of $0.65 for a period of five years. Of these options a total of 150,000 vested immediately with the remainder vesting over an eighteen month period. The associated stock option expense of $31,930 (2010 - $276,736) was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	January 18, 2010
Risk free interest rate	0.18%
Expected volatility	113%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	0%

(Expressed in Canadian Dollars)

On December 15, 2010, the Company granted a total of 1,110,000 stock options to directors and employees of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of $0.30 for a period of five years. Of these options a total of 277,500 options vested immediately with the remainder vesting over an eighteen month period. The associated stock option expense of $131,158 (2010 - $138,047) was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	December 15, 2010
Risk free interest rate	1.6%
Expected volatility	116%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	0%

During 2010, 134,625 agent's options were exercised.

On January 10, 2011, the Company granted 300,000 stock options to an investor relations consultant of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of $0.35 for a period of five years. These options will vest over a twelve month period, beginning April 10, 2011. The associated stock option expense of $76,635 was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	January 10, 2011
Risk free interest rate	2.24%
Expected volatility	115.74%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	1.59%

On January 27, 2011, the Company granted 464,735 stock options to two directors of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of $0.31 for a period of five years. Of these options a total of 116,183 vested immediately with the remainder vesting over an eighteen month period. The associated stock option expense of $98,310 was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	January 27, 2011
Risk free interest rate	2.25%
Expected volatility	115.51%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	1.59%

c) Escrowed shares

As required by Exchange Policy, all 1,510,300 of the Company's seed capital shares are subject to a timed release escrow agreement dated April 24, 2008. This escrow agreement provides for the release of 10% of the escrowed shares on December 31, 2009 and 15% of the remaining escrowed shares every six months thereafter. As of December 31, 2011, 679,635 shares (December 31, 2010 – 906,180 shares, January 1, 2010 – 1,359,270 shares) remain in escrow.

(Expressed in Canadian Dollars)

In addition, all of the common shares and convertible preferred shares issued pursuant to the Company's qualifying transaction are subject to a TSX Venture Exchange Tier Two surplus escrow agreement allowing for the release of 5% of the shares on December 31, 2009, 5% on June 30, 2010, 10% on each of December 31, 2010 and June 30, 2011, 15% on each of December 31, 2011 and June 30, 2012, and 40% on December 31, 2012. If the Company subsequently meets the Tier 1 Minimum Listing Requirements of the TSX Venture Exchange, the release of these escrowed shares will be accelerated whereby such escrowed shares will be released from escrow as to 10% thereof effective as of December 31, 2009, 20% on June 30, 2010, 30% on December 31, 2010, and 40% on June 30, 2011. As of December 31, 2011, 20,382,955 common shares (December 31, 2010 – 29,118,507 common shares, January 1, 2010 – 29,118,507 common shares) and 14,617,045 convertible preferred shares (December 31, 2010 – 20,881,493 convertible preferred shares, January 1, 2010 – 20,881,493 preferred shares) remain in escrow.

d) Warrants:

	Range of exercise prices	Number outstanding	Weighted average life (years)	Weighted average exercise price
Warrants	$0.35 - $0.65	25,481,450	1.68	0.50
Broker Warrants	$0.30 - $0.45	4,913,378	1.66	0.35
Compensation Warrants	$0.35	55,910	1.92	0.35
		30,450,738	1.68	0.48

	December 31, 2011		December 31, 2010	
	Number of warrants	Weighted Average Price	Number of warrants	Weighted Average Price
Balance, beginning of year	17,552,540	$0.34	500,000	$0.30
Warrants (Note 8(a)(i))	-		14,210,450	$0.35
Broker warrants (Note 8(a)(i))	-		2,842,090	$0.30
Warrants (Note 8(a)(v))	12,822,500	$0.65	-	
Broker warrants (Note 8(a)(v))	1,788,150	$0.45	-	
Compensation warrants resulting from exercise of broker warrants (Note 8(a)(iv)(vi))	85,097	$0.35	-	
Exercise of warrants (Note 8(a)(viii))	(1,551,500)	$0.30	-	
Exercise of broker compensation warrants (Note 8(a)(iv)(vi))	(170,196)	$0.30	-	
Exercise of compensation warrants (Note 8(a)(vi))	(29,187)	$0.35	-	
Exercise of broker warrants (Note 8(a)(ix))	(46,666)	$0.30	-	
Balance, end of year	30,450,738	$0.48	17,552,540	$0.34

10. Contributed Surplus

	December 31, 2011	December 31, 2010
Balance, beginning of year	$ 2,339,072	$ 460,882
Share based compensation	410,912	1,010,783
Agent's options exercise	(21,544)	-
Broker compensation warrant exercise	(33,510)	-
Option exercise	-	(20,105)
Fair value of warrants issuable pursuant to broker compensation warrants	464,896	637,512
Warrant expiration	-	250,000
Balance, end of year	$ 3,159,826	$ 2,339,072

(Expressed in Canadian Dollars)

11. Income Taxes

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The differences between the "expected" income tax expenses and the actual income tax provision are summarized as follows:

	December 31, 2011	December 31, 2010
Loss before income taxes	$ (8,282,146)	$ (2,864,674)
Expected income tax recovery at 26.5% (2010 – 28.0%)	(2,194,769)	(793,709)
Non-deductible items and other	26,973	109,077
Share based compensation	95,415	253,987
Change in prior year estimates	(113,923)	(336,438)
Share issuance costs	(342,966)	(238,083)
Tax rate differences (mostly comprised of difference from effective Argentina tax rate of 35% and effective United States tax rate of 34%)	(469,068)	(123,084)
Change in deferred tax assets not recognized	2,996,353	1,655,816
Total income taxes (recovery)	$ (1,985)	$ 527,566

The components of the deferred tax asset are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Canada			
Share issuance costs	$ 504,698	$ 382,949	$ 232,156
Non-capital losses available for future periods	817,210	397,543	98,588
Deferred tax assets not recognized	(1,321,908)	(780,492)	(330,744)
Canada deferred tax asset	$ -	$ -	$ -
Argentina			
Property and equipment	$ 6,128,246	$ 4,267,635	$ 3,582,968
VAT receivable	507,448	391,140	391,979
Non-capital losses available for future periods	211,711	-	208,754
Contingency accrual	43,750	43,750	-
Deferred tax assets not recognized	(6,891,155)	(4,702,525)	(3,974,947)
Argentina deferred tax asset	$ -	$ -	$ 208,754

(Expressed in Canadian Dollars)

United States			
Property and equipment	$ 9,752	$ 285	$ -
Non-capital losses available for future periods	735,045	478,205	-
Deferred tax assets not recognized	(744,797)	(478,490)	-
United States deferred tax asset	$ -	$ -	$ -
Total deferred tax asset	$ -	$ -	$ 208,754

As at December 31, 2011, the Corporation has, for tax purposes, non-capital losses available to carry forward to future years totaling $6,035,624 (2010 - $2,805,617).

The non-capital loss carry-forwards reflected above expire as follows:

Year of Expiry	**Canada**	**Argentina**	**United States**	**Total**
2016	-	604,889	-	604,889
2028	76,253	-	-	76,253
2029	208,598	-	482,451	691,049
2030	1,134,946	-	924,035	2,058,981
2031	1,849,042	-	755,410	2,604,452
Total	**$ 3,268,839**	**$ 604,889**	**$ 2,161,896**	**$6,035,624**

12. Related Party Transactions

During the year ended December 31, 2011, the Company paid US$85,761 (2010 - US$87,116) to HuntMountain Resources Ltd. (“HuntMountain”), an entity controlled by the Company’s Executive Chairman, for the rental of office space.

During the year ended December 31, 2011, the Company incurred $146,546 (2010 – $139,769) in professional fees expense relating to the services of the President of CCSA. Included in accounts payable and accrued liabilities as at December 31, 2011 was $12,773 (December 31, 2010 - $11,785) owing to the President of CCSA for professional geological fees.

Included in prepaid expenses as at December 31, 2011, the Company had a receivable due from the President of CCSA for $3,100 (December 31, 2010 - $534) for cash advanced for field expenses.

During the year ended December 31, 2011, the Company incurred $27,502 (2010 – $31,276) in general and administrative expenses relating to rent paid for office space to the President of CCSA.

During the year ended December 31, 2011, the Company incurred $94,605 (2010 - $38,660) in professional fees expense relating to the accounting services of a director of CCSA. Included in accounts payable and accrued liabilities as at December 31, 2011, the Company had a payable owing to a director of CCSA for accounting services of $5,027 (December 31, 2010 – $4,467).

During the year ended December 31, 2011, the Company acquired office furniture and fixtures from HFP, LLC, an entity controlled by the Company's chairman, for $Nil (2010 - $44,419).

During the year ended December 31, 2011, the Company acquired computer equipment from HuntMountain, CCSA's former parent corporation, for US$36,477 (2010 - $Nil). The Company paid a deposit of $Nil (2010 - US$5,000) in relation to the purchase.

During the year ended December 31, 2011, the Company paid US$23,973 (2010 - US$21,453) to Huntwood Industries, an entity controlled by the Company's Executive Chairman, for marketing design services, website development and website maintenance. As at December 31, 2011, US$18,915 (December 31, 2010 – US$21,453) is reflected in accounts payable and accrued liabilities.

During the year ended December 31, 2011 the Company paid $Nil (2010 - US$10,000) to HuntMountain for reimbursement of travel expenses incurred by HuntMountain in conjunction with the Qualifying Transaction. This is recorded in travel expenses in the consolidated statement of loss.

In conjunction with the Qualifying Transaction, on December 23, 2009, the Company advanced $200,000 to HuntMountain, CCSA's former parent corporation, as a refundable deposit. The deposit was not applied to the consideration of the Qualifying Transaction and therefore is reflected in prepaid expenses and deposits on the Company's consolidated statement of financial position at December 31, 2011 (January 1, 2010 and December 31, 2010 – $200,000). At the year ended December 31, 2011, the Company received notice from HuntMountain that they had identified invoices refundable to them as part of the Qualifying Transaction. Upon submittal to Hunt Mining, $43,000 of expenses were identified as refundable. The Company has credited the $43,000 against the $200,000 receivable leaving an outstanding balance owed by HuntMountain to Hunt Mining of $157,000. The Company has contacted HuntMountain's management and has confirmed the balance will be collected by December 31, 2014. The Company is negotiating collection.

On March 3, 2010, Hunt Gold USA LLC, a wholly owned subsidiary of the Company, acquired US$700,000 of the US$803,000 outstanding loan payable from CCSA to HuntMountain for total consideration of US$679,000, a 3% discount to the outstanding amount payable.

On March 14, 2011, Hunt Gold USA LLC acquired the remaining amount of the loan owing from CCSA to HuntMountain. The outstanding principal amount of the loan was US$103,000 and the accrued interest relating to the loan was US$11,682. The total consideration paid to HuntMountain was 97% of the outstanding principal plus all accrued interest. The total consideration for this transaction was $111,592.

All related party transactions are related to the normal course of business and are recorded at the exchange amount which is the amount agreed to by the related parties.

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to senior key management, including the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the Controller, is as follows:

(Expressed in Canadian Dollars)

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries and benefits	$ 444,717	$ 461,106
Consulting fees	331,351	178,430
Share based compensation	332,729	1,010,073
	$ 1,108,797	$ 1,649,609

13. Financial Instruments

The Company's financial instruments consist of cash and equivalents, accounts receivable, performance bond, accounts payable and accrued liabilities, shareholder loan and interest payable on shareholder loan.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and lowest priority to Level 3 inputs. Cash and equivalents and performance bond are measured and reported as Level 1.

Fair value

The fair value of financial instruments are summarized as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
FVTPL						
Cash and equivalents (Level 1)	$8,840,000	$8,840,000	$6,361,897	$6,361,897	$3,165,966	$3,165,966
Available for sale						
Performance bond (Level 1)	227,596	227,596	257,208	257,208	209,303	209,303
Loans and receivables						
Accounts receivable	64,364	64,364	53,943	53,943	11,648	11,648
Financial Liabilities						
Other financial liabilities						
Accounts payable and accrued liabilities	516,696	516,696	318,679	318,679	1,444,729	1,444,729
Shareholder loan	-	-	103,021	103,021	842,668	842,668
Interest payable on shareholder loan	-	-	10,240	10,240	3,698	3,698
Due to related parties	-	-	-	-	612,850	612,850

Financial risk management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

i. Currency risk

The Company holds cash balances and incurs payables that are denominated in the Canadian Dollar, the United States Dollar and the Argentine Peso. These balances are subject to fluctuations in the exchange rate between the Canadian Dollar, and the United States Dollar and the Argentine Peso, resulting in currency gains or losses for the Company.

As at December 31, 2011, the following are denominated in US dollars:

Cash and equivalents	$17,294
Accounts payable and accrued liabilities	52,545

As at December 31, 2011, the following are denominated in Argentine Peso:

Cash and equivalents	$747,622
Performance bond	227,596
Accounts receivable	32,885
Accounts payable and accrued liabilities	351,645

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar and the Argentine Peso could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2011, if the U.S. dollar strengthened or weakened by 10% relative to the Canadian dollar the impact on income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	Impact on net loss and comprehensive loss
U.S. Dollar Exchange rate – 10% increase	$2,148
U.S. Dollar Exchange rate – 10% decrease	$(2,148)

At December 31, 2011, if the Argentine Peso strengthened or weakened by 10% relative to the Canadian dollar the impact on income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	Impact on net loss and comprehensive loss
Argentine Peso Exchange rate – 10% increase	$20,996
Argentine Peso Exchange rate – 10% decrease	$(20,996)

ii. Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and equivalents are held through Canadian and Argentine financial institutions.

The Company maintains its cash and equivalents in multiple financial institutions. The Company maintains cash in an Argentine bank. The Argentine accounts, which had a Canadian dollar balance of

(Expressed in Canadian Dollars)

$396,733 at December 31, 2011 (December 31, 2010 - $2,084, January 1, 2010 - $14,008) are considered uninsured.

The Company maintains a cash balance in its bank account in Argentina. This balance is exposed to credit risk if the bank failed to meet its obligation to the Company. The Company controls for this risk by only keeping funds in Argentina sufficient to meet approximately two months of operating expenses.

There is minimal credit risk on accounts receivable as all amounts are considered collectible.

The Company pays a value added tax “VAT” to the Argentine government on all expenses in Argentina. This creates a VAT receivable on the Company’s books owed to it by the government of Argentina. The Company’s current receivable is $1,143,509 (December 31, 2010 - $622,761). The Company believes this to be a collectable amount and it is backed in the strength and laws of the Argentine government. If for some reason the government did not pay, changed the laws, or defaulted on the receivable the Company potentially could lose the full value of the receivable.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure. All of the Company’s accounts payable and accrued liabilities are current and payable within one year.

iv. Price risk

The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. A dramatic decline in commodity prices could impact the viability of the Company and the carrying value of its properties. The Company is exposed to price risk with respect to commodity prices. There is minimal price risk at the present time as the Company is not yet in the production phase.

vi. Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company’s earnings and liabilities. In the normal course of business, the Company is not exposed to interest rate fluctuations as there is no interest bearing debt as at December 31, 2011.

14. Segmented Information

All of the Company’s operations are in the mineral properties exploration industry with its principal business activity in the acquisition and exploration of mineral properties. The Company conducts its resource properties exploration activities primarily in Argentina. The location of the Company’s assets by geographic area as of December 31, 2011, December 31, 2010 and January 1, 2010 is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Canada	$ 8,254,187	$ 6,329,919	$ 3,256,093
Argentina	3,166,828	1,734,088	1,972,012
United States	73,773	74,873	-
	$ 11,494,788	$ 8,138,880	$ 5,228,105

(Expressed in Canadian Dollars)

The location of the Company's net loss by geographic area as of December 31, 2011 and December 31, 2010 is as follows:

	December 31, 2011	December 31, 2010
Canada	$ (1,666,119)	$ (1,613,592)
Argentina	(5,783,635)	(802,871)
United States	(830,407)	(945,777)
	$ (8,280,161)	$ (3,362,240)

15. Commitments and Contingencies

a) On March 27, 2007, the Company signed a definitive lease purchase agreement with FK Minera S.A. to acquire a 100% interest in the Bajo Pobré gold property located in Santa Cruz Province, Argentina. The Company may earn up to a 100% equity interest in the Bajo Pobré property by making cash payments and exploration expenditures over a five-year earn-in period. The required expenditures and ownership levels upon meeting those requirements are:

Year of the Agreement	Payment to FK Minera SA	Exploration Expenditures Required	Ownership
First year - 2007	US$50,000	US$250,000	0%
Second year - 2008	US$30,000	US$250,000	0%
Third year -2009	US$50,000	-	51%
Fourth year - 2010	US$50,000	-	60%
Fifth year – 2011	US$50,000	-	100%

After the fifth year, the Company is obligated to pay FK Minera S.A. the greater of a 1% net smelter royalty ("NSR") on commercial production or US$100,000 per year. The Company has the option to purchase the NSR for a lump-sum payment of US$1,000,000 less the sum of all royalty payments made to FK Minera S.A. to that point.

As of December 31, 2011, the Company has made all required payments to F.K. Minera, however CCSA has not made sufficient exploration expenditures required by the Bajo Pobré contract. The parties to the contract have not finalized an amendment to the contract terms and therefore the Company's ability to retain rights to explore the Bajo Pobré property is uncertain at this time.

b) In March 2007, the Company was the successful bidder for the exploration and development rights to the La Josefina project from Fomicruz. On July 24, 2007, the Company entered into an agreement with Fomicruz pursuant to which the Company agreed to invest a minimum of US$6 million in exploration and development expenditures over a four year period, including US$1.5 million before July 2008. The agreement provides that, in the event that a positive feasibility study is completed on the La Josefina property, a joint venture company would be formed by the Company and Fomicruz. A revised schedule for exploration and development of the La Josefina project was submitted in writing to Fomicruz and was adopted on May 3, 2011, mandating that an economic feasibility study and production decision be made by the Company for the La Josefina project by the end of 2013. The Company would own 91% of the joint venture company and Fomicruz would own the remaining 9%. As of December 31, 2011, the Company has invested approximately US$10 million in the La Josefina property.

(Expressed in Canadian Dollars)

c) On June 30, 2010, a former director and accounting consultant ("the Consultant") to the Company severed his business relationship with the Company. On August 5, 2010 the Consultant claimed that since 2006, he was actually an employee of, not a Consultant to, CCSA. On September 7, 2010, the Argentine Ministry of Labor, Employment and Social Security filed a Certificate of Notice on CCSA and the Company indicating that a representative from CCSA and the Company must appear before a mediator to address the Consultant's claims. The certificates of notice stated the value of the Consultant's claim against the Company at 500,000 pesos (US$126,811).

   On March 18, 2011, a lawsuit was filed against the Company and its subsidiaries by the Consultant. The lawsuit claimed that the Consultant was an employee of the Company, not a consultant, since 2006. The total value of the claim was US$249,041, including wages, alleged bonus payments, interest and penalties. The consolidated financial statements include a contingent liability of $125,000 and a charge to operations for the year ended December 31, 2010 in the same amount. Management considers the lawsuit to be without merit and intends to defend the Company and its subsidiaries to the fullest extent possible.

d) On October 31, 2011, CCSA signed an agreement with the owners of Piedra Labrada for the use and lease of facilities on the same premises as the Company's La Josefina facilities. The term is for three years beginning November 1, 2011 and ending on October 31, 2014, including annual commitments of $60,000.

16. Capital Disclosure

Capital management is the key to achieving the Company's growth plans, the maintenance of a strong capital base to ensure financial flexibility, and providing returns to shareholders. The Company's capital is comprised of shareholders' equity and shareholder loan, as follows:

Management of capital risk

	December 31, 2011	December 31, 2010	January 1, 2010
Shareholders' equity	$10,628,859	$7,505,089	$2,196,241
Shareholder loan	-	103,021	842,668
	$10,628,859	$7,608,110	$3,038,909

The Company does not have covenants associated with the Company's long-term liabilities. The Company regularly reviews its on-going capital requirements to fund capital expenditures and service upcoming obligations.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments.

The Company is not subject to externally imposed capital requirements.

17. Subsequent Events

On March 5, 2012, the Company appointed Mr. Matt Fowler as Chief Financial Officer effective March 1, 2012. Ms. Vicki Streng resigned her position as Interim CFO and resumed her position as Controller.

On March 5, 2012, the Company granted 1,250,000 stock options at an exercise price of $0.30 per share to certain directors, officers, employees and consultants.

18. Transition to IFRS

The Company adopted IFRS effective January 1, 2010 ("the transition date") and has prepared its opening statement of financial position in accordance with International Financial Reporting Standards.

The date of the first annual financial statements in compliance with IFRS will be for the year ending December 31, 2011.

IFRS 1 'First-time adoption of International Financial Reporting Standards' ("IFRS 1"), which governs the first time adoption of IFRS requires that the same policies are applied for all periods presented and that these policies are based on IFRS effective at the end of the first IFRS reporting year, December 31, 2011. The Company therefore prepared its opening statement of financial position by applying existing IFRS at December 31, 2011.

The IFRS accounting policies as presented in Note 4 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative year and the opening statement of financial position at the date of transition.

(a) Elected exemptions from full retrospective application

IFRS 1 requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The optional exemptions applied are as follows:

(i) Business combinations

Under IFRS 1, the Company can elect to not restate in accordance with IFRS 3 *Business Combinations*, all business combinations that occurred prior to the transition date or to only restate all business combinations that occurred after a designated date prior to the transition date. The Company has applied this exemption to all business combinations that occurred prior to January 1, 2010.

(ii) Share-based payment transactions

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2 *Share-based Payment* ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002, but vested before the Company's IFRS transition date. Accordingly, an entity may elect not to retrospectively apply IFRS 2 to these equity instruments.

The Company has elected this exemption and as a result, has applied IFRS 2 retrospectively only for share-based payments that were granted after November 7, 2002, and had not vested at the date of transition.

(iii) Cumulative translation differences

IFRS 1 allows cumulative translation differences for all foreign operations to be reset to zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the date of transition to IFRS. The Company has elected this exemption and accordingly, has reset all cumulative translation differences to zero on transition to IFRS.

(iv) Borrowing costs

IFRS 1 permits an entity to apply the transitional provisions of IAS 23 - *Borrowing Costs* as an alternative to full retrospective application. Under these provisions, the Company may elect to only apply IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the date of transition (or an elected earlier date).

The Company has elected to apply this exemption from its transition date of January 1, 2010, and as a result, will apply IAS 23 from this date onwards for projects with a commencement date of January 1, 2010 or later.

(b) Mandatory exceptions to retrospective application

IFRS 1 outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening consolidated statement of financial position dated January 1, 2010:

(i) Estimates

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

(c) Reconciliations from Canadian generally accepted accounting principles ("GAAP") to IFRS

The Company's transition from Canadian GAAP to IFRS has resulted in a number of adjustments to its consolidated statement of financial position, consolidated statement of loss, consolidated statement of comprehensive loss and consolidated statement of cash flows for the year ended December 31, 2010 and to the consolidated statement of financial position for January 1, 2010. Further details of the adjustments are provided in the following reconciliations and the notes that accompany the reconciliations. The adoption of IFRS has not changed the Company's actual cash flows.

(Expressed in Canadian Dollars)

The January 1, 2010 Canadian (CGAAP) consolidated statement of financial position has been reconciled to IFRS as follows:

	CGAAP December 31, 2009		Effect of IFRS Transition	IFRS January 1, 2010
CURRENT ASSETS:				
Cash and equivalents	$ 3,165,966		$ -	$ 3,165,966
Accounts receivable	11,648		-	11,648
Prepaid expenses and deposits	200,000		-	200,000
Deferred income tax	208,754		-	208,754
Total Current Assets	3,586,368		-	3,586,368
PROPERTY AND EQUIPMENT:	854,966	*(a)*	(150,212)	704,754
OTHER ASSETS:				
Performance bond	209,303		-	209,303
V.A. Tax, net of discount	513,636		-	513,636
Minimal presumed income tax receivable	214,044		-	214,044
Total Other Assets:	936,983		-	936,983
TOTAL ASSETS:	$ 5,378,317		$ (150,212)	$ 5,228,105
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 1,444,729		$ -	$ 1,444,729
Taxes payable	127,919		-	127,919
Shareholder loan	842,668		-	842,668
Interest payable on shareholder loan	3,698		-	3,698
Due to related parties	612,850		-	612,850
TOTAL LIABILITIES:	$ 3,031,864		$ -	$ 3,031,864
SHAREHOLDERS' EQUITY				
Preferred shares	177,417		-	177,417
Share capital	13,989,654		-	13,989,654
Contributed surplus	453,832	*(b)*	7,050	460,882
Warrants	250,000		-	250,000
Deficit	(12,640,589)	*(a)(c)*	(34,073)	(12,681,712)
		(b)	(7,050)	
Accumulated other comprehensive income	116,139	*(c)*	(116,139)	-
Total Shareholders' Equity:	$ 2,346,453		$ (150,212)	$ 2,196,241
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,378,317		$ (150,212)	$ 5,228,105

(Expressed in Canadian Dollars)

The Canadian GAAP consolidated statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

	CGAAP December 31, 2010		Effect of IFRS Transition	IFRS December 31, 2010
CURRENT ASSETS:				
Cash and equivalents	$ 6,361,897		$ -	$ 6,361,897
Accounts receivable	53,943		-	53,943
Prepaid expenses and deposits	211,071		-	211,071
Total Current Assets	6,626,911		-	6,626,911
PROPERTY AND EQUIPMENT:	784,805	*(a)*	(152,805)	632,000
OTHER ASSETS:				
Performance bond	257,208		-	257,208
V.A. Tax, net of discount	622,761		-	622,761
Total Other Assets:	879,969		-	879,969
TOTAL ASSETS:	$ 8,291,685		$ (152,805)	$ 8,138,880
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 318,679		$ -	$ 318,679
Taxes payable	76,851		-	76,851
Shareholder loan	103,021		-	103,021
Interest payable on shareholder loan	10,240		-	10,240
Total Current Assets	$ 508,791		$ -	$ 508,791
LONG-TERM LIABILITIES:				
Other long-term liabilities	125,000		-	125,000
TOTAL LIABILITIES:	$ 633,791		$ -	$ 633,791
SHAREHOLDERS' EQUITY				
Preferred shares	177,417		-	177,417
Share capital	18,250,138		-	18,250,138
Contributed surplus	2,139,557	*(b)*	199,515	2,339,072
Warrants	2,838,467		-	2,838,467
Deficit	(15,810,364)	*(a)(c)*	(34,073)	(16,043,952)
		(b)	(199,515)	
Accumulated other comprehensive income	62,679	*(a)(c)*	(118,732)	(56,053)
Total Shareholders' Equity:	$ 7,657,894		$ (152,805)	$ 7,505,089
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 8,291,685		$ (152,805)	$ 8,138,880

(Expressed in Canadian Dollars)

The Canadian GAAP consolidated statement of loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	CGAAP December 31, 2010		Effect of IFRS Transition	IFRS December 31, 2010
INCOME:				
Interest income:	$ 21,269		$ -	$ 21,269
OPERATING EXPENSES:				
Professional fees	954,580		-	954,580
Exploration expenses	395,011		-	395,011
Travel expenses	256,664		-	256,664
Administrative and office expenses	656,272		-	656,272
Payroll expenses	945,383		-	945,383
Stock based compensation	818,318	*(b)*	192,465	1,010,783
Interest expense and banking charges	66,327		-	66,327
Depreciation	113,497		-	113,497
Total operating expenses	4,206,052		192,465	4,398,517
Other income/(expense):				
Debt forgiveness gain	1,637,578		-	1,637,578
Gain on debt discount	21,870		-	21,870
Miscellaneous income	24,632		-	24,632
Taxes	(5,500)		-	(5,500)
Bank fees	(2,362)		-	(2,362)
VAT discount and accretion	2,397		-	2,397
Loss on foreign exchange	(11,041)		-	(11,041)
Contingent liability accrual	(125,000)		-	(125,000)
Total other income:	1,542,574		-	1,542,574
LOSS - before income tax	(2,642,209)		(192,465)	(2,834,674)
Income tax expense	(527,566)		-	(527,566)
NET LOSS FOR THE PERIOD	(3,169,775)		(192,465)	(3,362,240)
Weighted average shares issued and outstanding	47,172,054		47,172,054	47,172,054
NET LOSS PER SHARE - BASIC AND DILUTED	($0.07)		($0.00)	($0.07)

(Expressed in Canadian Dollars)

The Canadian GAAP consolidated statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	CGAAP December 31, 2010		Effect of IFRS Transition	IFRS December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (3,169,775)		$ (192,465)	$ (3,362,240)
Items not affecting cash				
Debt forgiveness gain	(1,637,578)		-	(1,637,578)
Future income taxes	208,754		-	208,754
Contingent liability	125,000		-	125,000
Depreciation	113,497		-	113,497
Unrealized foreign exchange gain/loss	(101,366)		-	(101,366)
Minimal presumed income tax receivable	214,044		-	214,044
V.A. tax	(109,125)		-	(109,125)
Share based compensation	818,318	*(b)*	192,465	1,010,783
				-
Net change in non-cash working capital	(199,214)		-	(199,214)
Net cash used in operating activities	(3,737,445)		-	(3,737,445)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment	(43,335)		-	(43,335)
Net cash (used in) provided by investing activities	(43,335)		-	(43,335)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of share capital, net of share issue costs	7,716,358		-	7,716,358
Proceeds from (repayments to) shareholder loan	(739,647)		-	(739,647)
Net cash provided by financing activities	6,976,711		-	6,976,711
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 3,195,931		$ -	$ 3,195,931
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	3,165,966			3,165,966
CASH AND EQUIVALENTS, END OF PERIOD	$ 6,361,897		$ -	$ 6,361,897
Cash and cash equivalents consist of:				
Cash	896,897			896,897
Cash equivalents	5,465,000			5,465,000
	6,361,897		-	6,361,897
SUPPLEMENTAL CASH FLOW INFORMATION				
Taxes paid	5,500			5,500

Notes to IFRS reconciliations presented above:

(a) Foreign currency translation

IFRS does not have the concept of group functional currency and requires a separate functional currency assessment for each entity within the consolidated group. The Company's subsidiaries have adopted the United States Dollar as its functional currency. Financial statements are translated to their Canadian dollar equivalents using the current rate method. Under this method, the statements of loss and cash flows for each year have been translated using the average exchange rates prevailing during each year. All assets and liabilities have been translated using the exchange rate prevailing at the statement of financial position date. Translation adjustments are recorded as income or losses in other comprehensive income or loss. Transaction gains and losses resulting from fluctuations in currency exchange rates on transactions denominated in currencies other than the United States dollar are recognized as incurred in the accompanying consolidated statements of loss.

Under IFRS, the Company consolidates assets and liabilities for each consolidated statement of financial position presented at the closing rate at the date of the statement of financial position. Under Canadian GAAP the Company translated property and equipment at the historical rate on the date of transaction.

The results of the differences between IFRS and Canadian GAAP are reflected in the statements above.

(b) Share-based payments

Under Canadian GAAP, the Company recognized each share-based payment award as a single pool with a fair value based on the specified vesting period for the overall arrangement. Under IFRS, the fair value of each tranche of a share-based payment award is considered a separate grant based on the vesting period with the fair value of each tranche determined separately and recognized as compensation expense over the term of its respective vesting period. In addition, IFRS requires that forfeitures be estimated in advance, whereas a policy choice existed under Canadian GAAP.

The results of the differences between IFRS and Canadian GAAP are reflected in the statements above.

(c) Cumulative translation differences

IFRS 1 allows cumulative translation differences for all foreign operations to be reset to zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the date of transition to IFRS. The Company has elected this exemption and accordingly, has reset all cumulative translation differences to zero on transition to IFRS.

The results of the differences between IFRS and Canadian GAAP are reflected in the statements above.