ENDURANCE GOLD
CORPORATION

2011 ANNUAL FINANCIAL REPORT
December 31, 2011 and 2010
(Expressed in Canadian dollars)

Independent Auditors' report

Consolidated Financial Statements

- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Loss
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Endurance Gold Corporation

We have audited the accompanying consolidated financial statements of Endurance Gold Corporation, 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 comprehensive loss, changes in 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Endurance Gold Corporation 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.

NEXIA INTERNATIONAL

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Endurance Gold Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada　　Chartered Accountants

April 18, 2012

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

	December 31, 2011	December 31, 2010 (Note 21)	January 1, 2010 (Note 21)
ASSETS			
Current			
Cash and cash equivalents (Note 4)	$ 369,747	$ 534,882	$ 404,951
Marketable securities (Note 5)	19,200	115,375	74,000
Prepaid expenses and deposits (Note 6)	16,160	12,400	14,930
Receivables (Note 7)	63,941	19,106	16,657
Total current assets	469,048	681,763	510,538
Non-current			
Reclamation bond (Note 8)	-	3,500	6,500
Exploration and evaluation assets (Note 9)	2,334,140	2,197,801	1,905,387
Total assets	$ 2,803,188	$ 2,883,064	$ 2,422,425
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Notes 10, 14)	$ 103,145	$ 32,334	$ 34,676
Non-current			
Flow-through liability (Note 11)	-	-	7,707
Total liabilities	103,145	32,334	42,383
EQUITY			
Share capital (Note 12)	6,627,989	5,757,508	4,961,508
Reserves (Note 12)	536,451	479,271	400,221
Deficit	(4,464,397)	(3,386,049)	(2,981,687)
	2,700,043	2,850,730	2,380,042
Total liabilities and equity	$ 2,803,188	$ 2,883,064	$ 2,422,425

Nature and continuance of operations (Note 1)
Commitments (Note 19)
Events after reporting date (Note 20)

Approved and authorized on behalf of the Board of Directors on April 18, 2012:

/s/ Robert T. Boyd
________________ Director
Robert T. Boyd

/s/ J. Christopher Mitchell
________________ Director
J. Christopher Mitchell

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Year Ended December 31,
(*Expressed in Canadian dollars*)

	2011	2010 (Note 21)
Expenses		
Business development and property investigation (Note 14)	$ 58,181	$ 103,903
Corporate communications (Note 14)	31,903	9,041
Listing and transfer agent fees	14,500	13,409
Management fees (Note 14)	122,460	163,755
Office and administrative (Note 14)	70,563	64,292
Professional fees (Note 14)	65,730	44,285
Share-based compensation (Note 12)	57,180	79,050
Loss before other items	(420,517)	(477,735)
Other items		
Interest income	4,379	5,061
Realized loss on sales of marketable securities	(214)	(7,605)
Unrealized gain (loss) on marketable securities (Note 5)	(94,386)	68,210
Write-off of exploration and evaluation assets (Note 9)	(567,610)	-
	(657,831)	65,666
Loss for the year before income taxes	(1,078,348)	(412,069)
Deferred tax recovery (Note 17)	-	7,707
Comprehensive loss for the year	$ (1,078,348)	$ (404,362)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)
Basic and diluted weighted average number of common shares outstanding	51,755,463	45,572,641

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

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 31,
(*Expressed in Canadian dollars*)

	Share Capital				Total
	No. of Shares	**Amount**	**Reserves**	**Deficit**	**Equity**
Balance at January 1, 2010	**39,512,586**	**$ 4,961,508**	**$ 400,221**	**$ (2,981,687)**	**$ 2,380,042**
Shares issued for cash:					
Exercise of Warrants	7,960,000	796,000	-	-	796,000
Share-based compensation	-	-	79,050	-	79,050
Comprehensive loss for the year	-	-	-	(404,362)	(404,362)
Balance at December 31, 2010	**47,472,586**	**$ 5,757,508**	**$ 479,271**	**$ (3,386,049)**	**$ 2,850,730**

	Share Capital				Total
	No. of Shares	**Amount**	**Reserves**	**Deficit**	**Equity**
Balance at December 31, 2010	**47,472,586**	**$ 5,757,508**	**$ 479,271**	**$ (3,386,049)**	**$ 2,850,730**
Shares issued for cash:					
Private placement	6,250,000	890,000	-	-	890,000
Share issuance costs	-	(19,519)	-	-	(19,519)
Share-based compensation	-	-	57,180	-	57,180
Comprehensive loss for the year	-	-	-	(1,078,348)	(1,078,348)
Balance at December 31, 2011	**53,722,586**	**$ 6,627,989**	**$ 536,451**	**$ (4,464,397)**	**$ 2,700,043**

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year ended December 31,
(*Expressed in Canadian dollars*)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,078,348)	$ (404,362)
Add adjustments:		
Share-based compensation	57,180	79,050
Realized loss on sales of marketable securities	214	7,605
Unrealized loss (gain) on marketable securities	94,386	(68,210)
Write-off of exploration and evaluation assets	567,610	-
Deferred tax recovery	-	(7,707)
Interest income	(4,379)	(5,061)
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(3,760)	2,530
Receivables	(44,835)	(2,449)
Accounts payable and accrued liabilities	(14,324)	(4,342)
Net cash used in operating activities	(426,256)	(402,946)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(668,814)	(340,414)
Exploration and evaluation asset recovery	50,000	50,000
Interest received	4,379	5,061
Marketable securities	1,575	19,230
Reclamation bonds	3,500	3,000
Net cash used in investing activities	(609,360)	(263,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	890,000	796,000
Share issuance costs	(19,519)	-
Net cash provided by financing activities	870,481	796,000
Net increase (decrease) in cash and cash equivalents during the year	(165,135)	129,931
Cash and cash equivalents, beginning of year	534,882	404,951
Cash and cash equivalents, end of year	$ 369,747	$ 534,882

Supplemental disclosures with respect to cash flows (Note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Endurance Gold Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The head office and principal address of the Company is 1700-750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T8. The Company's registered address and records office is 1040-999 West Hastings Street, Vancouver, British Columbia, Canada, V6C 2W2.

The Company is engaged in the exploration and development of mineral properties in North America and has not yet determined whether its properties contain ore reserves that are economically recoverable. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. See note 2(c).

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and, accordingly, IFRS 1, First-time Adoption of International Financing Reporting Standards has been applied. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in Note 21.

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 18, 2012.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

2. BASIS OF PREPARATION (cont'd…)

b) Basis of Measurement (cont'd…)

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. Actual results could differ from these estimates.

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of $1,078,348 during the year ended December 31, 2011 and, as of that date the Company's deficit was $4,464,397. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company may not have sufficient funds to continue for the next 12 months, and will have to raise additional funds to continue operations and to meet with its 2012 exploration programs, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

d) Basis of consolidation

The consolidated financial statements include the accounts of the parent company, Endurance Gold Corporation, and its subsidiary as listed below:

			Equity Interest	
	Jurisdiction	Nature of Operations	2011	2010
Endurance Resources Inc.	Virginia, USA	Exploration	100%	100%

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are adopted for the year-ended December 31, 2011 and have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purpose of the transition to IFRS, unless otherwise indicated.

(a) ***Foreign currencies***

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(a) ***Foreign currencies*** (cont'd…)

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

(b) ***Financial instruments***

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

FVTPL - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired, as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(b) ***Financial instruments*** *(cont'd…)*

FVTPL - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities: This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents and marketable securities as FVTPL. The Company's receivables and reclamation bond are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

(c) ***Cash and cash equivalents***

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents typically include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) ***Exploration and evaluation assets***

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation assets are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors. Costs not directly attributable to exploration and evaluation assets activities, including general administrative costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of its mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation assets expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the farmee is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as proceeds received in excess of costs incurred and recorded as a gain on the statements of comprehensive loss.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation asset expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation asset expenditures in excess of estimated recoveries are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(d) ***Exploration and evaluation assets*** (cont'd…)

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs.

(e) ***Reclamation bonds***

Cash which is subject to contractual restrictions on use imposed by government agencies as a condition of granting permits in connection with exploration and evaluation assets is classified separately as reclamation bonds. Reclamation bonds are classified as loans and receivables.

(f) ***Equipment***

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Computer software	45%
Exploration equipment	20%
Furniture and fixtures	20%
Vehicles	30%

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, is regularly identified and written off.

Assets are measured at historical cost less accumulated amortization and impairment losses. Amortization is charged on the declining balance basis over the useful lives of these assets. Residual values, amortization methods and useful economic lives are reviewed and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance. As at December 31, 2011, the Company does not own any equipment.

(g) ***Impairment of assets (excluding goodwill)***

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(g) ***Impairment of assets (excluding goodwill)*** (cont'd…)

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

(h) ***Income taxes***

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a deferred tax asset will be recovered, deferred tax assets are not accrued.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) ***Share capital***

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(j) ***Flow-through shares***

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(j) ***Flow-through shares*** (cont'd…)

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's fiscal period is disclosed separately as flow-through share proceeds in Note 11.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with flow-through regulations pursuant to the *Income Tax Act (Canada)*. When applicable, this tax is accrued as a financial expense until paid.

(k) ***Share-based payment transactions***

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than $0.10 per share or the Discounted Market Price as defined in the policies of the TSX Venture Exchange (the "Exchange").

The fair value of stock options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned based on graded vesting. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

(l) ***Loss per share***

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

(m) ***Provision for environmental rehabilitation***

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(m) ***Provision for environmental rehabilitation*** (cont'd…)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. At December 31, 2011, the Company does not have any provision for environmental rehabilitation.

(n) ***Related party transactions***

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

(o) ***Provisions***

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as an accretion expense.

(p) ***Significant accounting judgments and estimates***

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

Significant areas requiring the use of estimates include the fair values of financial instruments, collectability of receivables, the balances of accrued liabilities, impairment of exploration and evaluation assets, determination of the valuation allowance for deferred tax assets, and the assumptions used in the determination of the fair value of share-based payments, agent compensation options and finder's warrants. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(q) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretation's Committee that were mandatory for annual accounting periods beginning after January 1, 2011 or later periods.

The following new standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards.

- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

- IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of "control" for identifying entities which are to be consolidated.

- IFRS 13, *Fair Value Measurements* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

- Amendments to IAS 1, *Presentation of Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be recycled through profit or loss be differentiated from those items that will not be recycled.

- IAS 27, *Consolidated and Separate Financial Statements* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements and IAS 28, *Investments in Associates and Joint Ventures* were revised and reissued to align with the new consolidation guidance.

4. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Cash on deposit	$ 89,747	$ 504,882	$ 119,951
Liquid short term deposit	280,000	30,000	285,000
	$ 369,747	$ 534,882	$ 404,951

5. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the Company does not have control or significant influence. Marketable securities are designated as FVTPL. Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period. At December 31, 2011, the Company owned 320,000 (325,000 at December 31, 2010, 400,000 at January 1, 2010) common shares.

	December 31, 2011	December 31, 2010	January 1, 2010
Marketable securities – fair value	$ 19,200	$ 115,375	$ 74,000
Marketable securities - cost	$ 114,496	$ 116,350	$ 143,101

6. PREPAID EXPENSES AND DEPOSITS

The prepaid expenses for the Company are broken down as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Prepaid rent	$ 4,505	$ -	$ 473
Insurance	11,655	11,655	14,457
Vendor prepayment	-	745	-
Total	$ 16,160	$ 12,400	$ 14,930

7. RECEIVABLES

The Company's receivables arise mainly from recoverable sales taxes due from Canadian government taxation authorities.

8. RECLAMATION BOND

The Company had posted a bond with the B.C. Ministry of Finance as security towards future site restoration work which was released to the Company upon satisfactory completion of that work. The bond was posted in relation to the Nechako property in B.C., and was released to the Company in November 2011.

9. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2011, the Company's exploration and evaluation assets are located in North America. Expenditures incurred on exploration and evaluation assets are as follows:

	Bandito, Yukon CANADA	Fuego, Yukon CANADA	Pardo, Ontario, CANADA	Nechako, B.C. CANADA	Other Properties, CANADA	Rattlesnake-Natrona, Wyoming, USA	McCord, Alaska, USA	Vana, Alaska, USA	Elephant, Alaska, USA	TOTAL
Acquisition 12/31/10	**$ 45,406**	**$ -**	**$ 18,750**	**$ 80,000**	**$ -**	**$ 35,799**	**$ 5,664**	**$ 8,688**	**$ -**	**$ 194,307**
Additions	53,800	6,420	-	-	-	-	-	-	4,110	64,330
Recoveries	-	-	(50,000)	-	-	-	-	-	-	(50,000)
	53,800	6,420	(50,000)	-	-	-	-	-	4,110	14,330
Written-off	-	-	-	(80,000)	-	-	-	-	-	(80,000)
Acquisition 12/31/11	**99,206**	**6,420**	**(31,250)**	**-**	**-**	**35,799**	**5,664**	**8,688**	**4,110**	**128,637**
Deferred Exploration 12/31/10	**104,351**	**-**	**1,077,858**	**487,235**	**50,000**	**265,445**	**13,649**	**4,956**	**-**	**2,003,494**
Additions:										
Drilling	106,013	-	-	-	-	-	-	-	-	106,013
Field expenses	122,136	1,430	-	-	-	-	7,875	-	-	131,441
Geochemistry	56,990	1,200	-	-	-	650	10,575	-	-	69,415
Geological and miscellaneous	197,243	7,315	-	375	-	9,797	42,917	1,135	2,739	261,521
Helicopters	83,535	6,231	-	-	-	-	12,020	-	-	101,786
Land and recording fees	5,939	404	-	-	-	10,981	1,042	1,077	-	19,443
	571,856	16,580	-	375	-	21,428	74,429	2,212	2,739	689,619
Written-off	-	-	-	(487,610)	-	-	-	-	-	(487,610)
Deferred Exploration 12/31/11	**676,207**	**16,580**	**1,077,858**	**-**	**50,000**	**286,873**	**88,078**	**7,168**	**2,739**	**2,205,503**
Total Exploration and evaluation assets 12/31/11	**$ 775,413**	**$ 23,000**	**$ 1,046,608**	**$ -**	**$ 50,000**	**$ 322,672**	**$ 93,742**	**$ 15,856**	**$ 6,849**	**$ 2,334,140**

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

	Bandito, Yukon CANADA	Pardo, Ontario, CANADA	Nechako, B.C. CANADA	Other Properties, CANADA	Rattlesnake-Natrona, Wyoming, USA	McCord, Alaska, USA	Vana, Alaska, USA	TOTAL
Acquisition Costs 01/01/10	**$ -**	**$ 68,750**	**$ 80,000**	**$ -**	**$ 34,786**	**$ -**	**$ -**	**$ 183,536**
Additions	45,406	-	-	-	1,013	5,664	8,688	60,771
Recoveries	-	(50,000)	-	-	-	-	-	(50,000)
	45,406	(50,000)	-	-	1,013	5,664	8,688	10,771
Acquisition Costs 12/31/10	**45,406**	**18,750**	**80,000**	**-**	**35,799**	**5,664**	**8,688**	**194,307**
Deferred Exploration 01/01/10	**-**	**1,076,789**	**480,311**	**-**	**164,751**	**-**	**-**	**1,721,851**
Additions:								
Field expenses	17,127	-	-	-	10,239	6,822	1,949	36,137
Geochemistry	4,967	-	-	-	8,496	1,182	338	14,983
Geological and miscellaneous	62,471	1,069	3,380	8,314	66,416	2,110	1,659	145,419
Geophysics	-	-	-	26,286	800	-	-	27,086
Helicopters	18,205	-	-	-	-	3,535	1,010	22,750
Land and recording fees	1,581	-	3,544	-	14,743	-	-	19,868
Line cutting/trenching	-	-	-	15,400	-	-	-	15,400
	104,351	1,069	6,924	50,000	100,694	13,649	4,956	281,643
Deferred Exploration 12/31/10	**104,351**	**1,077,858**	**487,235**	**50,000**	**265,445**	**13,649**	**4,956**	**2,003,494**
Total Exploration and evaluation assets 12/31/10	**$ 149,757**	**$ 1,096,608**	**$ 567,235**	**$ 50,000**	**$ 301,244**	**$ 19,313**	**$ 13,644**	**$ 2,197,801**

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Bandito Rare Earth Elements-Niobium-Nickel Property, Yukon, CANADA

In August 2010, the Company entered into an option agreement (the "Agreement") with True North Gems Inc. ("TGX"), whereby the Company can earn up to a 75% interest in the Bandito property located in the Watson Lake district, Yukon Territory. Under the terms of the agreement, the Company can earn an initial 51% joint venture interest in the Bandito property by completing a total of $125,000 ($75,000 paid) in cash payments by December 31, 2012 and also completing $1,000,000 in exploration expenditures by December 31, 2013. Once the Company earns its 51% interest, it has a further option that will allow the Company to acquire an additional 24% interest (total 75%) by issuing TGX 200,000 shares of the Company and by completing an additional $1,000,000 in exploration expenditures prior to December 31, 2015. The President and CEO of the Company also serves on the board of directors of TGX and abstained from voting on approval of the Agreement.

Fuego Property, Yukon, CANADA

In March 2011, the Company acquired by staking a 100% interest in certain mineral claims located in the Watson Lake district, Yukon Territory.

Pardo Gold Property, Ontario, CANADA

The Company acquired a 100% interest in the Pardo Property located northeast of Sudbury, Ontario, from three vendors (one of whom was the late President of the Company), by making payments of $100,000 in cash and issuing 200,000 common shares (at a value of $18,750). The vendors have retained a 3% net smelter return royalty interest ("NSR"), one-half of which may be purchased by the Company for $1,500,000.

In June 2009, the Company entered into an option agreement (the "Agreement") with Ginguro Exploration Inc. ("Ginguro"), an Exchange issuer. Under the terms of the Agreement, Ginguro can earn an initial 55% interest in the Pardo Property by completing $1,000,000 in exploration expenditures and making cash payments totaling $200,000 to the Company over a three year period. Subsequent to December 31, 2011, Ginguro has provided notice that it had earned its 55% interest in the Pardo Property by incurring the $1,000,000 in exploration expenditures and paying the final $50,000 installment option payment to the Company. As a result, a joint venture ("JV") as to 45% (the Company) and 55% (Ginguro) was formed. With the formation of the JV, the original option agreement was replaced by the JV Agreement which was dated as of March 22, 2012.

Nechako Gold Property Joint Venture, British Columbia, CANADA

The Nechako Gold Property is comprised of several mineral claims located within the Cariboo Mining Division, west of Quesnel in British Columbia.

In 2004, the Company entered into an option and joint venture agreement with Amarc Resources Inc. ("Amarc"), whereby the Company earned a 60% interest in the Nechako Gold Property by completing $250,000 in exploration expenditures and issuing 250,000 shares to Amarc and 70,000 shares to an underlying property vendor. As a result, a joint venture as to 60% (Endurance) and 40% (Amarc) was formed in December 2005. Amarc has elected not to participate in its pro-rata share of costs on the Nechako Gold Property since 2006, and thus the property is now held 76% by Endurance and 24% by Amarc. At December 31, 2011, the Company wrote off the carrying value of $567,610 in acquisition and exploration costs incurred on the property, since the Company has no further plan to conduct exploration on this property.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Rattlesnake - Natrona Gold Property, Wyoming, USA

In 2009, the Company acquired by staking a 100% interest in certain claims and in addition the Company was granted leases on lands owned by the State of Wyoming in 2010.

McCord Gold Property, Alaska, USA

In September 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District in Alaska, USA.

Vana Gold Property, Alaska, USA

In September 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District in Alaska, USA.

Elephant Gold Property, Alaska, USA

In December 2011, the Company entered into an option agreement (the "Agreement") with a private vendor ("Vendor"), whereby the Company can earn a 100% interest in the Elephant property located in the Rampart-Eureka-Hot Springs placer gold mining district in Alaska. Under the terms of the agreement, the Company is required to complete exploration expenditures of US$200,000 by December 2013, issue to the vendor 400,000 common shares of the Company by December 2016, and make cash payments totalling US$200,000 in phases ending December 2017. The option is subject to a 2% NSR interest, one-half of which can be purchased by the Company at any time for US$750,000. Subsequent to December 31, 2011, US$2,000 as an option payment was made to the Vendor by the Company.

Other Properties, CANADA

Dogpaw Property, Ontario
The Company entered into an option agreement dated April 16, 2007 with Metals Creek Resources Corp. ("MEK"), whereby MEK earned a 75% interest in a majority of the claims comprising the Dogpaw property by incurring exploration expenses of $450,000 and issuing 450,000 common shares of MEK (with a value of $161,000). As a result, a joint venture as to 25% (the Company) and 75% (MEK) was formed in January 2010.

In addition, the Company retains a 2.5% NSR interest on several other claims forming part of the Dogpaw Property.

BQ–Endurance 100% Property, British Columbia
The Company acquired a 100% interest in certain mineral claims in the Omineca Mining Division of British Columbia by staking. At December 31, 2009, the Company wrote off the carrying value of $1,649 in acquisition costs incurred on the property. During 2011, all the claims forming the property expired.

Virginia Silver – Endurance 100% (Annie) Property, British Columbia
The Company acquired a 100% interest in several mineral claims in the Omineca Mining Division of British Columbia by staking. At December 31, 2009, the Company wrote off the carrying value of $3,492 in acquisition and exploration costs incurred on the property. Subsequent to December 31, 2011, all the claims forming the property expired.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 75,070	$ 2,559	$ 14,676
Accrued liabilities	28,075	29,775	20,000
Total	$ 103,145	$ 32,334	$ 34,676

All payables and accrued liabilities for the Company fall due within the next 12 months.

11. FLOW-THROUGH LIABILITIES

Flow-through liabilities include the premium liability portion of the flow-through shares issued. The following is a continuity schedule of the premium liability portion of the flow-through shares issuances.

	Issued on September 14, 2009	Issued on March 16, 2011	Total
Balance on January 1, 2010	$ 7,707	$ -	$ 7,707
Settlement of flow-through share liability on incurring expenses	(7,707)	-	(7,707)
Balance on December 31, 2010 and 2011	$ -	$ -	$ -

On September 14, 2009, the Company completed a non-brokered private placement financing of 1,000,000 flow-through shares at $0.15 per flow-through share for aggregate proceeds of $150,000. As at January 1, 2010, $103,759 had been spent. As at December 31, 2010, the balance of $46,241 had been spent. The Company has fulfilled its commitment to incur exploration expenditures in relation to the flow-through share financing in 2009.

On March 16, 2011, the Company raised $540,000 from the issuance of 4,500,000 flow-through shares. At December 31, 2011, $513,589 of qualified expenditures had been incurred, and the amount of flow-through proceeds remaining to be expended was $26,411. No flow-through liability was recognized for the private placement because no flow-through share premium was allocated to the issuance. Subsequent to the year end, $26,411 in qualified expenditures was incurred, and the Company fulfilled its commitment to incur exploration expenditures in relation to the 2011 flow-through share financing.

12. SHARE CAPITAL

(a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

Share issuances

During the year ended December 31, 2011, the Company:

i) completed a non-brokered private placement financing of 4,500,000 flow-through shares at a price of $0.12 per flow-through share for gross proceeds of $540,000. A total of 220,000 flow-through shares were subscribed by two directors of the Company.

ii) completed a non-brokered private placement financing of 1,750,000 Units (the "Unit") at a price of $0.20 per Unit for gross proceeds of $350,000 in August 2011. Each Unit consists of one common share and one-half non-transferable common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $0.30 per share for a period of 12 months from the date of closing. The financing was fully subscribed by the Company's insiders.

During the fiscal year ended December 31, 2010, the Company:

i) Issued 7,960,000 common shares at $0.10 per share for proceeds of $796,000 from the exercise of warrants.

(c) Stock Options, Warrants and Agent's Compensation Options Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange (the "Exchange"). Under the Company's Stock Option Plan, the Company may grant stock options for the purchase of up to 10% of its issued common shares. The board of directors may grant such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than $0.10 per share or the Discounted Market Price.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2010	**2,300,000**	**$ 0.12**
Options granted	1,250,000	0.10
Options expired	(350,000)	0.18
Outstanding at December 31, 2010	**3,200,000**	**0.10**
Options granted	300,000	0.21
Outstanding at December 31, 2011	**3,500,000**	**$ 0.11**
Number of options currently exercisable	3,500,000	$ 0.11

12. SHARE CAPITAL (cont'd…)

The following stock options were outstanding and exercisable at December 31, 2011:

Number Outstanding	Exercise Price $	Expiry Date
250,000	0.15	October 11, 2012
1,700,000	0.10	February 14, 2014
750,000	0.10	March 31, 2015
500,000	0.10	April 9, 2015
300,000	0.21	April 28, 2016
3,500,000		

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2010	9,500,000	$ 0.13
Warrants exercised	(7,960,000)	0.10
Warrants expired	(40,000)	0.10
Outstanding at December 31, 2010	1,500,000	0.30
Warrants granted	875,000	0.30
Warrants expired	(1,500,000)	0.30
Outstanding at December 31, 2011	875,000	$ 0.30

The following warrants to acquire common shares were outstanding at December 31, 2011:

Number Outstanding	Exercise Price $	Expiry Date
875,000	0.30	August 9, 2012

There were no Agent's compensation options outstanding at December 31, 2011.

There were 240,000 Agent's compensation options outstanding at December 31, 2010. The Agent's compensation options were issued to the Agent in connection with the Company's non-brokered private placement completed in September 2009, each of which entitles the Agent to purchase one common share of the Company at a price of $0.30 per share until September 14, 2011. The Agent's options were valued at $20,064 using the Black-Scholes Option Pricing Model (assuming a risk-free interest rate of 1.23%, an expected life of 2 years, annualized volatility of 171.79% and a dividend rate of 0%).

(d) Share-based compensation

The fair value of stock options reported as compensation expense during the year has been estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

12. SHARE CAPITAL (cont'd…)

(d) Share-based compensation (cont'd…)

	2011	2010
Description		
Expected dividend yield	0.0%	0.0%
Risk free interest rate	2.61%	2.96%
Expected stock price volatility	147.72%	138.16%
Expected life of options	5 years	5 years
Weighted average fair value	$0.1906	$0.063

Based on the foregoing, share-based compensation expense of $57,180 (2010 - $79,050) was recorded for options that vested during the year ended December 31, 2011. The off-setting credit was recorded in Reserves.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

(e) Reserves

The following is a summary of changes in Reserves from January 1, 2010 to December 31, 2011:

	December 31, 2011	December 31, 2010	January 1, 2010
Warrants / Agent's compensation Options	$ 20,064	$ 20,064	$ 20,064
Stock options	$ 516,387	$ 459,207	$ 380,157
Total Reserves	$ 536,451	$ 479,271	$ 400,221

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	December 31, 2011	December 31, 2010
Cash paid during the year for income taxes	$ -	$ -
Cash paid during the year for interest	$ -	$ -

Supplementary disclosure of non-cash investing and financing activities during the year ended December 31:

	2011	2010
Stock-based compensation (note 12)	$ 57,180	$ 79,050
Exploration and evaluation assets expenditures in accounts payable and accrued liabilities	$ 87,135	$ 2,000

14. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is $17,113 (December 31, 2010 - $616; January 1, 2010 - $8,772) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

During the year ended December 31, 2011, the Company entered into the following related party transactions:

a) Paid to Cooper Jack Investments Limited, a private company controlled by the current President, CEO and director, Robert Boyd, an aggregate amount of $184,410 (2010 - $164,520), of which $72,675 (2010- $28,845) was capitalized as geological project management fees, $62,460 (2010 – $73,755) was expensed as administration management fees, $42,075 (2010 - $61,920) was expensed as business development and property investigation, and $7,200 (2010 - $nil) was expensed as corporate communication expenses.

b) Paid to T.P. Cheng & Company Ltd., a private company controlled by an officer, Teresa Cheng, $60,000 (2010 - $60,000) for administration management fees.

c) Paid or accrued to Adera Company Management Ltd., a private company controlled by a director, J. Christopher Mitchell, an aggregate amount of $5,550 (2010 - $3,975) for professional fees, of which $1,950 (2010 - $nil) was included in business development and property investigation.

d) Paid to First Point Minerals Corp., an Exchange listed company, with a common director, J. Christopher Mitchell, $4,698 (2010 - $28,185) for rent included in office and administrative.

e) Paid to Mclvor Geological Consulting, a private company controlled by the late President, Duncan Mclvor, an aggregate amount of $nil (2010 - $30,000) for administration management fees.

The amounts charged to the Company for the transactions provided have been determined by negotiations amongst the parties. These transactions were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

15. FINANCIAL INSTRUMENTS AND RISK

Fair value

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2011, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables, and accounts payable and accrued liabilities. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

15. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Financial instruments measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as follows:

December 31, 2011

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 369,747	$ -	$ -	$ 369,747
Marketable securities	19,200	-	-	19,200
Total	$ 388,947	$ -	-	$ 388,947

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and cash equivalents, marketable securities, and receivables.

The Company's cash and cash equivalents are held through a Canadian chartered bank, which is a high-credit quality financial institution. The Company's receivables primarily consist of recoverable sales tax due from the Government of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2011, the Company had a cash balance of $369,747 to settle current liabilities of $103,145. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

15. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

(b) Foreign currency rate risk

While the Company is domiciled in Canada and its capital is raised in Canadian dollars, a portion of its business is conducted in the United States of America. As such, it is subject to risk due to fluctuations in the exchange rate between the Canadian and US dollars. At December 31, 2011, the Company has cash denominated in US dollars of US$18,552. Each 1% change in the Canadian dollar versus the U.S. dollar will result in a gain/loss of approximately $189.

Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

The carrying value of cash and cash equivalents, marketable securities, receivables, reclamation bond, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

16. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, and common shares as capital. The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the on-going business objectives including, but not limited to pursuing the exploration of its exploration and evaluation assets, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of commodity prices, forecast capital and operating expenditures, and other investing and financing activities. The forecast is regularly updated based on new commodity prices and other changes, which the Company views as critical in the current environment.

The Company's working capital as at December 31, 2011 was $365,903 (December 31, 2010 - $649,429; January 1, 2010 - $475,862). The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

17. DEFERRED TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2011	2010
Net loss before income taxes	$ (1,078,348)	$ (412,069)
Expected income tax recovery	(286,000)	(109,392)
Non-deductible expenses for tax purposes	28,000	20,982
Adjustment to prior years provision versus statutory returns and other	33,000	(54,590)
Impact of flow-through shares	135,000	(7,707)
Change in unrecognized deductible temporary differences	90,000	143,000
Deferred tax recovery	$ -	$ (7,707)

The Canadian income tax rate declined during the year due to change in the law that reduced corporate income tax rates in Canada.

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

	As of December 31,			
	2011	Expiry Dates	2010	Expiry Dates
Share issue costs	$ 38,000	2032 to 2035	$ 72,000	2031 to 2034
Allowable capital losses	19,000	Not applicable	-	Not applicable
Non-capital losses	2,262,000	2014 to 2031	1,850,000	2014 to 2030
Capital assets	16,000	Not applicable	16,000	Not applicable
Exploration and evaluation assets	11,000	Not applicable	6,000	Not applicable
Investment tax credits	58,000	2027 to 2031	-	2027 to 2030
Marketable securities	95,000	Not applicable	1,000	Not applicable

Subject to certain restrictions, the Company's resource exploration expenditures are available to reduce taxable income of future years. Deferred tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements. Tax attributes are subject to review, and potential adjustment, by tax authorities.

The Company issued 4,500,000 (2010 – Nil) common shares on a flow-through basis in 2011 for gross proceeds of $540,000 (2010 - $Nil). The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. The Company booked a flow through share liability of $Nil (2010 - $Nil) based on the determination that there was no premium on the flow-through shares issued.

18. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets in Canada and the United States.

Geographic information is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Exploration and evaluation assets in:			
- Canada	$ 1,895,0211	$ 1,863,600	$ 1,705,850
- United States	439,119	334,201	199,537
TOTAL	$ 2,334,140	$ 2,197,801	$ 1,905,387

19. COMMITMENTS

The Company entered into a new office lease agreement commencing March 1, 2011 and ending February 28, 2015. Minimum lease payments are as follows:

2012	$ 40,349
2013	43,858
2014	44,996
2015	7,657
	$ 136,860

20. EVENTS AFTER THE REPORTING DATE

Other than as disclosed elsewhere, there are no subsequent events to be reported during the period from January 1 to April 18, 2012.

21. IFRS TRANSITION FROM PREVIOUS GAAP

The Company's consolidated financial statements for the year ended December 31, 2011 are the first annual consolidated financial statements that comply with IFRS. IFRS 1, *First Time Adoption of International Financial Reporting Standards*, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its consolidated financial statements in accordance with pre-changeover Canadian GAAP. An explanation on how the transition from pre-changeover Canadian GAAP to IFRS has affected the Company's consolidated financial statements is set out below.

OPTIONAL EXEMPTIONS

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS. The Company did not have any unvested outstanding equity instruments as of the Transition Date.

MANDATORY EXCEPTIONS

Estimates

The estimates made by the Company under the pre-changeover Canadian GAAP previously applied were reviewed to determine if any revisions were needed to reflect any difference in accounting policy upon the application of IFRS, or where there was objective evidence that those estimates were in error. The review determined that there was no need to revise estimates previously made.

21. FIRST TIME ADOPTION OF IFRS (cont'd…)

The reconciliation between the Canadian GAAP and IFRS consolidated statements of financial position as at January 1, 2010 (date of transition) is provided below:

		January 1, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash and cash equivalents		$ 404,951	$ -	$ 404,951
Marketable securities		74,000	-	74,000
Prepaid expenses and deposits		14,930	-	14,930
Receivables		16,657	-	16,657
Total current assets		510,538	-	510,538
Non-current				
Reclamation bond		6,500	-	6,500
Exploration and evaluation assets		1,905,387	-	1,905,387
Total assets		$ 2,422,425	$ -	$ 2,422,425
LIABILITIES				
Current				
Accounts payable and accrued liabilities		$ 34,676	$ -	$ 34,676
Non-current				
Flow-through liability	(a)	-	7,707	7,707
Total liabilities		34,676	7,707	42,383
EQUITY				
Share capital	(a)	4,986,508	(25,000)	4,961,508
Reserves		400,221	-	400,221
Deficit		(2,998,980)	17,293	(2,981,687)
		2,387,749	(7,707)	2,380,042
Total liabilities and equity		$ 2,422,425	$ -	$ 2,422,425

21. FIRST TIME ADOPTION OF IFRS (cont'd…)

The reconciliation between the Canadian GAAP and IFRS consolidated statements of financial position as at December 31, 2010 is provided below:

		December 31, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash and cash equivalents		$ 534,882	$ -	$ 534,882
Marketable securities		115,375	-	115,375
Prepaid expenses and deposits		12,400	-	12,400
Receivables		19,106	-	19,106
Total current assets		681,763	-	681,763
Non-current				
Reclamation bond		3,500	-	3,500
Exploration and evaluation assets		2,197,801	-	2,197,801
Total assets		$ 2,883,064	$ -	$ 2,883,064
LIABILITIES				
Current				
Accounts payable and accrued liabilities		$ 32,334	$ -	$ 32,334
EQUITY				
Share capital	(a)	5,745,008	12,500	5,757,508
Reserves		479,271	-	479,271
Deficit	(a)	(3,373,549)	(12,500)	(3,386,049)
		2,850,730	-	2,850,730
Total liabilities and equity		$ 2,883,064	$ -	$ 2,883,064

21. FIRST TIME ADOPTION OF IFRS (cont'd…)

The reconciliation between the Canadian GAAP and IFRS consolidated statements of comprehensive loss as at December 31, 2010 is provided below:

		December 31, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
Expenses				
Business development and property investigation		$ 103,903	$ -	$ 103,903
Corporate communications		9,041	-	9,041
Listing and transfer agent fees		13,409	-	13,409
Management fees		163,755	-	163,755
Office and administrative		64,292	-	64,292
Professional fees		44,285	-	44,285
Share-based compensation		79,050	-	79,050
Loss before other items		(477,735)	-	(477,735)
Other items				
Interest income		5,061	-	5,061
Realized loss on sales of marketable securities		(7,605)	-	(7,605)
Unrealized gain on marketable securities		68,210	-	68,210
		65,666	-	65,666
Loss for the year before income taxes		(412,069)	-	(412,069)
Deferred tax recovery	(a)	37,500	(29,793)	7,707
Comprehensive loss for the year		$ (374,569)	$ (29,793)	$ (404,362)

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of cash flows for the year ended December 31, 2010.

a) Flow through shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

21. FIRST TIME ADOPTION OF IFRS (cont'd…)

a) Flow through shares (cont'd…)

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was decreased by $25,000 at the date of transition (December 31, 2010 - increased by $12,500) and deficit was decreased by $17,293 on the date of transition (December 31, 2010 - increased by $12,500). The impact on net loss for the year ended December 31, 2011 was $nil (2010 – increase of $29,793).

Where flow-through shares were issued but expenditures not incurred by the end of the reporting period, a liability is shown in "flow-through liability". This resulted in a liability of $7,707 on the date of transition (December 31, 2010 - $nil).