Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)

Financial Statements

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

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying financial statements are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"*John S. Brock*" *(signed)*
John S. Brock
President and Chief Executive Officer

"*Lei Wang*" *(signed)*
Lei Wang
Chief Financial Officer

April 24, 2012

April 24, 2012

Independent Auditor's Report

To the Shareholders of Pacific Ridge Exploration Ltd.

We have audited the accompanying financial statements of Pacific Ridge Exploration Ltd., which comprise the statements of financial position as at December 31, 2011 and December 31, 2010 and January 1, 2011 and the statements of comprehensive income (loss), cash flows and changes in shareholders' equity for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP, Chartered Accountants
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Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)

			December 31, 2011		December 31, 2010		January 1, 2010
					(Note 12)		(Note 12)
Assets							
Current assets							
Cash and cash equivalents		$	3,237,913	$	4,830,077	$	964,714
Other receivables			34,373		37,583		61,978
Prepaid			15,000		17,375		18,000
			3,287,286		4,885,035		1,044,692
Equipment	Note 4		38,620		55,172		10,496
Resource properties	Note 5		948,232		604,493		406,513
Reclamation bond			-		10,000		10,000
		$	4,274,138	$	5,554,700	$	1,471,701
Liabilities							
Current liabilities							
Trade payable and accrued liabilities		$	185,211	$	144,534	$	107,663
Shareholders' Equity							
Share capital	Note 6		42,620,478		39,593,241		34,021,981
Contributed surplus			2,868,863		2,920,733		2,372,195
Deficit			(41,400,414)		(37,103,808)		(35,030,138)
			4,088,927		5,410,166		1,364,038
		$	4,274,138	$	5,554,700	$	1,471,701

Approved by the Board of Directors and authorized for issue on April 24, 2012

"John S. Brock" (signed)
John S. Brock

"Douglas Proctor"(signed)
Douglas Proctor

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars)

		Year Ended December 31, 2011	2010
Administration expenses			
Depreciation		$ 16,552	$ 9,315
Insurance		25,026	15,685
Professional fees		83,085	79,519
Management and administrative services		124,657	119,796
Office operations and facilities		115,223	126,001
Shareholder communications and investor relations		253,666	106,142
Transfer agent and regulatory fees		36,691	27,961
Share-based payments		283,297	159,508
		938,197	643,927
Other expenses (income)			
Exploration and evaluation costs	Note 5 (g)	3,428,347	1,460,156
Gain on sale of of property	Note 5 (f)	(125,221)	-
Impairment		96,000	54,572
Interest		(25,828)	395
Government grant		(14,889)	(85,380)
		3,358,409	1,429,743
Comprehensive loss for the year		$ (4,296,606)	$ (2,073,670)
Basic and diluted loss per common share		$ (0.08)	$ (0.07)
Weighted average number of common shares outstanding		56,215,362	30,226,263

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

		Year Ended December 31, 2011		2010
Cash flows used in operating activities				
Loss for the year	$	(4,296,606)	$	(2,073,670)
Items not affecting cash				
Depreciation		16,552		9,315
Gain on sale of property		(125,221)		-
Impairment		96,000		54,572
Share-based payments		283,297		159,508
		(4,025,978)		(1,850,275)
Changes in non-cash working capital items				
Other receivables		3,210		24,395
Prepaid		2,375		625
Trade payable and accrued liabilities		15,898		36,871
		21,483		61,891
		(4,004,495)		(1,788,384)
Cash flows used in investing activities				
Resource property acquisition costs		(232,739)		(169,302)
Equipment		-		(53,991)
Proceeds on sale of property		150,000		-
Reclamation bond		10,000		-
		(72,739)		(223,293)
Cash flows from financing activities				
Proceeds from share issuance		2,485,070		5,877,040
		2,485,070		5,877,040
(Decrease) increase in cash and cash equivalents		(1,592,164)		3,865,363
Cash and cash equivalents - beginning of year		4,830,077		964,714
Cash and cash equivalents - end of year	$	3,237,913	$	4,830,077
Cassh and cash equivalents				
Cash	$	1,703,719	$	4,529,214
Cash equivalent		1,534,194		300,863
	$	3,237,913	$	4,830,077

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

Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares		Contributed		Total Shareholders'
	Shares	Amount	Surplus	Deficit	Equity
Balance, January 1, 2010	25,972,576	$ 34,021,981	$ 2,372,195	$ (35,030,138)	$ 1,364,038
Equity offering, net of issuance costs	23,597,334	4,818,304	507,486	-	5,325,790
Share purchase warrants exercised	2,250,001	669,706	(118,456)	-	551,250
Shares issued for property	450,000	83,250	-	-	83,250
Share-based payments	-	-	159,508	-	159,508
Net loss for the year	-	-	-	(2,073,670)	(2,073,670)
Balance, December 31, 2010	52,269,911	$ 39,593,241	$ 2,920,733	$ (37,103,808)	$ 5,410,166
Equity offering, net of issuance costs	10,442,858	1,342,606	36,854	-	$ 1,379,460
Shares issued for property	600,000	207,000	-	-	207,000
Share purchase warrants exercised	6,554,667	1,418,176	(364,816)	-	1,053,360
Stock option exercised	247,500	59,455	(7,205)	-	52,250
Share-based payments	-	-	283,297	-	283,297
Net loss for the year	-	-	-	(4,296,606)	(4,296,606)
Balance, December 31, 2011	70,114,936	$ 42,620,478	$ 2,868,863	$ (41,400,414)	$ 4,088,927

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

1. Nature of operations

Pacific Ridge Exploration Ltd. (the "Company" or "Pacific Ridge") is in the business of acquiring and exploring resource properties in Canada. Pacific Ridge is incorporated and domiciled in Canada under the *Business Corporations Act* (British Columbia). The address of its registered office is 950 – 1100 West Hastings Street, Vancouver, British Columbia.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance the operations and contribution from future joint venture partners. Due to market fluctuations and the inherent risks in the exploration industry, there can be no assurance that management's future actions will be successful.

2. Basis of presentation and adoption of International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") which were revised in 2010 to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS as issued by the International Accounting Standards Board.

These financial statements have been prepared in accordance with IFRS. Subject to certain transition elections disclosed in note 13, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 13 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 financial statements for the year ended December 31, 2010 prepared in accordance with Canadian GAAP.

These financial statements have been prepared on a historical cost basis and were approved by the Board of Directors on April 24, 2012.

3. Summary of significant accounting polices

The summary of significant accounting policies used in the preparation of these financial statements are described below:

a) Foreign currency translation

The presentation currency and the functional currency of the Company is the Canadian dollar ("$"). The Company's foreign currency transactions are translated into the Canadian dollar at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results.

3. Summary of significant accounting polices (Cont'd)

b) Cash and cash equivalents

Cash and cash equivalents include high-liquid investments that are readily convertible to known amounts of cash with no penalties and have initial maturities of three months or less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

c) Equipment

Equipment is recorded at cost less accumulated amortization and impairment. Depreciation is provided on a declining balance basis at the annual rate of 30% for all equipment.

d) Resource property acquisition costs

Resource properties consist of payments to acquire exploration and mining claims and property option payments. Acquisition costs are capitalized and deferred until such a time as the property is put into production or the property is disposed of, either through sale or abandonment or becomes impaired. If a property is put into production the costs of the acquisition will be amortized over the life of the property on a unit of production basis based on the estimated proven and probable reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in the operations for the year. If a property is abandoned or has become impaired, the acquisition costs will be written off or written down to operations.

Recorded costs of resource properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, those changes in future conditions could require a material change in the recognized amount.

e) Exploration and evaluation costs

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

f) Government grants

Government grants are assistance in cash on eligible mineral exploration expenditures incurred. The government grants are recorded in comprehensive income when the amount is reliably measurable and it is probable the grant will be recovered.

3. Summary of significant accounting polices (Cont'd)

g) Flow-through shares

The Company finances a significant portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. 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 qualifying expenditures being incurred, the premium liability is de-recognized to other income.

h) Share-based payments

The Company has a stock option plan that is described in note 6. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at 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. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

i) Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets or liabilities are calculated using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized. Deferred tax assets are recognized only to the extent that it is probable that they will be realized.

j) Earnings/(loss) per common share

Basic earnings (loss) per share are computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

3. Summary of significant accounting polices (Cont'd)

k) Financial instruments

Financial instruments are classified as one of the following: fair value through profit and loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss accordingly.

l) Impairment

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount 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 costs 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.

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

m) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements. 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.

Resource properties: The carrying value of the Company's mineral property is reviewed by management quarterly, or whenever events or circumstances indicate that its carrying amount may not be recovered. The management considers certain impairment indicators such as market capitalization of the Company, metal prices change, plans for the properties and the results of exploration to date.

n) Future accounting changes

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

(Expressed in Canadian dollars)

3. Summary of significant accounting polices (Cont'd)

n) Future accounting changes (Cont'd)

(i) IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces 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 FVTPL. IFRS 9 also replaces the models for measuring equity instruments, and such investments are either recognized at FVTPL or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, 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 FVTPL would generally be recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 13 Fair Value Measurement ("IFRS 13") was issued on May 12, 2011 and establishes a single framework for measuring fair value where it is required by other standards. IFRS 13 applies to all transactions (whether financial or non-financial) for which IFRS requires or permits fair value measurements, with the exception of share-based payment transactions accounted for under IFRS 2 Share-based Payment and leasing transactions within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value such as net realizable value under IAS 2 Inventories or value in use under IAS 36 Impairment of Assets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price).

(iii) IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

4. Equipment

Equipment is carried at cost less accumulated depreciation with details listed below:

Field equipment		Cost		Accumulated depreciation		Carrying value
Balance, January 1, 2010	$	36,000	$	(25,504)	$	10,496
Additions		53,991		(9,315)		44,676
Balance, December 31, 2010		89,991		(34,819)		55,172
Additions		-		(16,552)		(16,552)
Balance, December 31, 2011	$	89,991	$	(51,371)	$	38,620

(Expressed in Canadian dollars)

5. Resource properties

The Company has interests in mineral properties in Nunavut, and Yukon, Canada. A summary of capitalized acquisition costs was as follows:

	Mariposa	Gold Cap	Polur Stewart	Eureka Dome	Fyre Lake	Baker Uranium	Other / PTL	Total
Balance, January 1, 2010	$ 82,240	$ 9,800	$ 118,750	$ 27,300	$ 17,851	$ 96,000	$ 54,572	$ 406,513
Additions during the year	137,952	500	96,250	-	17,850	-	-	252,552
Impairment	-	-	-	-	-	-	(54,572)	(54,572)
Balance, December 31, 2010	$ 220,192	$ 10,300	$ 215,000	$ 27,300	$ 35,701	$ 96,000	$ -	$ 604,493
Additions during the year	246,869	-	132,500	14,490	16,380	-	29,500	439,739
Impairment	-	-	-	-	-	(96,000)	-	(96,000)
Balance, December 31, 2011	$ 467,061	$ 10,300	$ 347,500	$ 41,790	$ 52,081	$ -	$ 29,500	$ 948,232

a) Mariposa property, Yukon

In October 2009, the Company entered into an option agreement to acquire a 100% interest in 203 claims, located in Dawson Mining District, Yukon, known as the Mariposa property. The principal terms of the option agreement require the Company to pay $120,000 in cash, issue 4,000,000 common shares and incur $600,000 (incurred) exploration expenditures over five years as follows:

	Cash	Shares	Cumulative work expenditures
On initial date (paid and issued)	$ 20,000	250,000	$ 100,000
On or before October 1, 2010 (paid and issued)	20,000	200,000	$ 200,000
On or before October 1, 2011 (paid and issued)	20,000	300,000	$ 300,000
On or before October 1, 2012	20,000	400,000	$ 400,000
On or before October 1, 2013	20,000	400,000	$ 600,000
On or before October 1, 2014	20,000	450,000	
Upon production notice being given		1,000,000	
Upon commencement of commercial production		1,000,000	
	$ 120,000	4,000,000	$ 600,000

The property is subject to a 2% net smelter return ("NSR") that may be purchased, at any time after a production notice has been given in amounts of $1,000,000 for each 1% of NSR.

b) PTL property, Yukon

On May 27, 2011, the Company entered into an option agreement with a private vendor to earn a 100% interest in 39 mineral claims located in the Dawson Mining District, Yukon, north-western area of the Mariposa property, known as the PTL property. In consideration the Company will pay a total of $85,000 and issue a total of 200,000 of common shares as follows:

(Expressed in Canadian dollars)

5. Resource properties (continued)

b) PTL property, Yukon, continued

		Cash	Common Shares
On or before June 30, 2011(paid and issued)	$	15,000	50,000
On or before June 30, 2012		20,000	50,000
On or before June 30, 2013		20,000	50,000
On or before June 30, 2014		30,000	50,000
	$	85,000	200,000

The property is subject to a 2% NSR that may be purchased in amounts of $1,000,000 for each 1% of NSR.

c) Polar Stewart property, Yukon

In July 2009, the Company entered into an option agreement with Ryanwood Exploration Inc. ("Ryanwood") to acquire a 100% interest in 149 mineral claims located in Dawson City, Yukon, known as the Polar Stewart property. In consideration the Company will pay $300,000, issue 1,250,000 common shares and undertake exploration expenditures totalling $1,500,000 ($96,946 incurred) over a five year period as follows:

		Cash	Common Shares		Cumulative work expenditures
On initial date (paid and issued)	$	75,000	250,000		Nil
On or before June 30, 2010 (paid and issued)		65,000	250,000	$	50,000
On or before June 30, 2011 (paid and issued)		60,000	250,000	$	300,000
On or before June 30, 2012		50,000	250,000	$	800,000
On or before June 30, 2013		50,000	250,000	$	1,500,000
	$	300,000	1,250,000	$	1,500,000

The property is subject to 2% NSR and a $25,000 advance minimum royalty from 2014 onwards. 1% of the NSR may be purchased at any time for $2,000,000. The Company is in the process of renegotiation the required cumulative expenditures with Ryanwood.

d) Baker Basin uranium project, Nunavut

The Company owns a 100% interest in the Baker Basin Uranium Project subject to an underlying agreement with Kivalliq Energy ("Kivalliq") wherein Kivalliq has the option to back-in to a 20% working interest when a prefeasibility study may be produced.

Since 2009, the property has been inactive and the Company has no future exploration plan for it. As of December 31, 2011, Baker property was written down to $nil.

e) Fyre Lake massive sulphide project, Yukon

The Company owns a 100% interest in the Fyre Lake property by claim staking.

(Expressed in Canadian dollars)

5. Resource properties (Cont'd)

f) Sale of Spectrum property, British Columbia

Pursuant to a sale and purchase agreement dated June 11, 2002 with Arkaroola Mining Ltd. ("Arkaroola"), the Company sold its residual rights in the Spectrum property to Arkaroola on December 7, 2011 for a gross proceed of $150,000 and incurred transaction cost of $24,779. The Company retains a 1.65% NSR on this property. The property was written down to $1 in 2002.

g) The tables below summarize the cumulative balance and exploration costs for the year ended December 31, 2011 and 2010:

	Mariposa	Other Properties	General Exploration	Total
Balance, January 1, 2010	$ 81,807	$ 239,198	$ 111,093	$ 432,098
Additions during the year				
Analytical and data report	71,530	750	-	72,280
Field support	57,123	3,253	-	60,376
Fuel and transport	255,402	26,033	-	281,435
Geological services	219,285	49,844	18,139	287,268
Personnel	424,782	32,166	8,905	465,853
Travel and other	243,027	45,730	4,187	292,944
	1,271,149	157,776	31,231	1,460,156
Balance, December 31, 2010	1,352,956	396,974	142,324	1,892,254
Additions during the year				
Analytical and data report	359,767	17,389	260	377,416
Drilling	784,462	-		784,462
Field support	391,305	8,002		399,307
Fuel and transport	790,618	30,357		820,975
Geological services	256,007	84,140	5,110	345,257
Personnel	566,047	5,881	3,521	575,449
Travel and other	85,590	-	39,891	125,481
	3,233,796	145,769	48,782	3,428,347
Balance, December 31, 2011	$ 4,586,752	$ 542,743	$ 191,106	$ 5,320,601

6. Share capital

a) Common Share

Authorized - unlimited common shares without par value.

70,114,936 common shares were issued and outstanding as of December 31, 2011 (52,269,911 as of December 31, 2010).

During the year ended December 31, 2011, the Company completed a non-brokered flow-through private placement by issuing 10,442,858 shares for gross proceeds of $1,462,000. The Company paid finders' fees totaling $82,540 in cash and 456,247 finders' warrants exercisable at a price of $0.14 expiring December 28, 2012.

(Expressed in Canadian dollars)

6. Share capital (Cont'd)

a) Common Share (Cont'd)

During the year ended December 31, 2010, the Company completed three non-brokered private placements raising total gross proceeds of $5,651,200 and paid finders' fees totaling of $245,200 cash, 706,100 warrants and 30,000 common shares:

i) On December 22, 2010, the Company issued 8,588,834 flow-through shares and 6,478,500 non-flow-through units at a price of $0.30 per unit. Each non-flow-through unit consisted of one common share and one-half of one share purchase warrant exercisable at $0.45 per share for a one year period.
ii) On September 16, 2010, the Company issued 500,000 units at $0.19 per unit for gross proceeds of $95,000. Each unit was comprised of one common share and one transferable share purchase warrant exercisable at $0.25 per share expiring September 16, 2011.
iii) On August 20, 2010, the Company issued 3,800,000 flow-through units at $0.14 per unit and 4,200,000 non-flow-through units at $0.12 per unit for gross proceeds of $1,036,000. Each flow-through unit consisted of one common share and one–half of one transferable share purchase warrant. Each non-flow-through consisted of one common share and one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.15 until August 20, 2011.

The fair value of the warrants issued during the year was calculated using the Black-Scholes pricing with the following assumptions:

	December 31, 2011	December 31, 2010
Annual volatility	116.88%	79.14% - 91.59%
Risk-free rate	0.93%	1.30%
Expected life	1 year	1 year
Annual dividends	0%	0%

b) Share Purchase Warrants

A summary of the warrants outstanding as of years ended December 31 is as follows:

	December 31, 2011			December 31, 2010		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Outstanding, beginning of year	10,432,851	$	0.27	2,237,501	$	0.25
Issued	456,247	$	0.14	10,545,351	$	0.27
Expired	(3,878,184)	$	0.45	(100,000)	$	0.25
Exercised	(6,554,667)	$	0.16	(2,250,001)	$	0.25
Outstanding, end of year	456,247	$	0.14	10,432,851	$	0.27

As of December 31, 2011, 456,247 warrants were outstanding with an expiry date of December 28, 2012.

The weighted average market price on the date of warrants exercised was $0.46.

(Expressed in Canadian dollars)

6. Share capital (Cont'd)

c) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock option transactions and the number of stock options outstanding are summarized below:

	December 31, 2011			December 31, 2010		
	Number of Options	Weighted Average Exercise Price		Number of Options	Weighted Average Exercise Price	
Outstanding, beginning of year	1,530,000	$	0.20	712,500	$	0.93
Granted	1,365,000	$	0.35	1,530,000	$	0.20
Expired	(37,500)	$	0.30	(712,500)	$	0.93
Exercised	(247,500)	$	0.21	-	$	-
Outstanding, end of year	2,610,000	$	0.27	1,530,000	$	0.20
Exercisable, end of year	2,022,500	$	0.25	1,530,000	$	0.20

As of December 31, 2011, the weighted average remaining life for stock option outstanding was 3.60 years (December 31, 2010 – 4 years) and exercisable 3.44 years (December 31, 2010 – 4 years). The vesting average period for stock options is 50% on grant and 50% one year after the grant.

Stock options outstanding at the end of the year have the following expiry date and exercise prices:

	December 31, 2011			December 31, 2010		
Expiry date		Exercise price	Number of options		Exercie price	Number of options
January 29, 2015	$	0.20	1,310,000	$	0.20	1,530,000
January 6, 2016		0.30	1,015,000		-	-
May 12, 2016		0.30	45,000		-	-
June 2, 2016		0.35	40,000		-	-
July 29, 2016		0.61	200,000		-	-
			2,610,000			1,530,000

The weighted average market price on the date of stock options exercised was $0.56.

The Company applies the fair value method of accounting for stock options. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The fair value of options granted was estimated at the grant date based on the Black-Scholes option-pricing model, using the following assumptions:

(Expressed in Canadian dollars)

6. **Share capital (Cont'd)**

c) Stock Options (Cont'd)

	December 31, 2011	December 31, 2010
Risk-free interest rate	1.93%	1.47%
Expected share price volatility	106.82%	111.88%
Expected option life in years	3.5	2.5
Expected dividend yield	Nil	Nil

7. Related parties

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company has no compensation arrangements with its board of directors other than non-cash stock option grants. The Company has no termination benefit, post-employment benefits and other long-term benefits in place. Key management includes the board of directors and executive officers. Compensation awarded to the key management is listed below:

	Year Ended December 31,	
	2011	2010
Salary	$ 242,500	$ 63,000
Share-based payments, non-cash	209,200	124,000
	$ 451,700	$ 187,000

8. Capital management

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore on various properties for the benefits of its stakeholders. The Company's operations have been and will continue to be funded by the sale of equity to investors.

The Company's capital includes the components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and associated administration expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overheads to manage costs, commitments and exploration activities.

(Expressed in Canadian dollars)

9. Financial instruments

The Company has classified cash and cash equivalents and other receivables as loans and receivables; accounts payable and accrued liabilities as other financial liabilities.

Fair values

As at December 31, 2011, the recorded amounts for cash and cash equivalents, other receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

The Company has no foreign currency denominated assets or liabilities except for occasional and immaterial US dollar expenses.

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

The Company has its cash and cash equivalents deposited with a large, federally insured, commercial financial institutions. The balance of the receivables is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2011, the Company had cash and cash equivalents of $3,237,913 (2010- $4,830,077).

10. Income taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax (recovery) expense for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Statutory tax rate	26.5%	28.5%
Loss for the year	$ (4,296,606)	$ (2,073,670)
Expected income tax recovery	(1,138,601)	(590,996)
Non-deductible expenses	672,418	595,928
Change in unrecognized deferred income tax assets	466,183	(4,932)
Income tax (recovery) expense	$ -	$ -

(Expressed in Canadian dollars)

10. Income taxes (Cont'd)

A potential future income asset of approximately $5,749,266 arises from the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Non-capital loss carry-forwards	$281,966	$221,966	$162,103
Equipment	165,468	147,833	159,002
Mineral property	5,194,462	4,781,748	4,856,944
Deferred financing costs	107,369	131,534	109,965
Total unrecognized deferred income tax assets	(5,749,266)	(5,283,082)	(5,288,014)

The Company has not recorded potential deferred income tax assets as the Company does not have any current source of income to which the tax losses can be applied.

At December 31, 2011, included in the computation of the future tax assets noted above, the Company had approximately $1,127,862 of losses available for carry-forward and $21,726,081 of resource pools. The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2023 and 2031 as below:

2023	$	172,893
2024		185,607
2025		136,176
2026		-
2027		-
2028		-
2029		153,737
2030		239,449
2031		240,000
	$	1,127,862

11. Segmented information

The Company has one business segment, the exploration of mineral properties. All of the Company's assets and operation activities are located in Canada.

12. Commitments

Pursuant to a non-brokered private placement closed on December 28, 2011, the Company issued 10,442,858 flow-through shares for total gross proceeds of $1,462,000. The Company filed its renunciation forms in January 2012 for the entire amount received. As of December 31, 2011, the Company had $1,444,082 resource expenditures (December 31, 2010 $2,556,938) which must be incurred by January 31, 2013.

13. Transition to IFRS

The financial statements for the year ended December 31, 2011 are prepared under IFRS, as issued by the IASB. The accounting policies described in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in the financial statements for year ended December 31, 2010 and the statement of financial position as at January 1, 2010. An explanation of IFRS 1, exemptions applicable to first-time adoption of IFRS, and the required reconciliations between IFRS and Canadian GAAP are described below.

In preparing these financial statements, the Company has applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions in certain areas, to the general requirement for full retrospective application of IFRS.

Share-based payments

The Company has elected to not apply IFRS 2 Share-based Payments to equity instruments granted on or before November 7, 2002 that were fully vested before the date of transition of January 1, 2010.

Business combination

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after January 1, 2010.

The Company had no IFRS adjustments for the year ended December 31, 2010 and on the transition date of January 1, 2010.