Lovitt Resources Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010

(Expressed in U.S. Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lovitt Resources Inc.

We have audited the accompanying consolidated financial statements of Lovitt Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity, and consolidated statements of 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lovitt Resources Inc. as at December 31, 2011, December 31, 2010, and January 1, 2010, 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has cumulative losses of $ 4,562,158 as of December 31, 2011 and a net loss of $ 442,538 for the year ended December 31, 2011. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"D&H Group LLP"

Vancouver, B.C.
April 30, 2012

Chartered Accountants

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A B.C. Limited Liability Partnership of Corporations

Lovitt Resources Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in U.S. Dollars)

	Years ended December 31, 2011	Years ended December 31, 2010 (Note 15)	January 1, 2010 (Note 15)
ASSETS			
CURRENT ASSETS			
Cash	$ 34,247	$ 590,051	$ 3,544
Amounts receivable	2,338	7,615	10,134
Prepaid expenses	1,340	17,020	1,687
	37,925	614,686	15,365
ASSETS HELD FOR SALE (Note 3)	1	1	331,547
PROPERTY, PLANT AND EQUIPMENT (Note 4)	263,307	272,577	284,828
MINERAL PROPERTIES (Note 5)	377,573	282,766	240,802
PATRONAGE DIVIDENDS RECEIVABLE	14,871	17,357	19,845
	$ 693,677	$ 1,187,387	$ 892,387
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 130,780	$ 59,055	134,166
Accrued interest payable	49,558	239,804	269,478
Note payable (Note 6)	5,641	5,768	5,459
Current portion of long-term debt (Note 7)	118,133	24,368	394,921
	304,112	328,995	804,024
DEFERRED INCOME TAX LIABILITY	8,663	–	–
LONG-TERM DEBT (Note 7)	331,800	1,141,800	920,000
	644,575	1,470,795	1,724,024
SHAREHOLDERS' EQUITY (DEFICIENCY)			
SHARE CAPITAL (Note 8)	3,824,125	3,803,346	2,492,110
CONTRIBUTED SURPLUS	787,135	32,866	23,369
DEFICIT	(4,562,158)	(4,119,620)	(3,347,116)
	49,102	(283,408)	(831,637)
	$ 693,677	$ 1,187,387	$ 892,387

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

See accompanying summary of accounting policies and notes to the consolidated financial statements.

These consolidated financial statements were approved for issue by the Board of Directors on April 30, 2012 and are signed on its behalf by:

Approved by the Board *"C. Lorne Brown"* **Director** *"Dominic Lapenna"* **Director**

Lovitt Resources Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in U.S. Dollars)

	Years ended December 31, 2011	2010 (Note 15)
EXPENSES		
Depreciation of property, plant and equipment	$ 11,425	$ 13,813
General and administrative	214,458	259,098
Interest on long-term debt	89,096	104,626
Interest – other	5,347	7,706
Management fees	121,166	60,000
	441,492	445,243
LOSS BEFORE OTHER ITEMS	(441,492)	(445,243)
OTHER ITEMS		
Write-down of asset held for sale	–	(331,546)
Interest income	300	–
Miscellaneous income	7,424	4,285
	7,724	(327,261)
LOSS AND COMPREHENSIVE LOSS BEFORE INCOME TAXES	(433,768)	(772,504)
INCOME TAXES		
Current	107	–
Deferred	8,663	–
	8,770	–
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ (442,538)	$ (772,504)
LOSS PER SHARE – basic and diluted	$ (0.05)	$ (0.13)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,056,054	6,157,775

See accompanying summary of accounting policies and notes to the consolidated financial statements.

Lovitt Resources Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in U.S. Dollars)

	Share capital				
	Number of shares	Amount	Contributed surplus	Deficit	Total shareholders' equity (deficiency)
Balance at January 1, 2010 (Note 15)	5,212,051	$ 2,492,110	$ 23,369	$ (3,347,116)	$ (831,637)
Loss for the year	–	–	–	(772,504)	(772,504)
Common shares issued for financing in private placements	2,717,400	1,262,711	–	–	1,262,711
Common shares issued for exercise of warrants	98,000	48,525	–	–	48,525
Share of contribution surplus	–	–	9,497	–	9,497
Balance at December 31, 2010 (Note 15)	8,027,451	3,803,346	32,866	(4,119,620)	(283,408)
Loss for the year	–	–	–	(442,538)	(442,538)
Common shares issued for exercise of warrants	40,000	20,778	–	–	20,778
Stock options issued	–	–	2,670	–	2,670
Preferred shares issued upon conversion of long-term debt and related accrued interest	75,160	1	751,599	–	751,600
Balance at December 31, 2011	8,142,611	$ 3,824,125	$ 787,135	$ (4,562,158)	$ 49,102

See accompanying summary of accounting policies and notes to the consolidated financial statements.

Lovitt Resources Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Years ended December 31, 2011	2010 (Note 15)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the year	$ (442,538)	$ (772,504)
Adjustments to reconcile net cash provided by operating activities		
Depreciation of property, plant and equipment	11,425	13,813
Deferred income taxes	8,663	–
Share-based payments	2,670	–
Write-down of equipment	–	331,546
Decrease (increase) in		
Amounts receivable	5,277	2,519
Prepaid expenses	15,680	(15,333)
Increase (decrease) in		
Accounts payable and accrued liabilities	71,725	(75,111)
Accrued interest payable	51,354	(29,674)
Note payable	(127)	309
	(275,871)	(544,435)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,155)	(1,562)
Expenditures on mineral properties	(94,807)	(41,964)
Patronage dividends received	2,486	2,488
	(94,476)	(41,038)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of common shares	–	1,359,162
Exercise of warrants	20,778	48,525
Share issue costs	–	(86,954)
Repayment of long-term debt	(206,235)	(148,753)
	(185,457)	1,171,980
INCREASE (DECREASE) IN CASH DURING THE YEAR	(555,804)	586,507
CASH, beginning of year	590,051	3,544
CASH, end of year	$ 34,247	$ 590,051

See Note 13.

See accompanying summary of accounting policies and notes to the consolidated financial statements.

1. **NATURE OF OPERATIONS AND GOING CONCERN**

The Company is incorporated under the *Company Act* (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A. The Company currently owns 270 acres of land, and owns 100% of the mineral interest in approximately 200 acres and a 70% mineral interest in an additional 350 acres. In the past, the Company financed its operations by selling land.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "LRC". The Company's share options and share purchase warrants are not listed.

The Company's principal office is located at Suite 708 – 1111 West Hastings Street, Vancouver, B.C., V6E 2J3.

These consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of material adverse conditions as set out below that may cast significant doubt on the validity of this assumption. At December 31, 2011, the Company has no source of operating cash flow and a deficit of $ 4,562,158 (December 31, 2010 – $ 4,119,620). At December 31, 2011, the Company had a working capital deficiency of $ 266,187 (December 31, 2010 – working capital surplus $ 285,691) and expects to incur further losses in the development of its business. Operations for the year ended December 31, 2011 were funded primarily from private placements in the previous fiscal year.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. In order to ensure its ability to continue operating, the Company expects to sell land and any remaining non-mining equipment and the cold storage building on five acres of land to finance a mineral exploration and development program. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interest, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. **SIGNIFICANT ACCOUNTING POLICIES**

Conversion to International Financial Reporting Standards
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the year ended December 31, 2011, using significant accounting policies outlined below.

The Company's consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). Canadian GAAP differs in some respects from IFRS. In preparing these consolidated financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Note 15 presents reconciliations and descriptions of the effects of the transition from Canadian GAAP and IFRS on the consolidated statements of financial position and consolidated statements of loss and comprehensive loss as at January 1, 2010 and for the year ended December 31, 2010.

Basis of preparation
These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flows information.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the previous annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 15.

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

Significant accounting estimates and judgements
The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Cash equivalents
The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents. There are no cash equivalents at December 31, 2011, December 31, 2010 and January 1, 2010.

Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation and, where necessary, write-downs for impairment. Depreciation is provided on a straight-line basis over the expected useful life of each property, plant and equipment. The useful lives are reviewed annually. Land is reclassified as held for sale upon being listed for sale.

Mineral properties
Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves and the property to which they relate is placed into production, sold or abandoned. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property. Administrative costs and other exploration costs that do not relate to any specific property are expensed as incurred.

Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values. The Company follows procedures to verify title for each of its mineral properties in accordance with industry standards and, to the best of its knowledge these mineral properties are in good standing. These procedures, however, will not necessarily prevent future challenges by third parties as to the validity of the Company's interests in its mineral properties.

Provisions for site restoration
Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environment laws and regulations.

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. The liability in increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Impairment of non-financial assets
Impairment tests for non-financial assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-financial asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-financial asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-financial asset to its recoverable amount.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Decommissioning provision
An obligation to incur restoration, rehabilitation and environmental costs arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during the exploration and evaluation are provided for at their net present values and charges against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax-risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2011 and 2010 the Company does not have any decommissioning obligations.

Share-based payments
The fair value, at the grant date, of equity-settled shares awards is charged to comprehensive loss over the period for which the benefits of employee and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share award reserve. The fair value of awards is calculated using the Black-Scholes pricing model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected live of the award
- Current market price of the underlying shares
- Expected forfeitures

Share-based payments include warrants issued for finders fees and are recognized at fair value as estimated using the Black-Scholes pricing model. The estimated fair values of awards of stock-based payments are charged to share issue costs with offsetting amounts recognized as contributed surplus.

Revenue recognition
Interest and other revenue is recognized in the period the amounts are earned and when collection is reasonably assured.

Land and other capital asset sales are recognized when title transfers to the purchaser, when collection of sales proceeds is reasonably assured and when all other obligations have been fulfilled.

Foreign currency translation
Functional and presentation currency
The financial statements of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of the subsidiaries includes re-measurement from the local currency to the subsidiaries functional currency. The subsidiaries' functional currency, being the currency of the primary economic environment in which the subsidiaries operates, is the U.S. dollar. These consolidated financial statements are presented in U.S. dollars.

Exchange rates published by the Bank of Canada were used to translate the accounts in preparing the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive income (loss).

Loss per share
Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Income taxes
Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive income.

Current income taxes, if any, are the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Financial instruments
Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and patronage dividends receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with realized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2011 the Company has not classified any financial assets as available for sale.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities, accrued interest payable, note payable and long-term debt are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At December 31, 2011, the Company has not classified any financial liabilities as fair value through profit or loss.

Share capital
Common shares and preferred shares issued by the Company are classified as equity. Costs directly attributable to the issue of shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Transaction costs
The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as “fair value through profit or loss” or “available for sale” are expensed as incurred. Transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Effective interest method
The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

Accounting standards and interpretations issued but not yet adopted
The following accounting standards, amendments and interpretations have been issued but are not effective until annual periods beginning after January 1, 2011, unless otherwise indicated, earlier application is permitted. As at the date of these financial statements, the following standards, amendments and interpretations have not been applied in these financial statements.

(i) IFRS 1 *First-time Adoption of International Financial Reporting Standards, Amendments Regarding Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;* effective for annual periods beginning on or after July 1, 2011.

(ii) IFRS 7 *Financial Instruments: Disclosures, Amendments Regarding Disclosures – Transfers of Financial Assets*; effective for annual periods beginning on or after July 1, 2011.

(iii) IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2015.

(iv) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated – Special Purpose Entities.*

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Accounting standards and interpretations issued but not yet adopted - continued

(v) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures.*

(vi) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

(vii) IFRS 13 *Fair Value Measurement*; to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

(viii) IAS 12 *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*; effective for annual periods beginning on or after January 1, 2012.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

3. **ASSETS HELD FOR SALE**

In 2008, the Company had reclassified the net book value of its high pressure equipment, originally recorded as property, plant and equipment, to assets held for sale. The Company expected to sell this equipment in 2009 for net proceeds greater than its carrying value. However, the market for such equipment is limited and specialized, and the net recoverable amount on sale cannot be readily determined. Hence the high pressure equipment has been written down to a nominal value. Any subsequent gain or loss on the sale of the high pressure equipment will be recorded in the period the equipment is sold.

Also at December 31, 2011, the Company has a cold storage plant and related five acres of land available for sale. The plant and land have nominal carrying values.

(Expressed in U.S. Dollars)

4. **PROPERTY, PLANT AND EQUIPMENT**

	Land	Water rights	Equipment	Building	Computer equipment	Vehicles	Total
COST							
Balance as at January 1, 2010	$ 181,082	$ 8,088	$ 76,074	$ 587,122	$ 4,585	$ 26,166	$ 883,117
Additions	–	–	–	–	1,562	–	1,562
Balance as at December 31, 2010	181,082	8,088	76,074	587,122	6,147	26,166	884,679
Additions	–	–	831	–	1,324	–	2,155
Balance as at December 31, 2011	181,082	8,088	76,905	587,122	7,471	26,166	886,834
DEPRECIATION							
Balance as at January 1, 2010	–	–	21,301	551,336	4,011	21,641	598,289
Depreciation	–	–	10,954	1,050	678	1,131	13,813
Balance as at December 31, 2010	–	–	32,255	552,386	4,689	22,772	612,102
Depreciation	–	–	8,847	839	1,060	679	11,425
Balance as at December 31, 2011	–	–	41,102	553,225	5,749	23,451	623,527
CARRYING AMOUNT							
At January 1, 2010	$ 181,082	$ 8,088	$ 54,773	$ 35,786	$ 574	$ 4,525	$ 284,828
At December 31, 2010	$ 181,082	$ 8,088	$ 43,819	$ 34,736	$ 1,458	$ 3,394	$ 272,577
At December 31, 2011	$ 181,082	$ 8,088	$ 35,803	$ 33,897	$ 1,722	$ 2,715	$ 263,307

(Expressed in U.S. Dollars)

5. **MINERAL PROPERTIES**

	2011	2010
Lovitt Mineral Property - Washington, U.S.A.	$ 1	$ 1
Golden King and MacBeth Claims - Washington, U.S.A.	1	1
Deferred exploration costs	377,571	282,764
	$ 377,573	$ 282,766

As December 31, 2011, deferred exploration costs were as follows:

	Lovitt Property	Matthews Property	Total
Acquisition fees (lease payments)	$ –	$ 113,001	$ 113,001
Geology and consulting	150,819	–	150,819
Assay fees	13,965	–	13,965
Travel	32,348	–	32,348
Supplies and permits	19,492	1,626	21,118
Field expenditures	46,320	–	46,320
Total	$ 262,944	$ 114,627	$ 377,571

As December 31, 2010, deferred exploration costs were as follows:

	Lovitt Property	Matthews Property	Total
Acquisition fees (lease payments)	$ –	$ 93,001	$ 93,001
Geology and consulting	131,885	–	131,885
Assay fees	11,793	–	11,793
Travel	5,076	–	5,076
Supplies and permits	16,796	_	16,796
Field expenditures	24,215	–	24,215
Total	$ 189,765	$ 93,001	$ 282,766

The Lovitt Mineral Property represents a 100% undivided interest in 200 acres and a 70% undivided interest in 350 acres with mineral rights. The Golden King and MacBeth claims represent a 100% undivided interest in 40 acres with mineral rights. The mineral interest is subject to a 5% net smelter royalty, payable to former minority investor of Lovitt Mining Company Inc., as an incentive to a buyout concluded in 2004.

Mineral properties include nominal acquisition costs as they were written down in prior years. In 2011, the Company incurred $ 94,807 (2010 – $ 41,964) of exploration costs which includes $ 20,000 related to the mineral lease agreement noted below.

During 2010, the Company's wholly-owned subsidiary Gold King Inc., entered into a lease agreement with B.J. Matthews, Trustee of the B.J. Matthews and Geneva G. Matthews Trust for the exclusive right to explore, mine, and produce on a 155 acre property located in Chelan County, in the State of Washington. In addition to an initial payment of $ 25,000 and the issuance of 60,000 common shares of the Company upon signing the agreement, the agreement also requires the following payments:

$ 15,000 on November 1, 2010 (paid)
$ 20,000 on November 1, 2011 (paid)
$ 30,000 on November 1, 2012

Subsequent to November 1, 2013, the lease will continue for an additional 15 years with an annual $ 30,000 base payment required, increasing each subsequent year based on the increase in the Consumer Price Index. In addition, the Company is required to pay a production royalty of 3% of the net returns from the sale or disposition of minerals extracted from the property. The Company also has an option to purchase the fee title to the property which expires on April 30, 2017.

6. **NOTE PAYABLE**

The Company has a promissory note payable of CDN $ 5,737 (2010 – CDN $ 5,737) to a shareholder of the Company. The note is non-interest bearing, not collateralized, and has no fixed terms of repayment.

(Expressed in U.S. Dollars)

7. LONG-TERM DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
Loan from a corporation controlled by a director of the Company – no required monthly payments; bearing interest at rates between 8% and 10%, not collateralized, due August 1, 2013	$ 56,800	$ 56,800	56,800
Loan from a director of the Company and his immediate family – no required monthly payments; interest calculated at 8% per annum; not collateralized, due on demand	8,669	14,904	160,155
Loan from corporation controlled by a director of the Company – no required monthly payments; interest calculated at 8% per annum; not collateralized, due July 1, 2013	100,000	100,000	100,000
Loan from corporation controlled by a director of the Company – no required monthly payments; interest calculated at 8% per annum; collateralized by a pledge of all the Company's assets excluding mineral rights (Note 8)	–	510,000	510,000
Loan from a corporation controlled by a director of the Company – no required monthly payments; interest calculated at 6% per annum; not collateralized, due July 1, 2013	65,000	65,000	65,000
Loan – requiring minimum monthly payments of $ 2,100 representing interest only, calculated at 12% per annum; collateralized by a pledge of the Company's land, excluding the mineral rights and the plant; $ 110,000 due on January 15, 2013 with the remaining $ 100,000 due on demand	210,000	410,000	410,000
Promissory note – payable to a vendor; repayable in monthly instalments of $ 8,096 including interest calculated at 10.25% per annum; due on demand	9,464	9,464	9,464
Truck loan – repaid during 2010	–	–	3,502
	449,933	1,166,168	1,314,921
Less: Current portion	(118,133)	(24,368)	(394,921)
	$ 331,800	$ 1,141,800	$ 920,000

The Company is required to make the following principal payments in each of the next fiscal years ending December 31:

2012	$ 118,133
2013	331,800
	$ 449,933

(Expressed in U.S. Dollars)

8. **SHARE CAPITAL**

Authorized – unlimited number of common shares without par value
– 100,000,000 preferred shares with par value of $ 0.00001 per share

Common shares issued	Number	$
Balance, as at January 1, 2010	5,212,051	2,492,110
Issued during the year		
For cash		
private placements, net of issue cost of $ 96,451(a)	2,717,400	1,262,711
exercise of warrants (b)	98,000	48,525
Balance, as at December 31, 2010	8,027,451	3,803,346
Issued during the year		
exercise of warrants (c)	40,000	20,778
Balance as at December 31, 2011	8,067,451	3,824,124

(a) Private placements
In April 2010, the Company completed a private placement of 1,200,000 units at a price of CDN $ 0.45 per unit for gross proceeds of $ 540,432 (CDN $ 540,000). Each unit consists of one common share and one share purchase warrant. Each full share purchase warrant is exercisable at a price of CDN $ 0.50 per share. The warrants are exercisable for one year from the date of approval. Total share issue costs of $ 65,784 were incurred.

In December 2010, the Company completed a private placement of 1,500,000 units at a price of CDN $ 0.55 per unit for gross proceeds of $ 818,730 (CDN $ 825,000). Each unit consists of one common share and one share purchase warrant. Each full share purchase warrant is exercisable at a price of CDN $ 0.65 per share. The warrants are exercisable for one year from the date of approval. The Company incurred share issue costs of $ 96,451, which includes 9,570 for the issuance of 17,400 private placement units for finders fees.

(b) Exercise of warrants

In November 2010, 98,000 warrants were exercised at a prices of CDN $ 0.50 and CDN $ 0.65 per warrant for gross proceeds of $ 48,525 (CDN $ 49,000).

(c) In April 2011, 40,000 warrants were exercised at a price of CDN $ 0.50 per warrant for gross proceeds of $ 20,778 (CDN $ 20,000).

Contributed surplus consists of the accumulated fair value of share purchase warrants recognized as share-based payment expense and the net of par value of preferred shares issued.

Details of share purchase warrant transactions during 2011 and 2010 are as follows:

	Number	Weighted average exercise price (CDN $/share)
Outstanding, as at January 1, 2010		
Issued	2,717,400	0.58
Exercised	(98,000)	0.50
Expired	–	–
Outstanding, as at December 31, 2010	2,619,400	0.59
Issued	–	–
Exercised	(40,000)	–
Expired	(2,579,400)	–
Outstanding, as at December 31, 2011	–	–

(Expressed in U.S. Dollars)

8. **SHARE CAPITAL** - continued

Nil common shares were reserved pursuant to the Company's warrants outstanding and exercisable at December 31, 2011:

Preferred shares issued:

	Number	(CDN $/share)
Balance from January 1, 2010 to December 31, 2010	–	–
Issued during the year		
Upon the conversion of $ 510,000 in long-term debt and $ 241,600 in accrued interest payable to a corporation owned by a director of the Company on December 31, 2011	75,160	1
Balance as at December 31, 2011	75,160	1

Preferred shares issued are comprised of 75,160 Non-Cumulative Preferred Series A Issue 1 Share with a face value of $ 10 each, and a 5% annual coupon rate.

9. **SEGMENTED INFORMATION**

As at December 31, 2011 and 2010 the Company's identifiable assets, revenue and net income (loss) in each of the geographic areas is as follows:

	2011		
	Identifiable assets	Revenue	Net loss
United States	$ 662,716	$ –	$ (442,538)
Canada	30,961	–	–
	$ 693,677	$ –	$ (442,538)

	2010		
	Identifiable assets	Revenue	Net loss
United States	$ 587,198	$ –	$ (772,504)
Canada	600,189	–	–
	$ 1,187,387	$ –	$ (772,504)

10. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

a) **Fair value**

Fair value hierarchy
IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market date

The fair value of cash is based on Level 1 inputs for the fair value hierarchy.

10. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** - continued

The fair value of financial instruments at December 31, 2011 and December 31, 2010 are summarized as follows:

	December 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Fair value through profit or loss				
Cash	$ 34,247	$ 34,247	$ 590,051	$ 590,051
Loans and receivables				
Patronage dividends receivable	14,871	14,871	17,357	17,357
Amount receivable	2,338	2,338	7,615	7,615
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$ 130,780	$ 130,780	$ 59,055	$ 59,055
Accrued interest payable	49,558	49,558	239,804	239,804
Note payable	5,641	5,641	5,768	5,768
Long-term debt (+)	219,464	219,464	419,464	419,464
Long-term debt to related parties (*)	230,469	*	746,704	*

+ Based on management's assessment, the carrying value of long-term debt reasonably approximates its fair value.
* The fair value of related party loans is not disclosed as the fair values are not reliably measureable due to the lack of readily available market comparable data.

b) **Financial 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 loss associated with a counterparty's inability to fulfil its payment obligations. Cash and amounts receivable and patronage dividends receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk
The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. See also Note 1.

Interest rate risk
Note payable and long-term debt bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

Foreign exchange risk
The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the parent and subsidiaries' functional and reporting currency is the U.S. dollar.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's portfolio of properties has exposure to predominantly gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

(Expressed in U.S. Dollars)

11. INCOME TAXES

The Company has non-capital losses for Canadian income tax purposes of approximately $ 368,000 (CDN $ 312,000) available to reduce future years' taxable income. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses become no longer available to reduce taxable income after the end of the following taxation years:

2014	$	42,000
2015		43,000
2026		69,000
2027		8,000
2029		43,000
2030		107,000
2031		56,000
	$	368,000

The Company has Canadian resource deductions available in excess of amounts expensed for accounting purposes of approximately $ 312,000 (CDN $ 324,000). The Company has Undepreciated Mineral Property Cost for US tax purposes of $ 182,500. These available deductions have no expiry date and can be offset against future taxable income. The potential tax benefit of these amounts has not been reflected in these accounts.

The Company has Undepreciated Mineral Property Cost for US tax purposes of $ 182,500.

The Company also has net operating loss carryforwards for tax purposes of approximately $ 2,002,000 (2010 – $ 1,565,000) available for deduction against future taxable income in the United States.

The significant components of the Company's future income taxes are as follows as at December 31, 2011 and 2010:

		2011		2010
Future income tax assets				
Benefit of loss carryforwards	$	773,000	$	493,000
Benefit of resources tax pool		133,000		81,000
		906,000		574,000
Less: Valuation allowance		(906,000)		(574,000)
	$		$	–

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes:

		2011		2010
Income taxes (recovery) at statutory income taxes rates (2011 – 26.50%, 2010 – 28.50%)	$	103,000	$	227,000
Effect of foreign income taxed at different rates		25,000		38,280
Effect of income tax rate changes		(7,400)		(22,000)
Unrecognized benefit of income		(120,600)		(243,280)
Actual income tax rate recovery	$	–	$	–

12. RELATED PARTY TRANSACTIONS

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

During 2011, the Company was charged $ 20,965 (2010 – $ 81,716) for accounting, consulting, management services and casual labour provided by directors and officers of the Company, and by corporations owned by directors and officers and members of their immediate families. Also, during 2011, the Company was charged $ 58,340 (2010 – $ 59,476) for interest on the outstanding loans from related parties. As at December 31, 2011, accounts payable includes $ 14,417 (2010 – $ 12,230), and accrued interest payable includes $ 43,478 (2010 – $ 232,121) due to a director, a corporation owned by an officer of the Company and members of his immediate family. During 2011, the Company paid $ 9,100 (2010 – $ 8,379) for office rent to a director of the Company. During 2011, the Company paid $ 106,166 (2010 – $ $ Nil) for management fees to a director of the Company.

(Expressed in U.S. Dollars)

12. **RELATED PARTY TRANSACTIONS** - continued

At December 31, 2011, long-term debt included loans outstanding to a corporation controlled by a director of the Company totalling $ 221,000 (2010 – $ 731,800). See also Note 7.

During 2011, a corporation controlled by a director of the Company converted $ 510,000 in long-term debt and $ 291,600 in accrued interest into 75,160 preferred shares of company stock with a face value of $ 10 per share and par value of $ 0.0001 per share. See also Note 8.

13. **SUPPLEMENTAL CASH FLOW INFORMATION**

During 2011 and 2010 non-cash activities were conducted by the Company as follows:

	2011	2010
Operating		
Accrued interest payable settled on issuance of preferred shares	(241,600)	–
Financing		
Debt settled upon issuance of preferred shares	(510,000)	–
Par value of preferred shares issued	1	–
Face value in excess of par value of preferred shares	751,599	–
Share issuance costs	–	(9,497)
Private placement of shares and warrants issued	–	9,497

During 2011, the Company paid interest of $ 35,200 (2010 – $ 107,937).

14. **CAPITAL MANAGEMENT**

The Company manages as capital its share capital and long-term debt. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements, obtaining loans and selling its assets held for sale.

There were no changes to the Company's approach to capital management during 2011 or 2010. The Company is not subject to externally imposed capital requirements.

15. **TRANSITION TO IFRS**

The Company's consolidated financial statements for the year ending December 31, 2011 are the first annual financial statements that comply with IFRS and were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS.

IFRS 1 also 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 option exemptions and certain mandatory exceptions for first time IFRS adoption.

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

IFRS exemption options
Share-based payments – IFRS 2 share-based payments encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date. No adjustments were recorded as a result of applying this exemption.

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

(b) **Reconciliations of Canadian GAAP to IFRS**
IFRS 2 requires an entity to reconcile equity, comprehensive income (loss) and cash flows or prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive loss.

(Expressed in U.S. Dollars)

15. **TRANSITION TO IFRS** - continued

Reconciliation of assets, liabilities and equity

	As at January 1, 2010			As at December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS						
CURRENT ASSETS						
Cash	$ 3,544	$ –	$ 3,544	$ 590,051	$ –	$ 590,051
Amounts receivable	10,134	–	10,134	7,615	–	7,615
Prepaid expenses	1,687	–	1,687	17,020	–	17,020
	15,365	–	15,365	614,686	–	614,686
ASSETS HELD FOR SALE	331,547	–	331,547	1	–	1
PROPERTY, PLANT AND EQUIPMENT	284,828	–	284,828	272,577	–	272,577
MINERAL PROPERTIES	240,802	–	240,802	282,766	–	282,766
PATRONAGE DIVIDENDS RECEIVABLE	19,845	–	19,845	17,357	–	17,357
	$ 892,387	$ –	$ 892,387	$ 1,187,387	$ –	$ 1,187,387
LIABILITIES						
CURRENT LIABILITIES						
Account payable and accrued liabilities	$ 134,166	$ –	$ 134,166	$ 59,055	$ –	$ 59,055
Accrued interest payable	269,478	–	269,478	239,804	–	239,804
Note payable	5,459	–	5,459	5,768	–	5,768
Current portion of long-term debt	394,921	–	394,921	24,368	–	24,368
	804,024		804,024	328,995	–	328,995
LONG-TERM DEBT	920,000	–	920,000	1,141,800	–	1,141,800
SHAREHOLDERS' EQUITY (DEFICIENCY)	1,724,024	–	1,724,024	1,470,795	–	1,470,795
SHARE CAPITAL	2,492,110	–	2,492,110	3,803,346	–	3,803,346
CONTRIBUTED SURPLUS	23,369	–	23,369	32,866	–	32,866
DEFICIT	(3,347,116)	–	(3,347,116)	(4,119,620)	–	(4,119,620)
	(831,637)	–	(831,637)	(283,408)	–	(283,408)
	$ 892,387	$ –	$ 892,387	$ 1,187,387	$ –	$ 1,187,387

(Expressed in U.S. Dollars)

15. **TRANSITION TO IFRS** - continued

Reconciliation of comprehensive loss

	Year ended December 31, 2010		
	Canadian GAAP	Effect of transition IFRS	IFRS
EXPENSES			
Depreciation of property, plant and equipment	$ 13,813	$ –	$ 13,813
General and administrative	259,098	–	259,098
Interest on long-term debt	104,626	–	104,626
Interest – other	7,706	–	7,706
Management fees	60,000	–	60,000
LOSS BEFORE OTHER ITEMS	(445,243)	–	(445,243)
OTHER ITEMS			
Write-down of asset held for sale	(331,546)	–	(331,546)
Miscellaneous income	4,285	–	4,285
	(327,261)	–	(327,261)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ (772,504)	$ –	$ (772,504)

c) **Changes in accounting policies**

Share-based payments
IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to share options and other share-based payments that are not vested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Share options and other share-based payments prior to November 7, 2002 are not taken in account under IFRS 2;
- Share options and other share-based payments subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010;
- From January 1, 2010, all share options and other share-based payments will be expensed in accordance with the policy stated in Note 2.

Recognition of expense
Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. The Company issues share purchase warrants but does not issue any share options; hence this change in policy had no effect on the Company's financial statements.

Forfeitures
Canadian GAAP – Forfeitures of award are recognized as they occur.

IFRS – An estimate is required for the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The Company issues share purchase warrants but does not issue any share options; share options vest immediately when awarded; hence this change in policy had no effect on the Company's consolidated financial statements.