ENDURANCE GOLD CORPORATION
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
For the year ended December 31, 2011

This Management's Discussion and Analysis ("MD&A") has been prepared as of April 18, 2012 (the "Report Date"), and contains information up to and including the Report Date. This MD&A reviews the operating results and financial position of Endurance Gold Corporation and its U.S. subsidiary ("Endurance", or the "Company") for fiscal year 2011 as compared with fiscal year 2010. It should be read in conjunction with the audited consolidated financial statements of Endurance for the year ended December 31, 2011, together with the related notes thereto. The accompanying audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are in Canadian dollars. Additional information relating to the Company is available for viewing on the Company's website at www.endurancegold.com or on SEDAR at www.sedar.com.

Overview

Endurance (formerly 6172342 Canada Ltd.) was incorporated under the provisions of the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. Endurance is a company focused on the exploration and development of mineral properties in North America. The Company's current commodity focus is on gold, rare earth, nickel and copper. The Company's common shares have been listed and traded on the TSX Venture Exchange (the "Exchange") under the symbol "EDG" since August 4, 2005.

The Company's properties are in the exploration stage and the Company has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the exploration and evaluation assets and upon future profitable production or proceeds from the disposition thereof.

The Company formed a 100% owned U.S. subsidiary, Endurance Resources Inc. ("ERI"), on October 28, 2008 to acquire and evaluate several exploration project opportunities in the United States.

Exploration Activities

The Company incurred $753,949 in acquisition and exploration expenditures, which amount was partially offset by a $50,000 option payment received during the current year. The costs were primarily related to the Company's expenditures on the Bandito and the Fuego properties in the Yukon, and the McCord Creek Property in Alaska.

Considerable effort has been directed at the evaluation of new acquisition opportunities for the Company with evaluation primarily focused on the Americas.

Dollar amounts stated in this document are expressed in Canadian currency unless otherwise indicated.

Bandito Property, Yukon, Canada (Option to earn 75% interest)

In August 2010, the Company entered into an option agreement with True North Gems Inc. ("TGX"), whereby the Company can earn up to a 75% interest in the Bandito property located in the Watson Lake district, Yukon Territory. Under the terms of the agreement, Endurance can earn an initial 51% interest in the Bandito property by completing a total of $125,000 ($75,000 paid) in cash payments by December 31, 2012 and also completing $1,000,000 in exploration expenditures by December 31, 2013. Endurance has exceeded the cumulative 2011 work requirement. Once Endurance earns its initial 51% interest, it has a further option to acquire an additional 24% interest (total 75%) by issuing TGX 200,000 shares of Endurance and by completing an additional $1,000,000 in exploration expenditures prior to December 31, 2015.

The Bandito property is 253 claims or about 5,300 hectares. Most of the new claims staked since the initial acquisition are located within the area of mutual interest of the agreement with TGX.

The Bandito property is underlain by Proterozoic-aged argillite, quartzite and andesite-jasper breccia which have been intruded by Proterozoic-aged (650 Ma) reddish coloured nepheline syenite (**Red Syenite**) with pegmatitic, fine grained and coarse grained phases. The north trending Beaver River Thrust truncates the Proterozoic assemblage on the west edge of the property, with younger Paleozoic sediments on the north, east and west sides of the property. An approximate nine-square kilometre area of the Red Syenite and host rocks has been altered through potassium and sodium metasomatism and the introduction of hematite.

Alteration occurs both within the Red Syenite, which is fluorite enriched, iron oxide and sericite altered, and in the adjoining Proterozoic-aged sediments in which the host rocks have been hornfels and variably altered to potassium feldspar, albite, carbonates, arfvedsonite, riebeckite, aegirine, specular hematite, chlorite, magnetite, sphene, zircon, monazite, xenotime, pyrochlore, fluorite, ferrocolumbite, and apatite **(Fenite)**.

Rare Earth Rock Sampling Highlights - The most significant prospects sampled in 2011 include two trenches on the South Fenite Trend which returned the following rare earth elements **(REE)** results:

South Fenite trenches		
northern	2.30% TREO+Y	Over 6 metres
	Including 3.32% TREO+Y	Over 4 metres
southern	1.38% TREO+Y	Over 8 metres
	Including 2.08% TREO+Y	Over 5 metres

TREO+Y means total REE oxides plus yttrium oxide

The South Fenite trench (northern) averages 10.8% heavy rare earth oxides (HREO) and 10.8% neodymium oxide (Nd_2O_3). In 2011, a short drill hole tested the north eastern contact of this zone but, due to drilling problems, was unsuccessful in recovering core from the down-dip projection of the mineralized zone.

Niobium – Tantalum Rock Sampling Highlights - About 350 metres north east from the South Fenite trench and hosted within the Red Syenite, initial reconnaissance scale sampling has identified a significant niobium-tantalum prospect. The grab sample contained 1.3% Nb_2O_5, and 0.094% Ta_2O_5.

In addition to this higher grade niobium-tantalum prospect, other peak values in the Red Syenite include 0.22% Nb_2O_5 over 3.0 metres, 0.312% Nb_2O_5 (grab), and 0.243% Nb_2O_5 (grab). In the North Fenite, South Fenite and Copper Pass Fenite (2.9 kilometres strike) about thirty (30) samples from the 2011 program returned values greater than 1,000 parts per million ("ppm") niobium (>0.143% Nb_2O_5) including values up to 0.429% Nb_2O_5 over 1.0 metre and 0.21% Nb_2O_5 over 6 metres.

Significant Soil Sample Anomalies - In 2011, 1,464 soil samples were collected during the field season. Highlights of results from soil sampling include the recognition of:

- An approximate 1.4 kilometre long by up to 600 metre wide syenite-hosted niobium-tantalum (Nb -Ta) soil anomaly (90th percentile exceeds 146 ppm Nb).
- An approximate 1.8 kilometre long by up to 400 metre wide syenite-hosted REE soil anomaly (90th percentile exceeds 496 ppm TREE+Y).

The strongest of the 90th percentile niobium-tantalum and rare earth soil anomalies are underlain by altered Red Syenite and extend to the edge of the sampled grid.

Nickel – Copper Rock Sampling Highlights - The Nickel Discovery Zone was discovered in 2004 with the collection of grab samples in 2004, 2005 and 2006 which assay up to 11.35% nickel. In 2011, representative samples were collected from six prospect pits over a thirteen (13) metre width at the Nickel Discovery Zone. These pits average 0.8% nickel. The pits are distributed evenly across 13 metres of a quartz-sericite-pyrite stock work alteration zone ("**QSP Alteration**").

In addition to the Nickel Discovery Zone, six other copper and copper-nickel showings have been identified and sampled extending the area of known nickel and copper prospects to 580 metres by 200 metres within the QSP Alteration, also called the Gossan Target. Two of the copper showings were systematically chip sampled from trenches with the following results:

Gossan Target - Copper Pass Area - Copper Trenches

Eastern	1,294 ppm Copper, 974 ppm Zn	
	0.21% Nb_2O_5, 0.28% TREO+Y	Over 6 metres
Western	1,251 ppm Copper and 993 ppm nickel	Over 5 metres

Additional showings were identified by grab sampling of copper mineralization with results including:

- The "Tree Zone" with a value of 1.76% copper;
- The "South Zone" with a sample that grades 1.22% copper;
- The "North Talus Prospect " two samples with 1,275 ppm and 1,050 ppm copper; and
- The "Far East Prospect" two samples with 1,205 ppm and 1,240 ppm copper. One sample also contains 2,060 ppm nickel.

The soils anomalous in base metal values collected from the 2011 soil sampling program encompass an area of 1,000 metres by up to 600 metres width centered on the combined Nickel Discovery Zone and an area of the Six Copper Prospects (580 by 200 metres). In addition, two new nickel-copper soil anomalies were identified that are similar in size to the *Discovery Zone* nickel-copper soil anomaly.

Elephant Mountain Gold Property, Alaska, USA (Option to earn 100% interest)

The Elephant Mountain property is located in the Rampart-Eureka-Hot Springs placer gold mining district near Eureka, Alaska. The property can be accessed by road from Eureka, a placer mining area, located about 76 miles (123 kilometres) west of Fairbanks.

Under the terms of the letter agreement announced in January 2012, Endurance can earn a 100% interest in the Elephant Mountain property from a private individual by completing a total of US$200,000 in exploration expenditures, US$200,000 in cash payments and delivering 400,000 Endurance common shares by December 31, 2017. The initial cash payment of US$2,000 (paid) was due upon regulatory acceptance of the transaction. The initial 25,000 share payment and an additional cash payment of $13,000 are payable to the vendor on finalization of a formal option agreement. The option is subject to a 2% net smelter royalty ("NSR"), and Endurance can purchase half of the NSR at any time for US$750,000.

Between 1989 and 1992, the Elephant Mountain property was explored for gold by Placer Dome, Inc. ("PDI"). PDI identified a gold-arsenic soil geochemical anomaly over the intrusive that extends for at least 6,000 feet and up to 1,500 feet wide, with peak values in soil samples up to 1,540 parts per billion ("ppb") gold. During that time, PDI completed extensive trenching and ten (10) drill holes. The best of the PDI drill holes returned an average grade of 0.015 ounce per ton Au (0.514 grams per tonne "gpt" Au) over a width of 326 feet (99.4 metres). In the drill holes, gold mineralization is associated with arsenopyrite and native gold related to quartz veinlet stock-work, in silicified and sericite altered intrusive. The intrusive host is a Cretaceous-aged diorite to granite pluton that intrudes quartzite, siltstone and shale. Subsequent to the PDI exploration program, North Star Exploration Inc. completed additional soil sampling and drilled two holes in the intrusive and also encountered anomalous gold in silicified granite.

The Elephant Mountain area is, in part, drained by Eureka and Pioneer Creeks. Alluvial gold was first discovered in Eureka Creek in 1898 and both Eureka and Pioneer Creeks and their small tributaries are two of the most significant alluvial gold bearing creeks in the Eureka-Hot Springs gold district.

The Elephant Mountain prospect is interpreted to be a *reduced intrusion-related gold system* (RIRG) similar to the Fort Knox Mine, Ryan Lode, and True North deposits located in the nearby Fairbanks Gold Mining district in Alaska, as well as the Brewery Creek and Dublin Gulch deposits in the Yukon. All of these RIRG deposits are related to late Cretaceous-aged intrusive events within the Tintina Gold Province of Alaska and the Yukon, and are associated with historic placer gold mining.

The placer gold deposits, gold-in-soil anomalies, and wide drill intersections in intrusive indicate that the Elephant Property warrants a systematic exploration program of rock and soil sampling followed by drilling to confirm historic results and identify new exploration targets. A 2012 program is currently in the planning stages.

McCord Gold Property, Alaska, USA (100% interest)

In 2010, ERI acquired by staking a 100% interest in 14 Alaska State mineral claims encompassing over 2,200 acres located in Fairbanks District.

The McCord property is located in the eastern extension of the Livengood gold district and immediately adjoins International Tower Hill's ("**ITH"**) Livengood Property on the eastern side. The McCord claims were located to cover the stream catchment area for two encouraging gold anomalies (110 and 61 ppb gold) in stream sediment samples collected from McCord Creek in 1982 and re-analysed by the State of Alaska Division of Geological and Geophysical Surveys ("**DGGS"**) in 2005. The Livengood district has not been glaciated and therefore the stream sediment gold anomalies are interpreted to represent a source area within the McCord Creek drainage catchment.

The historic stream sediment gold results on McCord Creek compare favourably with the best analytical gold values of 201 ppb, 73 ppb, and 72 ppb gold from ITH's Money Knob discovery area on the immediately adjoining ITH property in the same 2005 DGGS survey. In August 2011, as part of its preliminary economic assessment, ITH reported in-situ measured, indicated and inferred resource *(at 0.50 gpt cut-off)* of 13.1 million ounces of gold, centered on the Money Knob discovery (see the ITH website for complete disclosure).

Based on government maps, the geology in the McCord Creek area is interpreted to consist of Proterozoic to Paleozoic sedimentary and volcanic rocks near an ophiolitic thrust assemblage of mafic volcanics that has been cross-cut by Cretaceous-aged intrusives. This geological setting is similar to ITH's adjoining property.

A program of grid-based and power auger assisted soil sampling (167 soil samples), geological mapping, prospecting, and rock sampling (32 rock samples) was completed in October 2011. A compilation and interpretative report was received in February 2012. There is poor outcrop and thus the soil sampling is an important early-stage exploration tool. Soil sampling has identified five gold-in-soil anomalies (greater than 10 ppb). The largest of the five soil anomalies are 850 by 250 metres, and 650 by 200 metres in size. Maximum soil values exceed 100 ppb gold. The two largest soil anomalies shed into the drainage with high DGGS gold values in stream sediments. The Company is currently evaluating next steps on this project.

Rattlesnake-Natrona Gold Project, Wyoming, USA (100% interest)

In 2009 and 2010, the Company, through ERI, acquired a 100% interest in 10 properties totalling over 3,840 acres in the Rattlesnake Hills area of Wyoming.

Five of the ERI properties immediately adjoin Agnico-Eagle's and Evolving Gold Corporation's (AE-EVG) Rattlesnake Hills property where significant gold mineralization has been discovered at the North Stock Target and Antelope Target. ERI's most prospective properties are located between 1.7 and 4.0 kilometres from the North Stock Target area on the AE-EVG property and 500 metres east of AE-EVG's recently announced Growler Prospect which has returned grab samples up to 3.1 gpt Au. The geologic setting of the Endurance properties and the AE-EVG discovery are similar to large scale alkalic intrusive hosted gold deposits within the Rocky Mountain alkalic gold province that include Cripple Creek in Colorado. The Cripple Creek district has produced 21 million ounces of gold to date.

In 2011, Evolving Gold announced a deal with Agnico-Eagle that provides Agnico-Eagle the option to earn a 70% interest in Evolving Gold's property by carrying Evolving Gold through completion of a feasibility study. To earn the 70% interest, Agnico-Eagle is also required to make payments to Evolving Gold totaling $12 million, to purchase Evolving Gold's common shares for a total amount of $23 million, and to expend a minimum of $41 million on exploration/development work on the project.

The Endurance properties were targeted to cover areas underlain by Tertiary phonolite (alkalic) intrusions, emplaced into Precambrian aged metavolcanics. This geological environment is identical to that hosting Evolving Gold's North Stock and Antelope Basin discoveries, where gold mineralization occurs in brecciated zones within and adjacent to the alkalic intrusions, and extends into the surrounding schists of the Precambrian country rock.

Mapping in 2009 and 2010 by Endurance has confirmed the presence of eight Tertiary alkalic intrusions on five of the Company's ten properties. Zones of intense brecciation and shearing were noted on one of the properties and two other properties contained areas of moderate iron staining indicative of weathered sulphide mineralization within or near to the intrusions. In 2009 and 2010, two programs which included geological mapping, rock sampling, soil sampling and ground geophysics were completed. During these programs, one grab sample of the brecciated material returned a gold analysis of 0.66 gpt Au. Elsewhere, soil anomalies to up to 213 ppb gold were detected.

Field mapping and whole rock geochemistry completed by Endurance confirms that the eight intrusives that outcrop on Endurance's properties are alkalic phonolites. Petrographic studies indicate that the phonolites host accessory magnetite. On one property, diatreme to crackle brecciated schists were observed in outcrop and petrographic studies of this breccia observed both a k-feldspar alteration assemblage cross cut by a latter quartz-iron oxide-albite-chlorite alteration assemblage. Iron oxide alteration includes the observation of specular hematite. This breccia and alteration is associated with the elevated gold values and is at the contact with an alkali phonolite intrusive. This geological setting has strong analogies to the AE-EVG North Stock gold discovery.

A controlled source audio-magnetotelluric ("CSAMT") geophysical survey of 15.1 line kilometres was undertaken on the Company's BC and TMS properties by Quantec Geoscience USA Inc. in 2009. The BC and TMS properties adjoin the AE-EVG Property and are located four kilometres northwest and 1.7 kilometres northeast respectively of the northern end of the North Stock discovery. On the BC property a strong CSAMT conductive anomaly (approximately 400 x 100 metres) correlates with the mapped contact of one of the two Tertiary phonolite (alkalic) intrusives mapped on the property. On the TMS property, a CSAMT resistive anomaly correlates with both an interpreted regional structure and the mapped contact of a 500 metre diameter Tertiary phonolite (alkalic) intrusive. On the AE-EVG North Stock discovery to the south, these similar intrusive margins are host to diatreme breccias containing significant gold mineralization.

The encouraging geological setting of the Company's properties and the favourable exploration results generated on the Evolving Gold and Agnico-Eagle property, justify further exploration activities on the Company's properties including additional geophysics and drilling.

Fuego Property, Yukon, Canada (100% interest)

Endurance owns a 100% interest in 26 Yukon quartz claims located in the Watson Lake district, Yukon Territory immediately west of the Bandito Property. The claims were staked to cover a previously mapped intrusive syenite and/or trachyte breccia. The breccia on Fuego is similar to breccia mapped on the Bandito property. Historic sampling suggests that the Fuego property also hosts potential for shale-hosted zinc and lead mineralization.

A program of prospecting, rock sampling, reconnaissance soil sampling, and additional claim staking was completed in 2011. The identification of soil samples anomalous in niobium, zinc and lead justify further work.

Pardo Property, Ontario, Canada (45% Joint Venture ("JV") interest)

Endurance owns a 45% JV interest in the 33 square kilometres "Pardo" Property, located 65 kilometres northeast of Sudbury, in east-central Ontario. The original Vendors have retained a 3% NSR royalty, of which one-half can be purchased for $1,500,000 at any time.

The road accessible property covers a sequence of Proterozoic aged rocks of the Mississagi Formation, a basal unit of the Huronian Supergroup sedimentary assemblage that forms the 15,000 square kilometre Cobalt Embayment.

Gold mineralization defined to date on the Pardo Property is spatially associated with pyritic and quartz pebble bearing portions of the Mississagi Formation conglomerates, at a major regional unconformity. The widespread occurrence of low grade gold mineralization associated with the basal conglomerate on the Pardo Property, and the potential size of the target, warrants further drilling programs.

Prior to 2009, Endurance completed approximately $1,000,000 in exploration on the claim block, including trenching and two drilling campaigns totaling 1,626 metres in 97 holes. Intercepts up to 2.01 gpt Au over 8.4 metres were returned from Endurance's drilling program.

In 2009, the Company entered into an option agreement with Mount Logan Resources Ltd., a wholly-owned subsidiary of Ginguro Exploration Inc. ("Ginguro"). Under the terms of its option agreement with Endurance, Ginguro could earn an initial 55% interest in the property by completing $1,000,000 in exploration expenditures and making cash payments totaling $200,000 to Endurance over a three year period. In March 2012, Ginguro advanced the final $50,000 option payment and notified the Company that it has fulfilled all of its obligations under the option agreement and earned its 55% interest in the Pardo Property. As a result, a JV with 45% (Endurance) and 55% (Ginguro) was formed. With the formation of the JV, the original option agreement was replaced by the JV Agreement effective March 22, 2012. Ginguro has been appointed operator under the terms of the JV.

During the term of the option Ginguro completed 154 drill holes. In addition, Ginguro completed metallurgical testwork on several large samples from surface pits and trenches on the Pardo property. As a result of this program, Ginguro has reportedly identified a gold bearing channelized conglomerate "reef" that has now been expanded to approximately 3,600 metres long by 400 metres wide on the JV Property. The reef remains open along the channel extension onto adjoining property owned by Ginguro. During 2011 Ginguro did not complete any drilling on the current JV property.

Ginguro is currently compiling a 2012 exploration plan and budget for presentation to the JV.

Vana Property, Alaska, USA (100% interest)

In 2010, ERI acquired by staking a 100% interest in 22 Alaska State mineral claims encompassing over 3,200 acres located in Fairbanks District in Alaska, USA.

The Vana property is located adjacent to Tolovana Hot Springs Dome ("**THSD"**) which is 19 miles southwest of the community of Livengood, Alaska and ITH's Livengood deposit. The Vana claims were located to cover six stream catchment areas which together returned encouraging arsenic, bismuth, and silver geochemical anomalies in stream sediment samples that drain the Tolovana Hot Springs Dome. The stream sediments were collected in 1982 and re-analysed by the DGGS in 2005.

In the THSD area, nineteen stream samples were anomalous, with the highest reported values from the 2005 DGGS Survey at 141 ppm arsenic, 2.95 ppm bismuth and 1.13 ppm silver. Arsenic, bismuth and silver are often pathfinder geochemical elements associated with intrusive-related gold mineralization. These results encompass a combined catchment area of about five by three kilometres that is anomalous in the pathfinder elements for gold. The THSD area has not been glaciated and therefore the stream sediment anomalies are interpreted to represent a source area within the combined catchment area around the Tolovana Hot Springs Dome. The THSD area is underlain by Oligocene to Paleocene-aged granitic rocks.

Eight reconnaissance soil samples have been collected, but a larger program of grid-based soil sampling and prospecting is still warranted. No sampling program was conducted on the property during 2011.

Dogpaw Project, Ontario, Canada (25% JV interest)

The Dogpaw Lake Property is located approximately 40 kilometres east of Kenora in northwestern Ontario. The property is now comprised of 24 mining claims all situated within the Kenora Mining Division.

In 2007 Endurance entered into an option agreement with Metals Creek Exploration (MEK), whereby MEK could acquire a 75% interest in 14 claims comprising 60 units in the Dogpaw Lake area of northwestern Ontario. Since that date, MEK has increased the size of the property through staking within an area of mutual interest and earned its 75% interest through issuing 450,000 shares to EDG and completing $450,000 in exploration expenditures. As a result, a JV [25% (Endurance) and 75% (MEK)] was formed in 2010.

The exploration focus of the Dogpaw JV is in the Flint Lake, Stephens Lake and Bag Lake areas. Prospecting in August 2010 by MEK within the Stephens Lake claim block resulted in the discovery of a new zone of mineralization with grab sample assays ranging from 1.68 to 11.04 gpt Au. During 2010, a program of line-cutting, prospecting and induced polarization ("IP") geophysics was also completed on the Dogpaw JV.

Endurance participated in partially funding its 25% JV share of exploration programs on the Dogpaw JV in 2009 and 2010. There was no exploration activity in 2011 by the Dogpaw JV.

Nechako Gold Property, British Columbia, Canada (75% JV interest)

The property is located 75 kilometres west of Quesnel, and covers an area of widespread low grade gold mineralization drill defined by Lac Minerals in the mid to late 1980's. The mineralization is primarily hosted in flat lying, hematitic coarse chert bearing conglomerates of the Skeena Group.

No exploration work was completed during the current period and no further work is currently planned on the Nechako Gold Project. At December 31, 2011, the Company wrote-off the carrying value of $567,610 in acquisition and exploration costs incurred on the property. The property is currently owned 75% by Endurance and 25% by Amarc Resources Ltd.

Other Properties, Canada

Virginia Silver Property, British Columbia, Canada (100% interest)

Subsequent to December 31, 2011, all the claims forming the property expired.

The Company retains minor NSR interests in an exploration and evaluation asset in Ontario.

Selected Annual Information

Selected annual information from the audited financial statements for the years ended December 31, 2011, 2010 and 2009 is summarized in the table below.

	IFRS		CDN GAAP
	2011 $	2010 $	2009 $
Total revenues	Nil	Nil	Nil
Comprehensive loss for the year	(1,078,348)	(404,362)	(317,127)
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)
Total assets	2,803,188	2,883,064	2,422,425
Total long-term liability	Nil	Nil	7,707
Cash dividends declared per share	Nil	Nil	Nil

Results of Operations

The consolidated financial statements of the Company to which this MD&A relates were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). This is the first time that the Company has prepared its annual consolidated financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("CDN GAAP").

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 21 to the December 31, 2011 consolidated financial statements.

Year Ended December 31, 2011 compared with the Year Ended December 31, 2010

The Company's net loss for the year ended December 31, 2011 was $1,078,348 or $0.02 per common share, as compared to a net loss of $404,362 or $0.01 per common share in 2010.

The net loss in 2011 is inclusive of interest income of $4,379 (2010 - $5,061); a realized loss on sales of marketable securities of $214 (2010 - $7,605); an unrealized loss on marketable securities of $94,386 (2010 - an unrealized gain of $68,210); a write-off of $567,610 (2010 - $nil) in exploration and evaluation assets; and a non-cash future income tax recovery of $nil (2010 - $7,707) that relates to the prior year's renouncement of flow-through expenditures to investors (see notes 11 and 17 to the audited consolidated financial statements). The renouncement had no effect on cash.

General and administrative expenses before other and non-recurring tax items for the current year, totaled $420,517 (2010 - $477,735), $57,218 lower than comparable expenses incurred in fiscal 2010. The variance was mainly attributable to:

- Business development and property investigation expenses totaled $58,181 (2010 - $103,903), a decrease of $45,722, as a result of the Company curtailing its reconnaissance activities during the current year. During fiscal 2011, $42,075 (2010 - $39,870) in management fees were included in business development and property investigation expenses.
- Corporate communications expense totaled $31,903 (2010 - $9,041) which included website hosting expense of $7,209 (2010 - $5,901); annual general meeting expense of $5,889 (2010 - $3,140); advertising and promotion expenses of $3,308 (2010 - $nil); travel expense of $3,788 (2010 - $nil); fees paid for investor relations support of $4,094 (2010 - $nil); and $7,200 (2010 – $nil) in management fees were included in Corporate communications expense during fiscal 2011.
- Management fees totaled $122,460 (2010 - $163,755), a decrease of $41,295. During the current year, an additional $121,950 (2010 - $90,765) in management fees were capitalized to exploration and evaluation assets and included in property investigation and corporate communication expenses.
- Office and administrative totaled $70,563 (2010 - $64,292) which amounts included insurance expense of $17,087 (2010 - $19,028); office rent and service expenses of $35,400 (2010 - $28,185); office equipment rental expense of $1,464 (2010 - $nil); travel expense of $1,879 (2010 - $4,098); miscellaneous expense of $9,248 (2010 - $2,256); and an unrealized foreign exchange gain of $241 (2010 – a loss of $3,593). The increase in Office and administrative expenses during fiscal 2011 was primarily due to moving expenses and costs associated with the Company's new office.
- Professional fees totaled $65,730 (2010 - $44,285), an increase of $21,445. The increase was primarily due to costs associated with the transition to and adoption of IFRS reporting during the current year.
- Share-based compensation expense (a non-cash charge) of $57,180 (2010 - $79,050), incurred as a result of the vesting of 300,000 (2010 - 1,250,000) stock options granted during the current year.

Fourth Quarter Comparison

For the three months ended December 31, 2011, the Company incurred a net loss of $666,056, or $0.01 per common share, compared to a net loss of $20,852 or $0.00 per common share for the same quarter in fiscal 2010.

The net loss in the fourth quarter in 2011 is inclusive of an interest income of $1,452 (2010 – $1,386); a realized loss on sales of marketable securities of $nil (2010 - $7,605); an unrealized loss on marketable securities of $9,600 (2010 - a gain of $90,210); a write-off of $567,610 (2010 - $nil) in exploration and evaluations assets; and a non-cash future income tax recovery of $nil (2010 - $7,707) that relates to the prior year's renouncement of flow-through expenditures to investors (see notes 11 and 17 to the audited consolidated financial statements). The renouncement had no effect on cash.

General and administrative expenses before other items for the current quarter totaled $90,298 (2010 - $112,550), $22,252 lower than the comparable quarter in prior year. The variance was mainly attributable to:

- Business development and property investigation expenses totaled $6,307 (2010 - $28,433), a decrease of $22,126 as a result of the Company curtailing its reconnaissance activities during the current quarter.

- Corporate communications expense totaled $8,665 (2010 - $4,038) which amount included website hosting expense of $1,421 (2010 - $4,038); promotion expense of $1,800 (2010 - $nil); fees paid for investor relations support of $4,094 (2010 - $nil); and $1,350 (2010 – $nil) in management fees were included in Corporate communications expense during the current quarter.
- Management fees totaled $28,050 (2010 - $29,625), a decrease of $1,575. During the current quarter an additional $25,650 (2010 - $35,325) in management fees were capitalized to exploration and evaluation assets and included in property investigation and corporate communication expenses.
- Office and administrative expenses totaled $16,774 (2010 - $22,254), a decrease of $5,480. The office and administrative expenses included a realized foreign exchange loss of $841 (2010 - $9,361); office rent and services expenses of $9,478 (2010 - $7,046).

Most other operating expenses in the current quarter were at levels similar to the comparable quarter in fiscal 2010.

Summary of Quarterly Results

Results for the eight most recent quarters ending with the last quarter for the three months ending on December 31, 2011 are summarized in the table below.

	IFRS							
Quarter Ended:	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**
Year:	**2011**	**2011**	**2011**	**2011**	**2010**	**2010**	**2010**	**2010**
Net sales or total revenue ($000s)	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil
Income (loss) from continuing operations:								
(i) in total (000s)	$ (666)	$ (66)	$ (168)	$ (178)	$ (20)	$ (83)	$ (103)	$ (198)
(ii) per share(1)	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Net income or loss:								
(i) in total (000s)	$ (666)	$ (66)	$ (168)	$ (178)	$ (20)	$ (83)	$ (103)	$ (198)
(ii) per share(1)	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

(1) Basic and diluted losses per share are the same, as the effect of potential issuances of shares under stock option agreements would be anti-dilutive.

- The net loss reported in the fourth quarter of 2011 includes an unrealized loss on marketable securities of $9,600 and a write-off in exploration and evaluation assets of $567,610.
- The net loss reported in the third quarter of 2011 includes an unrealized loss on marketable securities of $4,800 and an unrealized gain on foreign exchange of $6,161.
- The net loss reported in the second quarter of 2011 includes share-based compensation of $57,180 incurred as a result of the vesting of 300,000 stock options; an unrealized loss on marketable securities of $33,600 and an unrealized loss on foreign exchange of $447.
- The net loss reported in the first quarter of 2011 includes a realized loss on sales of marketable securities of $214; an unrealized loss on marketable securities of $46,386 and an unrealized loss on foreign exchange of $4,631.
- The net loss reported in the fourth quarter of 2010 includes a realized loss on marketable securities of $7,605, an unrealized gain on marketable securities of $90,210; an unrealized loss on foreign exchange of $9,361.
- The net loss reported in the third quarter of 2010 includes an unrealized loss on marketable securities of $2,000 and an unrealized loss on foreign exchange of $8,289.
- The net loss reported in the second quarter of 2010 includes share-based compensation of $30,900 incurred as a result of the vesting of 500,000 stock options, an unrealized gain on marketable securities of $6,000 and an unrealized gain on foreign exchange of $14,284.

- The net loss reported in the first quarter of 2010 includes an unrealized loss on marketable securities of $26,000, share-based compensation of $48,150 incurred as a result of the vesting of 750,000 stock options.

The Company's operations and business are not driven by seasonal trends, but rather the achievement of project milestones such as various geological, technical, environmental and socio-economic objectives as well as receipt of financings to fund these projects.

The operating results of junior exploration companies typically demonstrate wide variations from period to period. These variances arise from fluctuations in such costs as share-based compensation, exploration costs expensed or written down, professional fees, listing and transfer agent fees, corporation communications and office expenses. Management of the Company believe that meaningful information about our operations cannot be derived from an analysis of quarterly fluctuations unless the reader examines in more detail the information presented in the quarterly and annual financial statements. See "Results of Operations".

Liquidity and Capital Resources

The exploration and evaluation assets of the Company are in the exploration stage and, as a result, the Company has no operations that generate cash flow. The Company finances its activities primarily by the sale of its equity securities or from the sale of an interest in its properties in whole or in part.

The Company does not use debt financing to fund its property acquisitions and exploration activities and has no current plans to use debt financing.

The Company has no stand-by credit facilities, or any off-balance sheet arrangements and it does not use hedges or other financial derivatives.

Cash and Financial Conditions

The Company's cash position was $369,747 at December 31, 2011 (2010 - $534,882), a decrease of $165,135. The Company had working capital of $365,903 at December 31, 2011, as compared to $649,429 at December 31, 2010.

The Company's current working capital position may not provide it with sufficient liquidity to meet its current and future exploration activities. The development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the equity markets. There can be no assurance that the Company will succeed in obtaining additional financing. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interest in its properties.

Investing Activities

During the year ended December 31, 2011, the Company's cash flow used for investing activities in exploration and evaluation assets was $668,814 (2010 - $340,414), all of which represented acquisition and exploration costs that were capitalized; $50,000 (2010 - $50,000) in exploration and evaluation assets recovery received; proceeds of $1,575 (2010 - $19,230) received from the sales of marketable securities; and $3,500 (2010 - $3,000) in reclamation bonds released to the Company.

Financing Activities

During the current year ended December 31, 2011, the Company closed two non-brokered private placements.

In March 2011, the Company closed a non-brokered private placement raising gross proceeds of $540,000 by issuing 4,500,000 flow-through shares at a price of $0.12 per flow-through share. A total of 220,000 flow-through shares were subscribed by two directors of the Company.

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

During fiscal 2010, shareholders including three directors of the Company acquired a total of 7,960,000 common shares of the Company through the exercise of 7,960,000 of the 8,000,000 share purchase warrants that otherwise would have expired on March 30, 2010. The Company received $796,000 from the exercise of the warrants. The warrants were issued primarily to insiders in connection with a non-brokered private placement transaction of 8,000,000 Units in March 2009. Each Unit consisted of one common share and one share purchase warrant, exercisable at a price of $0.10 per share until March 30, 2010.

Outstanding share data as at the Report Date:

On the Report Date, the Company had 53,722,586 common shares outstanding or 58,097,586 shares on a fully diluted basis as follows:

	No. of Shares	Exercise Price	Expiry Date
Stock Options	3,500,000	$0.10 - $0.21	Oct. 11, 2012 to Apr. 28, 2016
Warrants	875,000	$0.30	Aug. 9, 2012

Transactions with related parties

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

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

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

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

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

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

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

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

Significant Accounting Policies

IFRS 1, First-Time Adoption of IFRS:

Significant adjustments required on transition to IFRS were made, retrospectively, to opening accumulated deficit as at January 1, 2010, the date of the first comparative statements of financial position presented under IFRS. However, IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition.

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

(a) ***Foreign currencies***

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

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

(b) ***Financial instruments***

Financial assets

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

(d) Exploration and evaluation assets

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

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

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

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

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

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

(e) Reclamation bonds

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

(f) Equipment

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

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

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

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

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

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

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

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

(h) ***Income taxes***

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

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

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

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

(i) Share capital

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

(j) Flow-through shares

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

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

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

(k) Share-based payment transactions

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

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

(l) Loss per share

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

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

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

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

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

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

(o) ***Provisions***

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

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

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

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

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

(q) ***Standards, Amendments and Interpretations Not Yet Effective***

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

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

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

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

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

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

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

FINANCIAL INSTRUMENTS AND RISK

Fair value

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

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

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

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

December 31, 2011

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

Risk Management

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

Credit risk

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

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

Liquidity risk

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

Market risk

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

(a) Interest rate risk

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

(b) Foreign currency rate risk

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

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

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

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

CAPITAL MANAGEMENT

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

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

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

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

Risk Factors Relating to the Company's Business

As a company active in the mineral resource exploration and development industry, the Company is exposed to a number of risks.

Exploration Stage Operations

The Company's operations are subject to all of the risks normally incident to the exploration for and the development and operation of exploration and evaluation assets. The Company has implemented comprehensive safety and environmental measures designed to comply with government regulations and ensure safe, reliable and efficient operations in all phases of its operations. The Company maintains liability insurance, where reasonably available, in such amounts it considers prudent. The Company may become subject to liability for hazards against which it cannot insure or which it may elect not to insure against because of high premium costs or other reasons.

All of the Company's properties are still in the exploration stage. Mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to avoid. Few properties that are explored are ultimately developed into producing mines.

Mineral exploration in various jurisdictions may involve consultation with First Nations groups. The Company endeavours to consult with such groups on a good faith basis, however, there are no guarantees the consultation process will result in decisions acceptable to all parties. The risk of unforeseen aboriginal title claims and disputes could affect the Company's existing operations as well as development projects and future acquisitions.

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, extreme weather events, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the material processed and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

There is no assurance that commercial quantities of ore will be discovered. Even if commercial quantities of ore are discovered, there is no assurance that the properties will be brought into commercial production or that the funds required to exploit mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of the above factors are beyond the control of the Company.

There can be no assurance that the Company's mineral exploration activities will be successful. In the event that such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with other companies with greater technical and financing resources than itself with respect to acquire properties of merit, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

Commitments

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

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

Outlook

The Company will need to raise additional funds to significantly advance its property portfolio and to fund 2012 exploration programs for the Bandito property in the Yukon; the Elephant Mountain, McCord and Vana properties in Alaska; the Pardo JV in Ontario, and the Rattlesnake-Natrona property in Wyoming. Management is also evaluating other potential mineral exploration projects for acquisition. The Company will also need to raise additional funds to fund exploration on new acquisitions, and to meet its future estimated overhead expenditures. Additional funding would also allow for the acquisition and aggressive funding of potential new acquisitions in a climate where opportunities exist but must be evaluated efficiently in a competitive environment. The Company is working to secure those funds from conventional equity financing sources, from private investors, through farm-outs of existing properties in the Company's portfolio and from strategic partnerships. Failure to raise such funds on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interest in its properties.

Forward-Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Securities Acts in British Columbia and Ontario. This includes statements concerning the Company's plans at its exploration and evaluation assets, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, the ability of the Company to continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs; inability to fund the Company's share of costs incurred under JV agreements to which it is a party, and reduction or elimination of its JV interest as a result; competition within the minerals industry to acquire properties of merit, and competition from other companies possessing greater technical and financial resources; difficulties in executing exploration programs on the Company's proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring of its properties, such as the availability of essential supplies and services; factors beyond the capacity of the Company to anticipate and control, such as government regulations relating to health, safety and the environment, and the scale and scope of royalties and taxes on production; the availability of experienced contractors and professional staff to perform work in a competitive environment and the resulting adverse impact on costs and performance and other risks and uncertainties, including those described in each management's discussion and analysis of financial condition and results of operations. In addition, forward-looking information is based on various assumptions including, without limitation, assumptions associated with exploration results and costs and the availability of materials and skilled labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.