

**ENDURANCE GOLD CORPORATION**

*(An Exploration Company)*

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in Canadian dollars)*

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

*(Unaudited)*

NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2011 of **Endurance Gold Corporation** (“the Company”) have been prepared by the Company’s management and have not been reviewed by the Company’s independent auditor.

**ENDURANCE GOLD CORPORATION**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

AS AT

	September 30, 2011	December 31, 2010
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 586,707	\$ 534,882
Marketable securities (Note 4)	28,800	115,375
Prepaid expenses and deposits (Note 5)	161,161	12,400
Receivables (Note 6)	42,853	19,106
<b>Total current assets</b>	<u>819,521</u>	<u>681,763</u>
<b>Non-current</b>		
Reclamation bond (Note 7)	3,500	3,500
Exploration and evaluation assets (Note 8)	2,674,984	2,197,801
<b>Total assets</b>	<u>\$ 3,498,005</u>	<u>\$ 2,883,064</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 131,906	\$ 32,334
<b>Total Liabilities</b>	<u>131,906</u>	<u>32,334</u>
<b>EQUITY</b>		
Share Capital (Note 10)	6,627,989	5,757,508
Reserves (Note 10)	536,451	479,271
Deficit	(3,798,341)	(3,386,049)
<b>Total liabilities and equity</b>	<u>\$ 3,498,005</u>	<u>\$ 2,883,064</u>

**Nature and continuance of operations** (Note 1)**Commitments** (Note 16)**Approved and authorized by the Board on November 28, 2011:**

/s/ Robert T. Boyd

Director

Robert T. Boyd

/s/ J. Christopher Mitchell

Director

J. Christopher Mitchell

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

**ENDURANCE GOLD CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS***(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2011	2010 (Note 17)	2011	2010 (Note 17)
<b>Expenses</b>				
Business development and property investigation	\$ 6,750	\$ 20,662	\$ 51,874	\$ 75,470
Corporate communications	7,422	702	23,238	5,003
Listing and transfer agent fees	1,002	1,659	12,688	13,114
Management fees (Note 12)	25,935	35,430	94,410	134,130
Office and administrative	8,947	23,325	53,789	42,038
Professional fees	11,799	1,125	37,040	16,380
Stock-based compensation (Note 10)	-	-	57,180	79,050
	<u>(61,855)</u>	<u>(82,903)</u>	<u>(330,219)</u>	<u>(365,185)</u>
<b>Other items</b>				
Interest income	694	2,149	2,927	3,675
Realized loss on sales of marketable securities	-	-	(214)	-
Unrealized loss on marketable securities (Note 4)	(4,800)	(2,000)	(84,786)	(22,000)
	<u>(4,800)</u>	<u>149</u>	<u>(82,073)</u>	<u>(18,325)</u>
<b>Net loss for the period</b>	<b>(65,961)</b>	<b>(82,754)</b>	<b>(412,292)</b>	<b>(383,510)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<b>52,991,817</b>	<b>47,472,586</b>	<b>51,092,549</b>	<b>44,932,366</b>

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

**ENDURANCE GOLD CORPORATION**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine month periods ended September 30, 2011 and 2010

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
<b>Balance, January 1, 2010</b>	<b>39,512,586</b>	<b>\$ 4,961,508</b>	<b>\$ 400,221</b>	<b>\$ (2,981,687)</b>	<b>\$ 2,380,042</b>
Shares issued for cash:					
Exercise of Warrants	7,960,000	796,000	-	-	796,000
Stock-based compensation	-	-	79,050	-	79,050
Loss for the period	-	-	-	(383,510)	(383,510)
<b>Balance September 30, 2010</b> (Note 17)	<b>47,472,586</b>	<b>\$ 5,757,508</b>	<b>\$ 479,271</b>	<b>\$ (3,365,197)</b>	<b>\$ 2,871,582</b>

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
<b>Balance, January 1, 2011</b>	<b>47,472,586</b>	<b>\$ 5,757,508</b>	<b>\$ 479,271</b>	<b>\$ (3,386,049)</b>	<b>\$ 2,850,730</b>
Shares issued for cash:					
Private placement	6,250,000	890,000	-	-	890,000
Share issuance costs	-	(19,519)	-	-	(19,519)
Stock-based compensation	-	-	57,180	-	57,180
Loss for the period	-	-	-	(412,292)	(412,292)
<b>Balance September 30, 2011</b>	<b>53,722,586</b>	<b>\$ 6,627,989</b>	<b>\$ 536,451</b>	<b>\$ (3,798,341)</b>	<b>\$ 3,366,099</b>

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

**ENDURANCE GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian dollars)*  
*(Unaudited, prepared by management)*

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2011	2010 (Note 17)	2011	2010 (Note 17)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (65,961)	\$ (82,754)	\$ (412,292)	\$ (383,510)
Add items not involving cash:				
Stock-based compensation	-	-	57,180	79,050
Realized loss on sales of marketable securities	-	-	214	-
Unrealized loss (gain) on marketable securities	4,800	2,000	84,786	22,000
Changes in non-cash working capital items:				
Prepaid expenses and deposits	(152,645)	(56,016)	(148,761)	(45,861)
Receivables	(22,831)	(13,049)	(23,747)	(8,708)
Marketable securities	-	-	1,575	-
Accounts payable and accrued liabilities	(10,983)	5,403	(2,775)	(4,935)
Net cash used in operating activities	(247,620)	(144,416)	(443,820)	(341,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Exploration and evaluation assets	(309,120)	(173,581)	(424,836)	(152,235)
Exploration and evaluation asset recovery	-	50,000	50,000	50,000
Net cash used in (provided by) investing activities	(309,120)	(123,581)	(374,836)	(102,235)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of capital stock	350,000	-	890,000	796,000
Share issuance costs	(7,235)	-	(19,519)	-
Net cash provided by financing activities	342,765	-	870,481	796,000
<b>Net increase (decrease) in cash during the period</b>	<b>(213,975)</b>	<b>(267,997)</b>	<b>51,825</b>	<b>351,801</b>
<b>Cash, beginning of period</b>	<b>800,682</b>	<b>1,024,749</b>	<b>534,882</b>	<b>404,951</b>
<b>Cash, end of period</b>	<b>\$ 586,707</b>	<b>\$ 756,752</b>	<b>\$ 586,707</b>	<b>\$ 756,752</b>

**Supplemental disclosures with respect to cash flows (Note 11)**

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

## **ENDURANCE GOLD CORPORATION**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine month period ended September 30, 2011

(Unaudited, Prepared by Management)

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Endurance Gold Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The Company is engaged in the exploration and development of mineral properties in North America and has not yet determined whether its properties contain ore reserves that are economically recoverable.

The head office and principal address of the Company is 1700-750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8. The Company's registered address and records office is 1040-999 West Hasting Street, Vancouver, British Columbia, Canada, V6C 2W2.

These condensed interim consolidated financial statements are presented in Canadian dollars and include the financial statements of the Company and its controlled subsidiary.

#### **2. BASIS OF PREPARATION**

##### a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's third condensed interim consolidated financial statements for part of the first IFRS annual reporting for the year ending December 31, 2011, IFRS 1, *First-time Adoption of IFRS* has been applied. Previously, the Company prepared its annual and interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the condensed interim consolidated financial statements for the period ended March 31, 2011 and are based on IFRS issued and outstanding as of the date of the Board of Directors approved these condensed interim consolidated financial statements. The Company has consistently applied the same accounting policies in our opening IFRS Statement of Financial Position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. The impact of the transition from GAAP to IFRS for the reported period is explained in note 17.

Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on changeover to IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company's condensed interim consolidated financial statements for the period ended March 31, 2011 and the GAAP annual consolidated financial statements for the year ended December 31, 2010.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2011.

## 2. BASIS OF PREPARATION (cont'd)

### b) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of \$412,292 during the interim nine month period ended September 30, 2011 and, as of that date the Company's deficit was \$3,798,341. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

## 3. NEW ACCOUNTING PRONOUNCEMENTS

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

- IFRS 9, *Financial Instruments* (effective January 1, 2013 with a proposal to defer the effective date to 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 Associates and Joint Ventures* (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 Measurement* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.
- Amendments to IAS 1, *Presentation of Financial Statements* (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 and loss be differentiated from those items that will not be recycled.
- IAS 27, *Consolidated and Separate Financial Statements* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements and IAS 28, *Investments in Associates and Joint Ventures* were revised and reissued to align with the new consolidation guidance.



#### 4. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the Company does not have control or significant influence. Marketable securities are designated as fair value through profit and loss. Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period. At September 30, 2011, the Company owned 320,000 (325,000 at December 31, 2010) common shares of Metals Creek Resources Corp., which was received under the terms of a farm-out agreement dated April 16, 2007.

	September 30, 2011	December 31, 2010
Marketable securities – fair value	\$ 28,800	\$ 115,375
Marketable securities - cost	\$ 114,496	\$ 116,350

#### 5. PREPAID EXPENSES AND DEPOSITS

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

	September 30, 2011	December 31, 2010
Prepaid rent	\$ 4,505	\$ -
Insurance	8,160	11,655
Prepayment of Exploration Expenses	<u>148,496</u>	<u>745</u>
Total	\$ 161,161	\$ 12,400

#### 6. RECEIVABLES

The Company's receivables arise mainly from goods and service tax and harmonized sales taxes receivable due from Canadian government taxation authorities.

#### 7. RECLAMATION BOND

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

## 8. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2011, the Company's exploration and evaluation assets are located in North America. Expenditures incurred on exploration and evaluation assets are as follows:

	Bandito, Yukon CANADA	Fuego, Yukon CANADA	Pardo, Ontario, CANADA	Nechako, B.C. CANADA	Other Properties, CANADA	Rattlesnake- Natrona, Wyoming, USA	McCord, Alaska, USA	Vana, Alaska, USA	TOTAL
<b>Deferred Acquisition 12/31/10</b>	\$ 45,406	\$ -	\$ 18,750	\$ 80,000	\$ -	\$ 35,799	\$ 5,664	\$ 8,688	\$ 194,307
Additions	-	6,420	-	-	-	-	-	-	6,420
Recoveries	-	-	(50,000)	-	-	-	-	-	(50,000)
	-	6,420	(50,000)	-	-	-	-	-	(43,580)
<b>Deferred Acquisition 09/30/11</b>	<b>45,406</b>	<b>6,420</b>	<b>(31,250)</b>	<b>80,000</b>	<b>-</b>	<b>35,799</b>	<b>5,664</b>	<b>8,688</b>	<b>150,727</b>
<b>Deferred Exploration 12/31/10</b>	<b>104,351</b>	<b>-</b>	<b>1,077,858</b>	<b>487,235</b>	<b>50,000</b>	<b>265,445</b>	<b>13,649</b>	<b>4,956</b>	<b>2,003,494</b>
Additions:									
Drilling	60,055	-	-	-	-	-	-	-	60,055
Field expenses	115,287	1,430	-	-	-	-	-	-	116,717
Geochemistry	15,041	-	-	-	-	650	-	-	15,691
Geological and miscellaneous	150,289	3,918	-	375	-	9,797	32,264	750	197,393
Helicopters	113,535	6,231	-	-	-	-	-	-	119,766
Land and recording fees	149	11	-	-	-	10,981	-	-	11,141
	454,356	11,590	-	375	-	21,428	32,264	750	520,763
<b>Deferred Exploration 09/30/11</b>	<b>558,707</b>	<b>11,590</b>	<b>1,077,858</b>	<b>487,610</b>	<b>50,000</b>	<b>286,873</b>	<b>45,913</b>	<b>5,706</b>	<b>2,524,257</b>
<b>Total Exploration and evaluation assets 09/30/11</b>	<b>\$ 604,113</b>	<b>\$ 18,010</b>	<b>\$ 1,046,608</b>	<b>\$ 567,610</b>	<b>\$ 50,000</b>	<b>\$ 322,672</b>	<b>\$ 51,577</b>	<b>\$ 14,394</b>	<b>\$ 2,674,984</b>

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

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

## **8. EXPLORATION AND EVALUATION ASSETS (cont'd)**

### **Bandito REE-Ni Property, Yukon, CANADA**

In August 2010, the Company entered into an option agreement (the "Agreement") with True North Gems Inc. ("TGX"), whereby the Company can earn up to a 75% interest in the Bandito property located in the Watson Lake district, Yukon Territory. Under the terms of the agreement, the Company can earn an initial 51% joint venture interest in the Bandito property by completing a total of \$125,000 (\$25,000 paid) in cash payments by December 31, 2012 and also completing \$1,000,000 in exploration expenditures by December 31, 2013. Once the Company earns its 51% interest, it has a further option that will allow the Company to acquire an additional 24% interest (total 75%) by issuing TGX 200,000 shares of the Company and by completing an additional \$1,000,000 in exploration expenditures prior to December 31, 2015. The President and CEO of the Company also serves on the board of directors of TGX and abstained from voting on approval of the Agreement.

### **Fuego Property, Yukon, CANADA**

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

### **Pardo Gold Property, Ontario, CANADA**

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

In June 2009, the Company entered into an option agreement (the "Agreement") with Ginguro Exploration Inc. ("Ginguro"), a TSX Venture Exchange issuer. Under the terms of the Agreement, Ginguro can earn an initial 55% interest in the Pardo Property by completing \$1,000,000 in exploration expenditures and making cash payments totaling \$200,000 (\$150,000 received) to the Company over a three year period. On completion of its earn-in, Ginguro has a one-time option to increase its ownership to 70% by completing an additional \$1,000,000 in exploration expenditures and making a further cash payment of \$250,000 to the Company.

### **Nechako Gold Property Joint Venture, British Columbia, CANADA**

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

In 2004, the Company entered into an option and joint venture agreement with Amarc Resources Inc. ("Amarc"), whereby the Company earned a 60% interest in the Nechako Gold Property by completing \$250,000 in exploration expenditures and issuing 250,000 shares to Amarc and 70,000 shares to an underlying property vendor. As a result, a joint venture as to 60% (Endurance) and 40% (Amarc) was formed in December 2005. Amarc has elected not to participate in its pro-rata share of costs on the Nechako Gold Property since 2006, and thus the property is now held 75% by Endurance and 25% by Amarc.

### **Rattlesnake - Natrona Gold Property, Wyoming, USA**

In 2009 and 2010, the Company acquired by staking and application a 100% interest in certain claims and state leases.

### **McCord Gold Property, Alaska, USA**

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

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd)

### Vana Gold Property, Alaska, USA

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

### Other Properties, CANADA

#### *Dogpaw Property, Ontario*

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

In addition, the Company retains a 2.5% NSR payable by Houston Lake Mining Inc. of several other claims forming part of the Dogpaw Property.

#### *BQ-Endurance 100% Property, British Columbia*

The Company acquired a 100% interest in certain mineral claims in the Omineca Mining Division of British Columbia by staking. The claims adjoin the former BQ Property option which was returned to the vendors and written off in 2008. At December 31, 2009, the Company wrote off the carrying value of \$1,649 in acquisition costs incurred on the property. All the mineral claims forming the property expired in April 2011 and the Company no longer owns an interest in any of the BQ claims.

#### *Virginia Silver – Endurance 100% (Annie) Property, British Columbia*

The Company acquired a 100% interest in several mineral claims in the Omineca Mining Division of British Columbia by staking. The claims adjoin the former Virginia Silver Property option which was returned to the vendors and written off in 2008. At December 31, 2009, the Company wrote off the carrying value of \$3,492 in acquisition and exploration costs incurred on the property.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	September 30, 2011	December 31, 2010
Trade payables	\$ 98,906	\$ 2,559
Accrued liabilities	<u>33,000</u>	<u>29,775</u>
<b>Total</b>	<b>\$ 131,906</b>	<b>\$ 32,334</b>

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

## 10. SHARE CAPITAL

- (a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.
- (b) Issued and outstanding:

### Share issuance

During the nine month period ended September 30, 2011, the Company:

- i) completed a non-brokered private placement financing of 4,500,000 flow-through (“FT”) shares at a price of \$0.12 per FT share for gross proceeds of \$540,000 in March 2011. A total of 220,000 FT shares were subscribed by two directors of the Company.
- ii) completed a non-brokered private placement financing of 1,750,000 Units (the “Unit”) at a price of \$0.20 per Unit for gross proceeds of \$350,000 in August 2011. Each Unit consists of one common share and one-half non-transferable common share purchase warrant (the “Warrant”). Each whole Warrant is exercisable into one common share at a price of \$0.30 per share for a period of 12 months from the date of closing. The financing was fully subscribed by the Company’s insiders.

During the same nine month period in 2010, the Company:

- i) Issued 7,960,000 common shares at \$0.10 per share for proceeds of \$796,000 from the exercise of Warrants.
- (c) Stock Options, Warrants and Agent’s Compensation Options Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, officers, employees and consultants of the Company at exercise prices determined by the market value of the common shares on the date of the grant. The options vest immediately on the date of the grant or otherwise at the discretion of the Board.

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

	Number of Options	Weighted Average Exercise Price
<b>Balance, December 31, 2009</b>	<b>2,300,000</b>	<b>\$ 0.12</b>
Options granted	1,250,000	0.10
Options expired	(350,000)	0.18
<b>Balance, December 31, 2010</b>	<b>3,200,000</b>	<b>0.10</b>
Options granted	300,000	0.21
<b>Balance, September 30, 2011</b>	<b>3,500,000</b>	<b>\$ 0.11</b>
Number of options currently exercisable	3,500,000	\$ 0.11

10. **SHARE CAPITAL** (cont'd)

The following incentive stock options were outstanding and exercisable at September 30, 2011:

Number Outstanding	Exercise Price \$	Expiry Date
250,000	0.15	October 11, 2012
1,700,000	0.10	February 14, 2014
750,000	0.10	March 31, 2015
500,000	0.10	April 9, 2015
300,000	0.11	April 28, 2016
<u>3,500,000</u>		

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

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, December 31, 2009</b>	9,500,000	\$ 0.13
Warrants exercised	(7,960,000)	0.10
Warrants expired	<u>(40,000)</u>	0.10
<b>Balance, December 31, 2010</b>	1,500,000	0.30
Warrants granted	875,000	0.30
Warrants expired	<u>(1,500,000)</u>	0.30
<b>Balance, September 30, 2011</b>	<u>875,000</u>	<u>\$ 0.30</u>

The following warrants to acquire common shares were outstanding at September 30, 2011:

Number Outstanding	Exercise Price \$	Expiry Date
<u>875,000</u>	0.30	August 9, 2012

(d) Stock-based compensation

The fair value of options reported as compensation expense during the interim period ended September 30, has been estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

Description	2011	2010
Expected dividend yield	0.0%	0.0%
Risk free interest rate	2.61%	2.96%
Expected stock price volatility	147.72%	138.16%
Expected life of options	5 years	5 years
Weighted average fair value	\$0.1906	\$0.0630

Based on the foregoing, stock-based compensation expense of \$57,180 (2010 - \$79,050) was recorded for options that vested during the nine month period ended September 30, 2011. The off-setting credit was recorded in Reserves.

**10. SHARE CAPITAL (cont'd)**

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

(e) Reserve

The following is a summary of changes in reserves from December 31, 2010 to September 30, 2011:

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Warrants / Agent's compensation Options	\$ 20,064	\$ 20,064
Share options	\$ 516,387	\$ 459,207
<b>Total Reserves</b>	<b>\$ 536,451</b>	<b>\$ 479,271</b>

**11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	Sept. 30, 2011	Sept. 30, 2010
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ -	\$ -

Supplementary disclosure of non-cash investing and financing activities during the interim period ended September 30:

	<b>2011</b>	<b>2010</b>
Stock-based compensation (note 10)	\$ 57,180	\$ 79,050
Exploration and evaluation assets expenditures in accounts payable	\$ 102,347	\$ 65,124

**12. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities is \$29,880 (2010 - \$29,673) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

During the interim period ended September 30, 2011, the Company entered into the following related party transactions:

- a) 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.
- b) Paid to Cooper Jack Investments Limited, a private company controlled by the current President and director, Robert Boyd, an aggregate amount of \$145,710 (2010 - \$114,570), of which \$57,375 (2010- \$15,570) was capitalized as geological project management fees, \$49,410 (2010 - \$59,130) was expensed as administration management fees, \$5,850 (2010 - nil) was expensed as corporate communication expenses, and \$33,075 (2010 - \$39,870) was expensed as business development and property investigation.
- c) Paid to T.P. Cheng & Company Ltd., a private company controlled by officer, Teresa Cheng, \$45,000 (2010 - \$45,000) for administration management fees.



## 12. RELATED PARTY TRANSACTIONS (cont'd)

- d) Paid or accrued to Adera Company Management Ltd., a private company controlled by director, J. Christopher Mitchell, an aggregate amount of \$4,975 (2010 - \$3,425) for consulting fees included in business development and property investigation.
- e) Paid to First Point Minerals Corp., a TSX Venture Exchange listed company, with a common director, J. Christopher Mitchell, \$4,698 (2010 - \$21,139) for rent included in office and administration.

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.

## 13. FINANCIAL INSTRUMENTS AND RISK

### *Fair value*

IFRS 7 establishes a fair value hierarchy that prioritizes the input 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 September 30, 2011, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables, reclamation bond, accounts payable and accrued liabilities. The carrying value of receivables, 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:

September 30, 2011

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 586,707	\$ -	\$ -	\$ 586,707
Marketable securities	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>28,800</u>
Total	\$ 615,507	\$ -	-	\$ 615,507

### *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 meet 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, marketable securities, receivables and reclamation bond.

The Company's cash and marketable securities are held through a Canadian chartered bank and a brokerage firm, which are high-credit quality financial institutions. The Company's receivables primarily consist of harmonized sales tax rebates due from the Government of Canada.

### 13. FINANCIAL INSTRUMENTS AND RISK (cont'd)

#### *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 September 30, 2011, the Company had a cash balance of \$586,707 to settle current liabilities of \$131,906. 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 institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### (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 rates between the Canadian and US dollars. At September 30, 2011, the Company has cash denominated in US dollars of US\$60,724 and accounts payable and accrued liabilities of US\$3,000. Each 1% change in the Canadian dollar versus the U.S. dollar will result in a gain/loss of approximately \$607.

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

#### *Sensitivity analysis*

The carrying value of cash, marketable securities, receivables, reclamation bond, 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.

The Company manages its cash and cash equivalents, 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.

#### 14. CAPITAL MANAGEMENT

The Company's working capital as at September 30, 2011 was \$687,615 (December 31, 2010 - \$649,429). 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.

#### 15. SEGMENTED INFORMATION

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

Geographic information is as follows:

	September 30, 2011	December 31, 2010
Exploration and evaluation assets in:		
- Canada	\$ 2,286,340	\$ 1,863,600
- United States	388,644	334,201
<b>TOTAL</b>	<b>\$ 2,674,984</b>	<b>\$ 2,197,801</b>

#### 16. 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:

2011	\$ 31,271
2012	42,392
2013	46,079
2014	47,274
2015	8,045
	<u>\$175,061</u>

#### 17. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these are the Company's third condensed interim consolidated financial statements for the first annual consolidated financial statements prepared in accordance with IFRS. The impacts of the transition from Canadian GAAP to IFRS on the Company's Shareholders' Equity and Comprehensive Loss are set out in this note 17.

17. **FIRST TIME ADOPTION OF IFRS (cont'd)**

*Reconciliation of Shareholders' Equity*

The reconciliation between the Canadian GAAP and IFRS Shareholders' Equity for the nine months ended September 30, 2010 is provided below:

	Note	September 30, 2010		
		GAAP	Effect of transition to IFRS	IFRS
<b>EQUITY</b>				
Share capital	(a)	5,745,008	12,500	5,757,508
Reserves		479,271	-	479,271
Deficit	(a)	(3,344,990)	(20,207)	(3,365,197)
<b>Total Equity</b>		<b>\$ 2,879,289</b>	<b>\$ (7,707)</b>	<b>\$2,871,582</b>

*Reconciliation of Comprehensive loss*

The reconciliation between the Canadian GAAP and IFRS total comprehensive loss for the three and nine months ended September 30, 2010 is provided below:

	Note	Three Months Ended September 30, 2010			Nine Months Ended September 30, 2010		
		GAAP	Effect of Transition To IFRS		GAAP	Effect of Transition To IFRS	
			To IFRS	IFRS		To IFRS	IFRS
<b>EXPENSES</b>							
Business development and Property investigation		\$ 20,662	\$ -	\$ 20,662	\$ 75,470	\$ -	\$ 75,470
Corporate communications		702	-	702	5,003	-	5,003
Listing and transfer agent fees		1,659	-	1,659	13,114	-	13,114
Management fees		35,430	-	35,430	134,130	-	134,130
Office and administrative		23,325	-	23,325	42,038	-	42,038
Professional fees		1,125	-	1,125	16,380	-	16,380
Stock-based compensation		-	-	-	79,050	-	79,050
		(82,903)	-	(82,903)	(365,185)	-	(365,185)
<b>OTHER ITEMS</b>							
Interest income		2,149	-	2,149	3,675	-	3,675
Unrealized loss on marketable securities		(2,000)	-	(2,000)	(22,000)	-	(22,000)
		149	-	149	(18,325)	-	(18,325)
Loss for the period before Income taxes		(82,754)	-	(82,754)	(383,510)	-	(383,510)
Future income tax recovery	(a)	-	-	-	37,500	(37,500)	-
<b>Loss for the period</b>		<b>\$ (82,754)</b>	<b>\$ -</b>	<b>\$ (82,754)</b>	<b>\$ (346,010)</b>	<b>\$ (37,500)</b>	<b>\$ (383,510)</b>

**17. FIRST TIME ADOPTION OF IFRS (cont'd)**

(a) Flow through shares

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

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares. This resulted in increases of \$37,500 in net comprehensive loss and \$7,707 in shareholders' equity for the nine months ended September 30, 2010.