CADAN RESOURCES CORPORATION

(An exploration stage company)

Consolidated Financial Statements
Years ended December 31, 2011 and 2010
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cadan Resources Corporation
(An exploration stage company)

We have audited the accompanying consolidated financial statements of Cadan Resources Corporation, which comprise the consolidated balance sheets as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cadan Resources Corporation as at December 31, 2011 and 2010, and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and 2010, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $3,483,700 during the year ended December 31, 2011, and as of that date, the Company has an accumulated deficit of $21,648,598. These conditions, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

SmytheRatcliffe LLP
Chartered Accountants

Vancouver, British Columbia
April 10, 2012

CADAN RESOURCES CORPORATION

(An exploration stage company)
Consolidated Balance Sheets
(Expressed in Canadian dollars)

	December 31, 2011	December 31, 2010 (note 17)	January 1, 2010 (note 17)
Assets			
Current			
Cash and cash equivalents	$ 3,584,642	$ 6,481,045	$ 906,796
Amounts and advances receivable	120,231	51,437	20,552
Prepaid expenses	307,686	32,289	29,635
	4,012,559	6,564,771	956,983
Exploration and evaluation assets (notes 5 and 10)	30,609,015	23,956,844	18,072,675
Property, plant and equipment (note 6)	2,598,970	2,079,994	1,073,225
	$ 37,220,544	$ 32,601,609	$ 20,102,883
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 674,700	$ 656,648	$ 244,309
Secured loan (note 7)	1,044,190	-	-
Convertible notes (note 8)	2,449,076	-	-
Due to related parties (note 10)	-	196,932	183,495
	4,167,966	853,580	427,804
Retirement benefit obligation (note 11)	279,219	-	-
	4,447,185	853,580	427,804
Shareholders' equity			
Share capital (note 9)	50,278,839	46,717,626	32,543,276
Subscription received	-	-	467,500
Share-based payments reserve	4,553,870	4,538,214	3,705,190
Deficit	(21,648,598)	(19,470,964)	(17,090,970)
Equity attributable to owners of the company	33,184,111	31,784,876	19,624,996
Non-controlling interest (note 17(a))	(410,752)	(36,847)	50,083
	32,773,359	31,748,029	19,675,079
	$ 37,220,544	$ 32,601,609	$ 20,102,883

Approved on behalf of the Board:

"Robert G Butchart"
……………………………………………………… Director
Robert G Butchart

"Doug Evans"
……………………………………………………… Director
Doug Evans

See notes to consolidated financial statements

CADAN RESOURCES CORPORATION
(An exploration stage company)
Consolidated Statements of Comprehensive Loss
Years ended December 31,
(Expressed in Canadian dollars)

	2011	2010 (note 17)
Expenses		
Consulting fees (note 10)	$ 1,231,934	$ 1,175,800
Legal and professional	691,502	146,515
Share-based payments	667,423	102,630
Licenses and taxes	150,693	-
Reorganization costs	122,165	-
Travel and accommodation	106,594	146,944
Office and miscellaneous	96,817	104,160
Rent	96,127	72,013
Regulatory and shareholder costs	55,734	125,235
Bank charges and interest	17,450	7,899
Amortization	-	212
Website	1,627	12,652
Loss before other items	(3,238,066)	(1,894,060)
Other items		
Loss on retirement of equipment	(3,168)	-
Interest income	17,217	3,336
Foreign exchange loss	(259,683)	(102,863)
Net loss and comprehensive loss for the year	$ (3,483,700)	$ (1,993,587)
Net Loss and comprehensive loss attributed to:		
Owners of the company	$ (3,118,410)	$ (1,906,657)
Non-controlling interest	(365,290)	(86,930)
	$ (3,483,700)	$ (1,993,587)
Basic and diluted loss per share	$0.06	$0.05
Weighted average number of common shares outstanding	60,178,742	41,262,551

See notes to consolidated financial statements

CADAN RESOURCES CORPORATION
(An exploration stage company)
Consolidated Statements of Changes in Shareholders’ Equity
(Expressed in Canadian dollars)

	Number of shares issued	Share capital	Share subscriptions received	Share-based payments reserve	Deficit	Equity attributable to owners of the company	Non-controlling interest	Shareholders’ equity
January 1, 2010	34,750,053	$ 32,543,276	$ 467,500	$ 3,705,190	$ (17,090,970)	$ 19,624,996	$ 50,083	$ 19,675,079
Modification of warrants	-	-	-	473,337	(473,337)	-	-	-
Share-based payments	-	-	-	102,630	-	102,630	-	102,630
Issued for private placement (note 9(b))	20,844,540	14,577,856	(467,500)	-	-	14,110,356	-	14,110,356
Issued due to warrants exercised (notes 9(b) and (d))	196,000	116,500	-	-	-	116,500	-	116,500
Issued due to options exercised (notes 9(b) and (c))	100,000	50,000	-	-	-	50,000	-	50,000
Issued to finders	1,289,015	874,783	-	-	-	874,783	-	874,783
Share issue costs	-	(1,514,189)	-	326,457	-	(1,187,732)	-	(1,187,732)
Reclassification of fair value of options and warrants	-	69,400	-	(69,400)	-	-	-	-
Net loss for the year	-	-	-	-	(1,906,657)	(1,906,657)	(86,930)	(1,993,587)
December 31, 2010	57,179,608	46,717,626	-	4,538,214	(19,470,964)	31,784,876	(36,847)	31,748,029
Share-based payments	-	-	-	667,423	-	667,423	-	667,423
Reclassification of the fair value of options and warrants upon expiry	-	-	-	(940,776)	940,776	-	-	-
Issued for private placement (note 9(b))	20,930,667	3,595,667	-	228,033	-	3,823,700	-	3,823,700
Issued due to options exercised (notes 9(b) and (c))	100	50	-	-	-	50	-	50
Issued to finders	259,140	77,742	-	-	-	77,742	-	77,742
Share issue costs	-	(112,246)	-	-	-	(112,246)	-	(112,246)
Discount on convertible debt	-	-	-	60,976	-	60,976	-	60,976
Shares in affiliate returned to treasury	-	-	-	-	-	-	(8,615)	(8,615)
Net loss for the year	-	-	-	-	(3,118,410)	(3,118,410)	(365,290)	(3,483,700)
December 31, 2011	78,369,515	$ 50,278,839	-	$ 4,553,870	$ (21,648,598)	$ 33,184,111	$ (410,752)	$ 32,773,359

See notes to consolidated financial statements

CADAN RESOURCES CORPORATION
(An exploration stage company)
Consolidated Statements of Cash Flows
Years ended December 31,
(Expressed in Canadian dollars)

	2011	2010 (note 17)
Cash flows from operating activities		
Net loss for the year	$ (3,483,700)	$ (1,993,587)
Items not involving cash		
Share-based payments	667,423	102,630
Amortization	-	212
Unrealized loss on foreign exchange	-	1,513
Interest on convertible debt	10,052	-
	(2,806,225)	(1,889,232)
Changes in non-cash working capital		
Amounts and advances receivable	(68,794)	(30,885)
Prepaid expenses	(275,397)	(2,654)
Accounts payable and accrued liabilities	18,052	152,608
Due to related parties	(196,932)	(2,556)
Cash used in operating activities	(3,329,296)	(1,772,719)
Cash flows from investing activities		
Investment in exploration and evaluation assets (note 5)	(6,213,864)	(5,497,514)
Purchase of property, plant and equipment (note 6)	(678,064)	(1,117,912)
Cash used in investing activities	(6,891,928)	(6,615,426)
Cash flows from financing activities		
Proceeds from issuance of common shares	3,823,750	14,276,856
Secured loan	1,044,190	-
Convertible notes	2,500,000	-
Share issuance costs paid	(34,504)	(312,949)
Shares in affiliate returned to treasury	(8,615)	-
Cash provided by financing activities	7,324,821	13,963,907
Foreign exchange effect on cash	-	(1,513)
Increase (decrease) in cash and cash equivalents during the year	(2,896,403)	5,574,249
Cash and cash equivalents, beginning of year	6,481,045	906,796
Cash and cash equivalents, end of year	$ 3,584,642	$ 6,481,045
Cash and cash equivalents are comprised of:		
Cash	$ 1,084,642	$ 6,481,045
Cash equivalents (note 8)	2,500,000	-
	$ 3,584,642	$ 6,481,045

See notes to consolidated financial statements

1. GOING CONCERN AND NATURE OF OPERATIONS

Cadan Resources Corporation (the "Company" or "Cadan") is incorporated under the laws of British Columbia. The Company is an exploration stage company and its principal business activity is natural resource exploration, focusing on resources located in the Philippines.

During the year ended December 31, 2011, the Company reorganized the ownership of its 40% holdings in its Philippine affiliates. The Company transferred its 40% ownership in its Philippine affiliates, Philco Mining Corporation ("Philco") and Batoto Resources Corporation ("Batoto"), from its Australian subsidiaries to its wholly-owned Canadian subsidiaries, Philco Holdings Inc. and Batoto Holdings Inc. The Company initiated the transfer of its 40% ownership in its Philippine affiliate TMC Tribal Mining Corporation ("TMC") from Cadan to its wholly-owned Canadian subsidiary, Tribal Holdings Inc. and it will transfer its 40% ownership in its Philippine affiliate Sunbird Philippines Holdings Inc. ("Sunbird") from Cadan to its wholly-owned Canadian subsidiary, Tribal Holdings Inc. In addition, Sunbird sold its interests in TMC and Cadan increased its holdings in Sunbird to 100% and initiated the process to change Sunbird's name to Tribal Processing Corporation ("Tribal Processing"), with the intention of having Tribal Processing acquire the T'Boli gold processing plant from Philco and then operate the plant once the mine feasibility is approved by the Mines and Geosciences Bureau.

The head office, principal and registered address and records office of the Company is Suite 1720, 1111 West Georgia Street, Vancouver, British Columbia.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Adverse conditions cast significant doubt on the Company's ability to continue as a going concern. For the year ended December 31, 2011, the Company incurred a net loss of $3,483,700 (December 31, 2010 - $1,993,587). At December 31, 2011, the Company had an accumulated deficit of $21,648,598 (December 31, 2010 - $19,470,964). The Company has no source of revenue and has significant cash requirements to conduct its planned exploration, meet its administrative overhead and maintain its resource interests. The Company has relied principally upon the issuance of securities for financing. The Company's ability to continue as a going concern is dependent on its ability to secure additional financing to fund planned exploration and its ongoing administrative expenditures, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

Mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The recoverability of the Company's investment in, and expenditures on, exploration and evaluation assets is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

2. BASIS OF PRESENTATION, ADOPTION OF IFRS, AND COMPARATIVE FIGURES

(a) Statement of Compliance

The Company adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (the "IASB") effective January 1, 2011, with a transition date of January 1, 2010. These consolidated financial statements are prepared in accordance with IFRS. IFRS 1, *First-Time Adoption of IFRS*, has been applied. The impact of the transition from Canadian generally accepted accounting principles ("GAAP") to IFRS is explained in note 17.

The accounting policies set out in note 3 have been applied consistently to all periods presented, and in preparing the opening balance sheet at January 1, 2010, for purposes of the transition to IFRS.

(b) Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended December 31, 2011, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 10, 2012.

(c) New accounting pronouncements and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee have issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods.

The Company has not early-adopted these standards, amendments and interpretations. The Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The new accounting standards and interpretations that will be adopted in future years are as follows:

IAS 28 *Investments in Associates and Joint Ventures (2011)*

This standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

Applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).

2. BASIS OF PRESENTATION, ADOPTION OF IFRS, AND COMPARATIVE FIGURES (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (continued)

IFRS 9 *Financial instruments - Classification and Measurement*

This standard on classification and measurement of financial instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement*. There are two categories into which all financial instruments are classified: fair value through profit or loss ("FVTPL") or amortized cost. All financial instruments are initially measured at fair value, plus or minus transaction costs if the instrument is not FVTPL, otherwise the transaction costs are expensed as incurred.

Financial assets are measured at either amortized cost or fair value. All equity instruments are measured at fair value, but if the instrument is not held-for-trading an irrevocable election can be made to measure the changes in fair value through other comprehensive income. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is at FVTPL. Any financial asset may be designated as FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency. All derivatives are at FVTPL.

Financial liabilities held-for-trading (including all derivatives) are measured at FVTPL, all others are measured at amortized cost unless the fair value option is applied. The fair value option permits a financial liability to be designated as FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency, or if it is managed and performance is evaluated internally on a fair value basis.

Applies to annual periods beginning on or after January 1, 2015.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation – Special Purpose Entities* and parts of IAS 27.

Applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 11 *Joint Arrangements*

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

Applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

2. BASIS OF PRESENTATION, ADOPTION OF IFRS, AND COMPARATIVE FIGURES (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (continued)

IFRS 12 *Disclosure of Interests in Other Entities*

Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- **Significant judgments and assumptions -** such as how control, joint control, significant influence has been determined;
- **Interests in subsidiaries** - including details of the structure of the group, risks associated with structured entities, changes in control and so on;
- **Interests in joint arrangements and associates -** the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarized financial information); and
- **Interests in unconsolidated structured entities -** information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IFRS 12 lists specific examples and additional disclosures, which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

Applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011).

2. BASIS OF PRESENTATION, ADOPTION OF IFRS, AND COMPARATIVE FIGURES (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (continued)

IFRS 13 *Fair Value Measurement*

Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

This IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a “fair value hierarchy” based on the nature of the inputs:

- **Level 1** - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** - unobservable inputs for the asset or liability.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g., whether it is recognized in the financial statements or merely disclosed) and the level in which it is classified.

Applicable to annual reporting periods beginning on or after January 1, 2013.

Amendments to IFRS 7 *Financial Instruments: Disclosures*

Makes amendments to IFRS 7 *Financial Instruments: Disclosures* resulting from the IASB's comprehensive review of off balance sheet activities.

The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Applies to annual periods beginning on or after July 1, 2011.

2. BASIS OF PRESENTATION, ADOPTION OF IFRS, AND COMPARATIVE FIGURES (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (continued)

IAS 19 *Employee Benefits (2011)*

An amended version of IAS 19 *Employee Benefits* with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes.

The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the "corridor approach" permitted by the existing IAS 19)
- Introducing enhanced disclosures about defined benefit plans
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features
- Incorporating other matters submitted to the IFRS Interpretations Committee.

Applicable to annual reporting periods beginning on or after January 1, 2013.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

Amends IAS 12 *Income Taxes* to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale.

As a result of the amendments, SIC-21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Applicable to annual periods beginning on or after January 1, 2012.

2. BASIS OF PRESENTATION, ADOPTION OF IFRS, AND COMPARATIVE FIGURES (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (continued)

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognized as a non-current “stripping activity asset” when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

Applies to annual periods beginning on or after January 1, 2013.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)

Amends IFRS 1 *First-time Adoption of International Financial Reporting Standards (IFRS)* to:

- Replace references to a fixed date of “January 1, 2004” with “the date of transition to IFRSs”, thus eliminating the need for companies adopting IFRS for the first time to restate de-recognition transactions that occurred before the date of transition to IFRS; and
- Provide guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation.

Applicable to annual periods beginning on or after July 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Exploradora La Esperanza S.A. (a Colombian company), Sabena Limited and its subsidiaries (Australian companies), Tribal Holdings Inc., Batoto Holdings Inc., and Philco Holdings Inc. (Canadian companies), and Sunbird (Philippine company), and the accounts of partially-owned (40%) Philippine affiliates, PhiIco, Batoto and TMC, referred to throughout the consolidated financial statements as the “Philippine companies”. The Company owns 40% of each of the Philippine companies, which have been consolidated as they meet the criteria under SIC 12, *Consolidation – Special Purpose Entities*. The Company’s ownership percentage in the Philippine affiliates is a result of Philippine laws restricting foreign ownership, but the Company is acting as operator of the Philippine affiliates. The remaining 60% ownership of each of the Philippine affiliates is owned by the four respective presidents of those companies. Each president has signed an option agreement allowing the Company to acquire control in certain circumstances.. All significant intercompany balances and transactions have been eliminated on consolidation.

Non-controlling interest in the net assets of consolidated partially-owned Philippine companies are identified separately from the Company’s equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest’s share of changes in equity since the date of acquisition.

(b) Use of estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include: fair value of financial instruments; recoverability of investment in and expenditures on exploration and evaluation assets and property, plant and equipment; rates of amortization; balances of accrued liabilities; determination of provision for reclamation liability; the determination of the variables used in the calculation of share-based payments; and actuarial assumptions for retirement benefit obligations. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment losses. Amortization is recorded using the straight-line method at the following annual rates:

Buildings	- 4%
Vehicles and exploration equipment	- 20 to 50%
Office furniture and equipment	- 10 to 33%
Leasehold improvements	- 20%

i. *Subsequent Costs*

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

ii. *Impairment*

The Company's tangible assets are reviewed for indications of impairment at each balance sheet date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in comprehensive income (loss) for the year.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. 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. 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.

iii. *Reversal of impairment*

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of funds on deposit with banks, and cash held in lawyers trust accounts, which will be released to the Company within three months or less.

(e) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in comprehensive income (loss).

(f) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. 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. Non-vesting conditions are considered in making the assumption about the number of awards that are expected to vest. 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 recorded value in share-based payments reserve is transferred to share capital. Upon expiry, forfeiture or cancellation, the recorded value is transferred to deficit.

(g) Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(h) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on per share amounts is calculated presuming the exercise or conversion of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise or conversion would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and their respective income tax basis (temporary differences). Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in comprehensive income (loss) in the period in which the change is enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that the benefits associated with them will be recognized in the future.

(j) Financial instruments

(i) Financial assets

Financial assets are classified into one of four categories: fair value through profit or loss (“FVTPL”); held-to-maturity (“HTM”); available for sale (“AFS”); and loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in comprehensive income (loss). The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

HTM financial assets

HTM financial assets are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

AFS financial assets

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent balance sheet date. Any change in fair value is recognized as other comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate method.

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Exploration and evaluation assets

Once a permit or license to explore an area has been secured, expenditures on exploration and evaluation assets are capitalized on a property-by-property basis. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of capitalized costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mine development assets, which is a component of property, plant and equipment.

Subsequent recovery of the carrying value of exploration and evaluation assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all capitalized costs associated with the project net of any impairment provisions are written off.

(l) Provision for Reclamation Liability

The Company records a liability based on the best estimate of costs for site reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for reclamation liabilities is estimated using expected cash flows, discounted at a pre-tax rate specific to the liability.

The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as at FVTPL; amounts and advances receivable (excluding HST receivable) as loans and receivables; and accounts payable and accrued liabilities, secured loans, convertible notes, and due to related parties, as other financial liabilities.

The carrying values of cash and cash equivalents, amounts and advances receivable (excluding HST receivable), accounts payable and accrued liabilities, and secured loans approximate their fair values due to the short-terms to maturity of these financial instruments. The carrying values of amounts due to related parties approximates their fair value as the amounts are due on demand. The carrying values of convertible notes were determined, in accordance with level 2 of the fair value hierarchy, by discounting the face value of the notes over the one year term of the notes by 2.5% (LIBOR plus 2%) and accreting the discount over 120 days to the anticipated conversion date of the notes.

(a) Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents. Cash and cash equivalents have been placed on deposit with major Canadian, Philippine, Australian and Colombian financial institutions. The risk arises from the non-performance of counterparties of contractual financial obligations. The Company is not exposed to significant credit risk on amounts and advances receivable (excluding HST receivable).

The Company manages credit risk, in respect of cash and cash equivalents, by maintaining deposits and guaranteed investment certificates at major financial institutions with strong investment-grade ratings.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as the majority of the amounts are held with only a few Canadian and Philippine financial institutions. The Company's concentration of credit risk and maximum exposure thereto, is as follows:

		December 31, 2011		December 31, 2010
Canadian dollar	$	3,420,002	$	6,399,419
Philippine peso		162,285		76,468
Australian dollar		2,355		5,158
Total cash and cash equivalents	$	3,584,642	$	6,481,045

4. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consists of cash held in bank accounts and funds in held in trust. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their estimated fair values as of December 31, 2011, and 2010. Future cash flows from interest income on cash will not be material. The Company manages interest rate risk by investing in highly liquid investments with maturities of one year or less.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, accounts payable and accrued liabilities, and amounts due to related parties as a portion of these amounts are denominated in Philippine pesos as follows:

	December 31, 2011	**December 31, 2010**
Cash and cash equivalents	6,995,028	3,355,344
Accounts payable and accrued liabilities	(8,947,347)	(2,706,391)
Amounts due to related parties	-	(2,359,041)
Net exposure	(1,952,319)	(1,710,088)
Canadian dollar equivalent	$ (45,293)	$ (38,973)

4. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company manages foreign currency risk by only holding funds in foreign currencies for short-term requirements of no more than two months. The Company has not entered into any foreign currency contracts and does not utilize derivatives to mitigate this risk.

A 1% fluctuation in the value of the Philippine peso at December 31, 2011, would result in a change to net loss and comprehensive loss of $164 (December 31, 2010 - $3,508).

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Accounts payable are all due within three months of the year-end, and amounts due to related parties are without specific terms of repayment, however, they are expected to be repaid within one year.

The Company's secured loan become part of the purchase price when the Company entered into a transaction with the lender on January 17, 2012 (note 16), and the convertible notes will be converted to common shares if the Company lodges a prospectus on the Australian Stock Exchange. As the ASX listing is expected to occur in 2012, the repayment on the secured loan did occur within one year and the repayment of the convertible notes will likely occur within one year.

The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs, meet its repayment obligations on the secured loan and convertible notes, and maintain its resource interests. This will require the Company to obtain additional financing in 2012.

5. EXPLORATION AND EVALUATION ASSETS

(a) Permits and licenses

Through its subsidiaries and the Philippine companies, the Company has interests in certain permits and licenses to explore and develop exploration and evaluation assets located in the Philippines, as described below:

(i) Panag, Suriganon, Tagpura and Camanlangan are located in the Municipalities of New Bataan and Nabunturan, Compostela Valley Province, Philippines; and

(ii) Batoto, Barangay Camanlangan, Municipality of New Bataan, Compostela Valley Province, Philippines.

There are no royalties payable to the Government of the Philippines, because the properties are located in an indigenous area. The indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

(iii) T'Boli, Barangay Kematu, Municipality of T'Boli, South Cotabato Province, Philippines.

There is a 2% mineral royalty payable to the government of the Philippines in respect of any future mineral production.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Expenditures on exploration and evaluation assets

	Panag, Suriganon and Tagpura	Batoto	T'Boli	2010 Total
Acquisition costs, beginning and end of year	$ 1,037,981	$ 1,038,101	$ 1,041,061	$ 3,117,143
Deferred exploration costs				
Balance, beginning of year	7,208,912	4,404,246	3,342,374	14,955,532
Incurred during year				
Assaying	2,211	-	56,639	58,850
Community development	75,495	57,710	125,914	259,119
Consultants	275,279	103,193	1,020,889	1,399,361
Depreciation and amortization	38,577	10,881	61,473	110,931
Drilling costs	282,231	35,514	-	317,745
Exploration and mineral processing	682,711	118,551	892,392	1,693,654
Field supplies and miscellaneous	196,145	251,016	911,125	1,358,286
Taxes, licenses and fees	15,197	7,010	57,896	80,103
Geological	138,867	19,410	-	158,277
Transportation and travel	159,334	50,199	238,310	447,843
	1,866,047	653,484	3,364,638	5,884,169
Balance, end of year	9,074,959	5,057,730	6,707,012	20,839,701
Net book value, December 31, 2010	$ 10,112,940	$ 6,095,831	$ 7,748,073	$ 23,956,844
Net book value, January 1, 2010	$ 8,246,893	$ 5,442,347	$ 4,383,435	$ 18,072,675

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Expenditures on exploration and evaluation assets (continued)

	Panag, Suriganon and Tagpura	Batoto	T'Boli	2011 Total
Opeing balance acquition costs	1,037,981	1,038,101	1,041,061	3,117,143
Adjustments recorded in 2011	(6,694)	(8,623)	-	(15,317)
Acquisition costs	1,031,287	1,029,478	1,041,061	3,101,826
Deferred exploration costs				
Balance, beginning of of period	9,074,959	5,057,730	6,707,012	20,839,701
Incurred during period				
Assaying	20,247	-	31,079	51,326
Community development	30,459	59,992	187,138	277,589
Consultants	174,477	98,014	572,505	844,996
Depreciation and amortization	45,644	14,204	100,654	160,502
Drilling costs	184,044	(10,769)	489,753	663,028
Exploration and mineral processing	50,157	29,554	1,134,113	1,213,824
Field supplies and miscellaneous	405,907	311,315	1,635,511	2,352,733
Geological	92,950	64,983	139,455	297,388
Repair, Supplies & Materials	146,933	20,942	70,120	237,995
Taxes, licenses and fees	92,141	23,711	255,351	371,203
Transportation & Travel	37,037	10,624	197,888	245,549
Recovery on metal sales	-	-	(48,645)	(48,645)
Total for the period	1,279,996	622,570	4,764,922	6,667,488
Balance, end of period	10,354,955	5,680,300	11,471,934	27,507,189
	11,386,242	6,709,778	12,512,995	30,609,015

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its resource exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

(d) Realization of assets

The investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the underlying properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards, if an ore body is discovered, can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

(e) Title to exploration and evaluation asset interests

Although the Company has taken steps to verify the title to exploration and evaluation asset interests for which it has a permit and or license, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles and exploration equipment	Construction in progress	Office furniture and equipment	Leasehold improvements	Total
Cost							
Balance, January 1, 2010	24,224	151,590	676,313	675,852	51,267	12,735	1,591,981
Additions	51,436	258,128	294,223	506,676	7,449	-	1,117,912
Balance, December 31, 2010	75,660	409,718	970,536	1,182,528	58,716	12,735	2,709,893
Additions	105,985	-	253,640	300,132	9,379		669,136
Balance, December 31, 2011	181,645	409,718	1,224,176	1,482,660	68,095	12,735	3,379,029
Accumulated amortization and impairment losses							
Balance, January 1, 2010	-	23,711	440,866	-	49,927	4,252	518,756
Amortization	-	11,311	95,990	-	1,445	2,397	111,143
Balance, December 31, 2010	-	35,022	536,856	-	51,372	6,649	629,899
Amortization	-	16,000	137,280		3,416	(6,536)	150,160
Balance, December 31, 2011	-	51,022	674,136	-	54,788	113	780,059
Net book value							
At January 1, 2010	24,224	127,879	235,447	675,852	1,340	8,483	1,073,225
At December 31, 2010	75,660	374,696	433,680	1,182,528	7,344	6,086	2,079,994
Balance, December 31, 2011	**181,645**	**358,696**	**550,040**	**1,482,660**	**13,307**	**12,622**	**2,598,970**

7. SECURED LOAN

On November 4, 2011, Mining Group Limited ("Mining Group") issued to the Company an Aus$1 million ($1,044,190) secured loan ("MGL Loan"). The MGL Loan was secured with a chattel mortgage on a specified exploration permit. The loan matures on November 7, 2012 or earlier, if the Company completes an agreement with Mining Group to effect the sale of 80% of the Company's interest in the Panag, Surigaonon and Tagpura properties ("Tagpura Property"). The loan accrues interest at the rate of LIBOR plus 2% but the interest is forgiven should the Company and Mining Group complete the sale of the interest in the Tagpura Property. On January 17, 2012, the Company concluded the sale and the loan was repaid from the cash consideration (note 16).

8. CONVERTIBLE NOTES

On December 23, 2011, the Company issued 2.5 million convertible notes that mature on December 23, 2012, with a face value of $1 per note ("Convertible Notes") for a total of $2.5 million. The Convertible Notes and any securities issued on conversion thereof are subject to a four month hold period expiring April 24, 2012. Each Convertible Note converts to 5 common shares of the Company and an option to purchase an additional share for $0.20 for a period of twenty-one months, or on the maturity date if the Company has not obtained a listing on the Australian Securities Exchange ("ASX").

The Convertible Notes bear interest at 10% per annum, and convert on issue of a prospectus, for the listing of the Company's securities on the ASX, with the Australian Securities and Investments Commission ("ASIC"), or at the election of the Company at any time before repayment. If not converted the note holders can demand payment on the maturity date, on change of control of the Company, or in the event of default by the Company.

8. CONVERTIBLE NOTES (Continued)

The Company recognized $60,976 as the value of the conversion feature which is accounted for as debt discount recognized as interest cost over the 120 day term to the anticipated date of conversion of the notes. The unamortized discount of $50,924 reduces the carrying value of the notes.

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

At December 31, 2011, 78,369,515 (December 31, 2010 - 57,179,608) common shares were issued and outstanding.

On February 24, 2010, the Company completed a non-brokered private placement consisting of 5,144,523 units priced at $0.85 per unit, for gross proceeds of $4,372,845. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share of the Company at a price of $1.25 until August 23, 2011. The Company paid finders' fees to finders in connection with the financing, of cash, $73,666, issued 123,080 finders units with a fair value of $116,926, and issued non-transferable finders' warrants with a fair value of $185,346 entitling the holders to purchase up to 448,453 common shares, at a price of $0.95 per share, until August 23, 2011. Other cash share issuance costs in the amount of $21,934 were incurred by the Company related to this placement. The fair value of warrants issued to finders has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.19%; volatility of 98.6%; expected life of eighteen months; and dividend yield of nil.

On April 14, 2010, option holders exercised options and purchased 100,000 common shares at $0.50 per share for gross proceeds of $50,000.

On September 15, 2010, the Company completed the first tranche of a non-brokered private placement consisting of 1,953,846 units priced at $0.65 per unit, for gross proceeds of $1,270,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $1.00 for the first two years from the Closing date and at a price of $1.25 for the following three years. The Company paid finders' fees in connection with the financing in cash of $72,800, issued 7,000 finders' units with a fair value of $4,550, and issued non-transferable finders' warrants with a fair value of $60,416 entitling the holders to purchase up to 119,000 common shares at a price of $1.00 per warrant until September 15, 2012, and a price of $1.25 per warrant until September 15, 2015. Other cash share issuance costs in the amount of $26,178 were incurred by the Company related to this placement. The fair value of warrants issued to finders has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 2.25%; volatility of 87.38%; expected life of 5 years; and dividend yield of nil.

9. SHARE CAPITAL (Continued)

(b) Issued (continued)

On October 18, 2010, the Company completed the second and final tranche of a non-brokered private placement consisting of 2,746,171 units priced at $0.65 per unit, for gross proceeds of $1,785,011. When combined with the first tranche, the Company issued a total of 4,700,017 units for gross proceeds of $3,055,011. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $1.00 for the first two years and, at a price of $1.25 for the subsequent three years. In connection with the second tranche, the Company paid finders' fees in cash of $75,496, issued 58,935 finders units with a fair value of $38,307, and issued non-transferable finders' warrants with a fair value of $80,695 entitling the holders to purchase up to 175,082 common shares at a price of $1.00 per warrant share until September 15, 2012, and a price of $1.25 per warrant share until September 15, 2015, Other cash share issuance costs in the amount of $9,996 were incurred by the Company related to this placement. The fair value of warrants issued to finders has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.91%; volatility of 83.44%; expected life of 5 years; and dividend yield of nil.

On December 8, 2010, the Company completed a non-brokered private placement consisting of 11,000,000 units priced at $0.65 per unit, for gross proceeds of $7,150,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $1.10 for two years from the closing date. In connection with the private placement, the Company has issued 1,100,000 finders' units with a value of $715,000, representing 10% of gross proceeds. Other cash share issuance costs in the amount of $32,879 were also incurred by the Company related to this placement.

During the year ended December 31, 2010, warrant holders exercised warrants and purchased 50,000 common shares at $0.75 per share for gross proceeds of $37,500, 20,000 common shares at $0.80 per share for gross proceeds of $16,000, and, 126,000 common shares at $0.50 per share for gross proceeds of $63,000.

On September 2, 2011, the Company completed the first tranche of a non-brokered private placement consisting of 4,560,667 units priced at $0.30 per unit, for gross proceeds of $1,368,200. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $0.45 for two years from the Closing date. The gross proceeds were allocated as $1,140,167 to the common shares within share capital, and $228,033 to the warrants within share-based payments reserve. The Company paid finders' fees in connection with the financing by issuing 259,140 finders' units with a fair value of $77,742. Other cash share issuance costs in the amount of $8,026 were incurred by the Company related to this placement.

On December 20, 2011, the Company completed a non-brokered private placement consisting of 16,370,000 common shares priced at $0.15 per share, for gross proceeds of $2,455,500. Other cash share issuance costs in the amount of $26,478 were incurred by the Company related to this placement.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

(b) Issued (continued)

During the year ended December 31, 2011, a warrant holder exercised warrants and purchased 100 common shares at $0.50 per share for gross proceeds of $50.

(c) Stock options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to restrictions imposed by the TSX Venture Exchange. Stock options awarded have a maximum term of ten years. The vesting terms of the options are determined by the directors; however, options granted to investor relations consultants are subject to a minimum twelve-month vesting schedule whereby no more than 25% vest in any three-month period.

Stock options held by officers, directors and employees of the Company expire one year following their departure from the Company.

As at December 31, 2011 and 2010, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	**December 31, 2011**	**December 31, 2010**
July 20, 2014	$ 0.50	840,000	1,040,000
September 30, 2014	$ 0.50	292,500	292,500
March 1, 2015	$ 0.95	150,000	150,000
August 17, 2015	$ 0.50	96,000	156,000
July 12, 2016	$ 0.50	64,000	64,000
July 24, 2017	$ 0.50	189,900	260,000
November 6, 2017	$ 0.50	1,174,500	1,174,500
April 15, 2018	$ 0.50	-	100,000
April 15, 2014	$ 0.63	450,000	-
September 21, 2016	$ 0.45	750,000	-
December 6, 2016	$ 0.20	2,190,000	-
		6,196,900	3,237,000

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

(c) Stock options (continued)

The options outstanding and exercisable at December 31, 2011, have a weighted average remaining contractual life of 4.38 years (2010 – 5.25 years). Stock option activity is as follows:

	December 31, 2011		**December 31, 2010**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	3,237,000	$ 0.52	3,187,000	$ 0.50
Awarded	3,390,000	$ 0.43	150,000	$ 0.95
Expired	(430,000)	$ 0.50	-	-
Exercised	(100)	$ 0.50	(100,000)	$ 0.50
Outstanding and exercisable, end of year	6,196,900	$ 0.49	3,237,000	$ 0.52

On December 6, 2011, the Company granted 2,190,000 fully vested incentive stock options. The exercise price of the options is $0.20 each, exercisable until December 6, 2016. The fair value of the stock options granted was $325,018 ($0.15 each) as estimated at the date of the grant using the Black-Scholes option pricing model.

On September 21, 2011, the Company granted 750,000 fully vested incentive stock options. The exercise price of the options is $0.45 each, exercisable until September 21, 2016. The fair value of stock options granted was $152,960 ($0.20 each), as estimated at the date of grant using the Black-Scholes option pricing model.

On April 5, 2011, the Company granted 450,000 fully vested incentive stock options. The exercise price of the options is $0.63 each, exercisable until April 15, 2014. The fair value of stock options granted was $189,445 ($0.42 each), as estimated at the date of grant using the Black-Scholes option pricing model.

During the year ended December 31, 2010, the Company granted 150,000 fully vested incentive stock options. The exercise price of the options is $0.95 each, exercisable until March 1, 2015. The fair value of stock options granted was $102,630 ($0.68 each), as estimated at the date of grant using the Black-Scholes option pricing model.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

(c) Stock options (continued)

Share-based payments

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants during the year ended December 31, 2011 and 2010 as follows:

	2011	**2010**
Risk free rate	1.77%	2.60%
Expected life	4.25 years	5 years
Expected volatility	124.24%	89.26%
Expected dividend yield	Nil	Nil

Total stock-based compensation recognized during the year ended December 31, 2011, with respect to options, $667,423 (2010 - $102,630). The options were granted to consultants.

(d) Warrants

As at December 31, 2011 and 2010, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	**2011**	**2010**
August 10, 2011	$ 0.75	-	2,450,000
August 23, 2011 *	$ 1.25	-	1,000,000
August 23, 2011	$ 1.25	-	5,267,603
August 23, 2011	$ 0.95	-	448,453
October 31, 2012	$ 0.80	6,580,000	6,580,000
December 8, 2012	$ 1.10	12,100,000	12,100,000
August 14, 2013	$ 1.50	2,000,000	2,000,000
September 2, 2013	$ 0.45	4,560,667	-
September 2, 2013	$ 0.45	259,140	-
September 15, 2015	$ 1.00 (1)	2,079,846	2,079,846
October 18, 2015	$ 1.00 (1)	2,980,188	2,980,188
		30,559,841	34,906,090

(1) The warrants are exercisable at $1.00 for the first two years and $1.25 for the remaining three years.

* During the year ended December 31, 2010, the Company amended the terms of these warrants increasing them to full warrants to acquire 1,000,000 common shares, reduced the exercise price from $1.50 to $1.25 per share and extended the expiry date to August 23, 2011. The fair value of the amendment was $214,346 and the fair value of the additional 500,000 warrants granted was $258,991, as estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 0.28%, volatility of 83.37%, expected life of 1.15 years and dividend yield rate of nil. The fair value was recorded directly to deficit.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

(d) Warrants (continued)

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	December 31, 2011		December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	34,906,090	$ 1.06	12,191,660	$ 0.92
Issued	4,819,807	$ 0.45	22,876,090	$ 1.11
Expired	(9,166,056)	$ 1.10	(465,660)	$ 0.61
Modified	-	-	(500,000)	$ 1.50
Modified	-	-	1,000,000	$ 1.25
Exercised	-	-	(196,000)	$ 0.59
Outstanding, end of year	30,559,841	$ 0.95	34,906,090	$ 1.06

10. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended December 31, 2011 and 2010, the Company incurred management compensation as follows:

	2011	2010
Key management - consulting fees	$804,881	$ 699,840
Key management - share based payments	435,320	-
	$1,240,201	$ 699,840

Of this amount, $825,320 (2010 - $345,000) was expensed and $414,881 (2010 - $354,840) was capitalized to investment in, and expenditures on, exploration and evaluation assets.

At December 31, 2011, the Company owed $Nil (2010 - $185,440) for consulting fees. Amounts due to related parties are non-interest-bearing, unsecured and without specific terms of repayment. Amounts are expected to be repaid within one year.

At December 31, 2011, the Company is committed to pay termination payments to four officers and directors in the event those individuals are terminated without cause. The payments range from two to three years of annual salary per individual. If the termination payments were triggered for all four individuals, the Company would be required to pay to those individuals in total $1,620,000.

(Expressed in Canadian dollars)

11. RETIREMENT BENEFIT OBLIGATION

The Company has a legislated obligation to provide a retirement payment to employees in the Philippines equal to 22.5 days pay for every year of credited service at attainment of a retirement age of 60.

The actuarial valuation of the present value of the obligation was carried out at March 9, 2012, as at and for the year ended December 31, 2011. The present value of the obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2011
Discount rate	6.23%
Expected rate of salary increase	10%
Normal retirement age	60
Projected retirement benefit	22.5 days pay per year of service
Actuarial Cost Method	Projected Unit Credit Method
Manner of benefit payment	Lump sum

Amounts capitalized as a component of exploration and evaluation assets in respect of the retirement benefit is as follows:

	2011
Current service cost	$ 213,104
Interest on obligation	64,959
Other loss recognized	1,066
Retirement benefit obligation	$ 279,129

Movement in the net liability in the consolidated balance sheets is as follows:

	2011
Beginning, retirement benefit liability	$ -
Expense recognized	279,219
Ending, retirement benefit liability	$ 279,219

The net retirement benefit liability included in the consolidated balance sheets arising from the entity's lawful obligation is as follows:

	2011
Present value of benefit obligation	$ 407,252
Unrecognized actuarial losses	(128,033)
Retirement benefit, net	$ 279,219

(Expressed in Canadian dollars)

12. INCOME TAX

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2010 – 28.5%) to net loss before taxes. The reasons for the differences are as follows:

	2011	2010
Net loss for the year before tax	$(3,483,700)	$(1,993,587)
Statutory income tax rate	26.5%	28.5%
Income tax recovery computed at statutory rates	(923,181)	(568,172)
Tax effect of expenses that are not deductible (taxable) for income tax purposes		
Share-based payments expense	176,867	29,264
Share issue and financing costs	(91,054)	(91,528)
Other taxable items	59,404	(61,796)
Change in timing differences		
Exploration and evaluation assets	116,020	(6,000)
Share issue costs	57,839	(216,645)
Under provided in prior years	129,419	-
Reduction in future income taxes resulting from enacted tax rates	26,498	81,402
Expiry of non-capital loss carry forwards	13,319	23,090
Change in benefit of tax losses not recognized	434,869	810,385
Income tax expense	$ -	$ -

Effective January 1, 2011, the Canadian federal corporate tax rate decreased from 18% to 16.5% and the British Columbia provincial tax rate decreased from 10.5% to 10%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 28.5% to 26.5%. Income tax rates in the Philippines remained at 30.0% (2010 – 30.0%).

(Expressed in Canadian dollars)

12. INCOME TAX (Continued)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2011 and 2010 are presented below:

	2011	2010
Deferred income tax assets:		
Non-capital losses carried forward	$ 1,106,555	$ 1,378,028
Deferred income tax liabilities:		
Exploration and evaluation assets	(895,894)	(1,378,028)
Foreign exchange on property, plant and equipment	(210,661)	-
Total	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. Tax assets resulting from the Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2011	2010
Deferred income tax assets:		
Non-capital losses carried forward	$ 5,866,479	$ 2,618,630
Share issue costs	925,871	1,015,109
Accrued retirement obligation	201,378	-
Provisions and other	44,334	22,667
Foreign exchange on property, plant and equipment (note 17)	-	37,808
Total	$ 7,038,062	$ 3,694,214

The Company has accumulated non-capital losses for tax purposes of $6,973,034 that expire in various years as follows:

	Philippines	Canada	Total
2012	$ 56,845	$ -	$ 56,845
2013	53,341	-	53,341
2014	196,450	-	196,450
2027	-	545,447	545,447
2028	-	628,784	628,784
2029	-	820,431	820,431
2030	-	2,008,008	2,008,008
2031	-	2,663,728	2,663,728
	$ 306,636	$ 6,666,398	$ 6,973,034

13. CONTINGENT LIABILITY

In December 2011, an Australian company filed, in Singapore, a Notice of Arbitration (the "Notice") against the Company and one of its Philippine affiliated companies claiming the Company owed them Aus$714,924 ($722,073). The Company is disputing the claim and considers it to be without merit.

14. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenues from its resource property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company considers common shares to be the capital of the Company and has issued common shares for $50,278,839 (December 31, 2010 - $46,717,626) to December 31, 2011. The Company issued a secured loan for Aus$1 Million (Cdn$1,044,190) (note 7) which was redeemed on January 7, 2012 as part of the transaction with the Mining Group (note 16). In addition, the Company issued Convertible notes for $2.5 Million (note 8). The Company is not subject to any externally imposed capital requirements.

The Company's objectives of capital management are intended to safeguard its ability to meet normal operating requirements on an ongoing basis and continue the development and exploration of its resource properties. To effectively manage the Company's capital requirements, the Company has in place a planning process to determine the funds required to ensure appropriate liquidity to meet its operating and growth objectives. The Company monitors actual expenses on all exploration projects and overhead to manage costs, commitments and exploration activities.

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION

The Company has one operating segment: resource property exploration. The Company's corporate assets are located in Canada. The Company has investments in corporations located in the Philippines and Australia, and natural resource exploration activities have occurred in Colombia in past years.

	December 31, 2011			
	Canada	Australia	Philippines	Consolidated
Current assets	$ 3,641,363	$ 2,535	$ 368,661	$ 4,012,559
Deferred exploration costs	895,894	-	29,713,121	30,609,015
Property, plant and equipment	-	-	2,598,970	2,598,970
Total Assets	$ 4,537,257	$ 2,535	$ 32,680,752	$ 37,220,544

	December 31, 2010			
	Canada	Australia	Philippines	Consolidated
Current assets	$ 6,473,459	$ 6,362	$ 84,950	$ 6,564,771
Deferred exploration costs	455,815	-	23,501,029	23,956,844
Property, plant and equipment	-	-	2,079,994	2,079,994
Total Assets	$ 6,929,274	$ 6,362	$ 25,665,973	$ 32,601,609

16. SUBSEQUENT EVENTS

(a) On January 17, 2012, the Company completed the sale of 80% of the Company's interest in the Tagpura Property (note 7), as well as the granting to Mining Group of an option exercisable within nine months of closing to acquire 80% of its interest in the Batoto Property.

The Company retains a 20% interest in the Tagpura Property which is free and carried until Mining Group has incurred within 5 years a minimum of Aus$48 million of expenditures on the project. The Company received cash consideration of Aus$3 million, with an additional Aus$1 million receivable once certain conditions have been met within 24 months of closing. Further consideration consisted of 2.6 million Mining Group common shares, with an additional 2.6 million common shares receivable if Mining Group shares trade above Aus$1 for 30 consecutive days. Under the terms of the agreement, the Company acquired 500,000 Mining Group common shares at a cost of Aus$100,000 and received 2 million options to acquire Mining Group shares at $0.20 per share for two years from the closing date. The Secured Loan of $1 million (note 7) was deemed to be repaid and applied against the cash consideration.

Should Mining Group exercise its option on the Batoto Property, the Company would retain a 20% interest in the property which is free and carried until Mining Group has incurred, within 5 years, a minimum of Aus$30 million of expenditures on the Batoto project. The Company would receive cash consideration of Aus$3 million and 5.2 million Mining Group common shares.

(b) On February 8, 2012, the Company reduced the exercise price from $0.45 to $0.30 per share on 4,560,667 warrants issued as part of the Private Placement on September 1, 2011 (note 9b). The fair value of the re-price was recorded directly to deficit.

17. TRANSITION TO IFRS

An explanation of how the transition from GAAP to IFRS has affected the Company's previously reported equity and comprehensive loss is set out in this note.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1)

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle. One mandatory exception relevant to the Company stipulates that where a subsidiary of a parent entity has previously prepared financial statements in full compliance with IFRS, the carrying amounts reported in those stand alone financial statements must be used as the basis for the subsidiaries' inclusion in the consolidated transition balance sheet. The Company's subsidiaries have previously prepared audited financial statements in full compliance with IFRS and therefore are excluded from applying the optional exemptions set out in IFRS 1 at the Company's transition date. However, on a consolidated basis, the Company is not precluded from adopting accounting policies which differ from those previously applied by a subsidiary in its stand alone financial statements. Any accounting policy differences are required to be aligned on consolidation.

Share-based payments
The Company has elected under IFRS 1 to not apply IFRS 2 to options that were granted on, or before, November 7, 2002, or to options that were granted subsequent to November 7, 2002, but vested before the date of transition to IFRS.

Business combinations
The Company has elected to apply IFRS 3, *Business Combinations*, prospectively to business combinations that occur after the date of transition. The Company has elected this exemption under IFRS 1, which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS.

Adjustments on transition to IFRS

IFRS has many similarities with GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change the Company's actual cash flows, it resulted in changes to Cadan's Consolidated Balance Sheet, Statement of Comprehensive Loss and Statement of Changes in Shareholder's Equity as set out below:

(a) Non-controlling interest:

Under GAAP, when the non-controlling interest is not obligated to fund its share of losses, the Company does not attribute losses to the non-controlling interest once the interest has been reduced to $nil. Under IFRS, the Company is required from the transition date to prospectively allocate comprehensive losses to non-controlling interest based on their effective ownership interest, even if this results in a deficit non-controlling interest balance. Further, non-controlling interest was not reported as a component of shareholders' equity under GAAP, while it is under IFRS.

(Expressed in Canadian dollars)

17. TRANSITION TO IFRS (Continued)

(b) Deferred tax:

Under GAAP, a deferred tax asset or liability is not recognized for temporary differences arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations. Under IFRS, a deferred tax asset or liability is recognized for exchange gains and losses related to foreign non-monetary assets and liabilities that are translated into the functional currency using current exchange rates. As at January 1, 2010, a deferred tax liability was calculated but had no impact on the consolidated balance sheet at that date as it was offset by previously unrecognized deferred tax assets of the Company. As at December 31, 2010, there was no impact on the consolidated balance sheet or consolidated statement of comprehensive loss for this adjustment.

(c) Share-based payments

On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired stock options and warrants are transferred to deficit. Previously, the Company's GAAP policy was to leave such amounts in share-based payments reserve.

Impact on consolidated balance sheets:

	December 31, 2010	January 1, 2010
Share-based payments reserve	$(3,304,890)	$(3,304,890)
Adjustment to deficit	$3,304,890	$3,304,890

(d) Reconciliation to previously reported consolidated financial statements

A reconciliation of the above noted changes is included in the following consolidated balance sheets at December 31, 2010 and January 1, 2010, and the consolidated statement of comprehensive loss for the year-ended December 31, 2010. The effects of transition from GAAP to IFRS on the consolidated statement of cash flows is immaterial. Therefore, a reconciliation of the consolidated statement of cash flows has not been presented.

(Expressed in Canadian dollars)

17. TRANSITION TO IFRS (Continued)

(d) Reconciliation to previously reported consolidated financial statements (continued)

The December 31, 2010, Canadian GAAP consolidated balance sheet has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current			
Cash and cash equivalents	$ 6,481,045	$ -	$ 6,481,045
Amounts and advances receivable	51,437	-	51,437
Prepaid expenses	32,289	-	32,289
	6,564,771	-	6,564,771
Investment in and Expenditures on Resource Properties	23,956,844	-	23,956,844
Property, Plant and Equipment	2,079,994	-	2,079,994
	$ 32,601,609	$ -	$ 32,601,609
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 656,648	$ -	$ 656,648
Due to related parties	196,932	-	196,932
	853,580	-	853,580
Non-Controlling Interest	-	-	-
Shareholders' Equity			
Share Capital	46,717,626	-	46,717,626
Share-Based Payments Reserve (note	7,843,104	(3,304,890)	4,538,214
Deficit (notes 17(a) and (c))	(22,812,701)	3,341,737	(19,470,964)
Equity Attributable to Owners	31,748,029	36,847	31,784,876
Non-Controlling Interest (note 17(a))	-	(36,847)	(36,847)
	31,748,029	-	31,748,029
	$ 32,601,609	$ -	$ 32,601,609

(Expressed in Canadian dollars)

17. TRANSITION TO IFRS (Continued)

(d) Reconciliation to previously reported consolidated financial statements (continued)

The December 31, 2010, Canadian GAAP consolidated statement of comprehensive loss has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Expenses			
Consulting fees	$ 1,175,800	$ -	$ 1,175,800
Travel and accommodation	146,944	-	146,944
Professional fees	146,515	-	146,515
Regulatory and shareholder costs	125,235	-	125,235
Office and miscellaneous	104,160	-	104,160
Share-based payments	102,630	-	102,630
Rent	72,013	-	72,013
Website	12,652	-	12,652
Bank charges and interest	7,899	-	7,899
Depreciation and amortization	212	-	212
Loss Before Other Items	(1,894,060)	-	(1,894,060)
Other Items			
Interest income	3,336	-	3,336
Foreign exchange loss	(102,863)	-	(102,863)
Loss Before Non-Controlling Interest (note 17(b))	(1,993,587)	-	(1,993,587)
Non-Controlling Interest (note 17(a))	50,083	(50,083)	-
Net Loss and Comprehensive Loss for Period	$ (1,943,504)	$ (50,083)	$ (1,993,587)

(Expressed in Canadian dollars)

17. TRANSITION TO IFRS (Continued)

(d) Reconciliation to previously reported consolidated financial statements (continued)

The January 1, 2010, Canadian GAAP consolidated balance sheet has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current			
Cash and cash equivalents	$ 906,796	$ -	$ 906,796
Amounts and advances receivable	20,552	-	20,552
Prepaid expenses	29,635	-	29,635
	956,983	-	956,983
Investment in and Expenditures on Resource Properties	18,072,675	-	18,072,675
Property, Plant and Equipment	1,073,225	-	1,073,225
	$ 20,102,883	$ -	$ 20,102,883
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 244,309	$ -	$ 244,309
Due to related parties	183,495	-	183,495
	427,804	-	427,804
Non-Controlling Interest (note 17(a))	50,083	(50,083)	-
Shareholders' Equity			
Share Capital	32,543,276	-	32,543,276
Share Subscriptions	467,500	-	467,500
Share-Based Payments Reserve (note 17(c))	7,010,080	(3,304,890)	3,705,190
Deficit (notes 17 (a) and (c))	(20,395,860)	3,304,890	(17,090,970)
Equity Attributable to Owners	19,624,996	-	19,624,996
Non-Controlling Interest (note 17(a))	-	50,083	50,083
	19,624,996	50,083	19,675,079
	$ 20,102,883	$ -	$ 20,102,883