Cadan Resources

CADAN RESOURCES CORPORATION

(An exploration stage company)

Condensed Consolidated Interim Financial Statements
Three month periods ended March 31, 2012 and 2011
(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

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CADAN RESOURCES CORPORATION
(An exploration stage company)
Condensed Consolidated Interim Balance Sheets
Unaudited
(Expressed in Canadian dollars)

		March 31, 2012		December 31, 2011
Assets				
Current				
Cash and cash equivalents	$	2,053,930	$	3,584,642
Amounts and advances receivable		142,102		120,231
Prepaid expenses		268,454		307,686
		2,464,486		4,012,559
Exploration and evaluation assets (notes 4)		21,381,948		30,609,015
Investment In Mining Group Ltd (note 7)		2,491,399		-
Investment in Philco Mining Corp (note 6)		1,231,157		-
Loan to Philco Mining Corp (note 6)		11,981,889		-
Property, plant and equipment (note 8)		1,200,130		2,598,970
	$	40,751,009	$	37,220,544
Liabilities				
Current				
Accounts payable and accrued liabilities	$	642,575	$	674,700
Secured loan (note 9)		-		1,044,190
Convertible notes (note 10)		2,523,989		2,449,076
		3,166,564		4,167,966
Retirement benefit obligation		171,689		279,219
		3,338,253		4,447,185
Shareholders' equity				
Share capital (note 11)		50,278,839		50,278,839
Reserves		4,406,435		4,553,870
Deficit		(16,949,823)		(21,648,598)
Non-controlling interest		(322,695)		(410,752)
		37,412,756		32,773,359
	$	40,751,009	$	37,220,544

Approved on behalf of the Board:

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

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

See notes to the condensed consolidated interim financial statements

CADAN RESOURCES CORPORATION

(An exploration stage company)
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
Unaudited
(Expressed in Canadian dollars)

	Three months ended March	
	2012	**2011**
Expenses		
Consulting fees	$ 746,556	$ 203,509
Legal and professional	125,565	106,528
Bank charges and interest	77,253	1,394
Travel and accommodation	31,976	26,603
Rent	28,708	23,323
Office and miscellaneous	24,445	14,267
Regulatory and shareholder costs	12,270	24,198
Web site	1,800	-
Amortization	464	-
Reorganization costs	-	87,864
Loss before other items	(1,049,037)	(487,686)
Other items		
Philco Mining gain on sale (note 5)	5,033,644	-
Philco Mining share of equity loss (note 6)	(203)	-
Unrealized gain on options held for resale (note 7)	737,972	-
Foreign exchange loss/(gains)	(60,911)	(91,773)
Interest income	2,803	3,702
Net income (loss) before taxes	4,664,268	(575,757)
Deferred tax expense	-	(83,356)
Net Income (Loss)	$ 4,664,268	$ (659,113)
Other Comprehensive loss		
Unrealized loss on Shares held for resale (note 7)	(147,435)	-
Comprehensive Income (Loss)	$ 4,516,833	$ (659,113)
Comprehensive income (loss) attributed to:		
Owners of the Company	$ 4,551,340	$ (587,448)
Non-Controlling Interest	(34,507)	(71,665)
	$ 4,516,833	$ (659,113)
Gain/(Loss) Per Share – basic	$0.06	($0.01)
Gain/(Loss) Per Share – diluted	$0.04	($0.01)
Weighted Average Number of Common Shares Outstanding	78,369,515	57,179,608

See notes to the condensed consolidated interim financial statements

CADAN RESOURCES CORPORATION

(An exploration stage company)
Condensed Consolidated Interim Statements of Changes in Equity
Unaudited
(Expressed in Canadian dollars)

	Number of shares issued	Share capital	Share-based payments reserve	Revaluation Reserve	Deficit	Non-Controlling Interest	Shareholders' Equity
Balance at December 31, 2010	57,179,608	$46,717,626	$ 4,538,214	$ -	$ (19,472,613)	$ (35,198)	$ 31,748,029
Net loss for the period	-	-	-	-	(587,448)	(71,665)	(659,113)
Balance at March 31, 2011	57,179,608	$46,717,626	$ 4,538,214	$ -	$ (20,060,061)	$ (106,863)	$ 31,088,916

	Number of shares issued	Share capital	Share-based payments reserve	Revaluation Reserve	Deficit	Non-Controlling Interest	Shareholders' Equity
Balance at Dec 31, 2011	78,369,515	$50,278,839	$ 4,553,870	-	$ (21,648,598)	$ (410,752)	$ 32,773,359
Net loss for period	-	-	-	(147,435)	-	-	(147,435)
Non-controlling interest	-	-	-	-	-	122,564	122,564
Net loss for period	-	-	-	-	4,698,775	(34,507)	4,664,268
Balance at March 31, 2012	78,369,515	$50,278,839	$ 4,553,870	$ (147,435)	$ (16,949,823)	$ (322,695)	$ 37,412,756

See notes to the condensed consolidated interim financial statements

CADAN RESOURCES CORPORATION
(An exploration stage company)
Condensed Consolidated Interim Statements of Cash Flows
Unaudited
(Expressed in Canadian dollars)

	Three months ended March 31, 2012	Three months ended March 31, 2011
Operating Activities		
Net income (loss)	$ 4,664,268	$ (659,113)
Items not involving cash		
Deferred tax expense	-	83,356
Amortization	54,318	-
Interest income	74,913	-
Unrealized gain on revaluation of options held for resale	(737,972)	-
Philco Mining gain on sale	(5,033,644)	-
Philco Mining share of equity loss	203	-
Unrealized gain on foreign exchange	36,217	-
	(941,697)	(575,757)
Changes in non-cash working capital		
Amounts receivable and advances	(21,871)	29,446
Prepaid expenses	39,232	(104,041)
Retirement benefit obligation	(107,530)	-
Accounts payable and accrued liabilities	(32,125)	(151,057)
	(122,294)	(225,652)
Cash Used in Operating Activities	(1,063,991)	(800,409)
Investing Activities		
Deferred exploration costs (note 4)	(2,159,175)	(1,661,199)
Investment in Mining Group Ltd	(126,024)	-
Purchase of capital assets	(287,932)	(207,209)
Cash Used in Investing Activities	(2,573,131)	(1,868,408)
Financing Activities		
Repayment of secured loan	(1,044,190)	-
Proceeds on sale of Philco Mining	3,150,600	-
Cash Provided by Financing Activities	2,106,410	-
Inflow (Outflow) of Cash	(1,530,712)	(2,669,817)
Cash and Cash Equivalents, Beginning of Period	3,584,642	6,481,045
Cash and Cash Equivalents, End of Period	$ 2,053,930	$ 3,811,228
Cash and cash equivalents comprised of:		
Cash	$ 803,930	$ 811,228
Cash equivalents	1,250,000	3,000,000
	$ 2,053,930	$ 3,811,228

See notes to the condensed consolidated interim 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.

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 three months ended March 31, 2012, the Company had comprehensive income of $4,516,832 (March 31, 2011 – comprehensive loss $659,113). At March 31, 2012, the Company had an accumulated deficit of $16,949,823 (December 31, 2011 - $21,648,598). The Company has no source of revenue and has significant cash requirements to conduct its planned exploration, progress the approval process for development of the T'Boli mine and processing plant, meet its repayment obligations on its convertible debt and 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, development of the T'Boli mine and processing plant, meet its repayment obligations on its convertible debt 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

(a) Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

(b) Approval of the consolidated financial statements

The consolidated financial statements of the Company for the three month period ended March 31, 2012, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 30, 2012.

(a) 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.

(d) 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).

3. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as fair value through profit or loss (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 12 month term to the anticipated conversion date of the notes.

(Expressed in Canadian dollars, unless otherwise stated)

3. FINANCIAL INSTRUMENTS (Continued)

(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 and Australian 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:

		March 31, 2012		December 31, 2011
Canadian dollar	$	1,625,007	$	3,420,002
Philippine peso		426,568		162,285
Australian dollar		2,355		2,355
Total cash and cash equivalents	$	2,053,930	$	3,584,642

(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.

3. FINANCIAL INSTRUMENTS (Continued)

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 March 31, 2012, and 2011. 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:

	March 31, 2012	**December 31, 2011**
Cash and cash equivalents	18,323,364	6,995,028
Accounts payable and accrued liabilities	(11,921,201)	(8,947,347)
Net exposure	6,402,163	(1,952,319)
Canadian dollar equivalent	$149,042	$ (45,293)

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 March 31, 2012, would result in a change to comprehensive income of $1,465 (comprehensive loss March 31, 2011 - $2,000).

(iii) 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.

3. FINANCIAL INSTRUMENTS (Continued)

(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, 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 5). The convertible notes are not expected to be converted prior to the maturity date of December 23, 2012, therefore repayment on the convertible notes will likely occur within one year.

The Company will require significant cash funding to conduct its exploration programs, progress the approval process for development of the T'Boli mine and processing plant, meet its administrative overhead costs, meet its repayment obligations on the convertible notes, and maintain its resource interests. This will require the Company to obtain additional financing in 2012.

4. 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:

(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, unless otherwise stated)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Expenditures on exploration and evaluation assets

	Batoto	T'Boli	March 31, 2012 Total	December 31, 2011 Total
Opeing balance acquition costs	1,038,101	1,041,061	2,079,162	3,117,143
Adjustments recorded in 2011	(8,623)		(8,623)	(15,317)
Acquisition costs	1,029,478	1,041,061	2,070,539	3,101,826
Deferred exploration costs				
Balance, beginning of of period	5,680,300	11,471,934	17,152,234	20,839,701
Incurred during period				
Assaying	-	12,363	12,363	51,326
Community development	8,677	84,920	93,597	277,589
Consultants	11,708	250,279	261,987	844,996
Depreciation and amortization	-	-	-	160,502
Drilling costs	3,411	50,912	54,323	663,028
Exploration and mineral processing	-	321,104	321,104	1,213,824
Field supplies and miscellaneous	1,116	484,041	485,157	2,352,733
Geological	159	4,963	5,122	297,388
Repair, Supplies & Materials	56,812	541,765	598,577	237,995
Mill Site	3,828	70,631	74,459	371,203
Transportation & Travel	3,236	102,502	105,738	245,549
Recovery on metal sales	785	145,963	146,748	(48,645)
Total for the period	89,732	2,069,443	2,159,175	6,667,488
Balance, end of period	5,770,032	13,541,377	19,311,409	27,507,189
	6,799,510	14,582,438	21,381,948	30,609,015

4. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) 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.

(c) 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.

(d) 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, unless otherwise stated)

5. SALE OF INTEREST IN PHILCO MINING CORP

On January 17, 2012, the Company completed the sale of 80% of its interests in affiliate Philco and granting an option to acquire 80% of its interests in Batoto to the Mining Group. The Company received cash consideration of $3,150,600 (Aus$3,000,000) and 2.600,000 Mining Group common shares with a fair value of $1,774,838 (Aus$1,690,000) and the right to receive an additional Aus$1,000,000 once certain conditions have been met and an additional 2.600,000 Mining Group common shares if the trading price of the Mining Group common shares is above Aus$1 for 30 consecutive days expiring on January 17, 2014. No value has been ascribed to either the additional Aus$1,000,000 or the additional 2,600,000 Mining Group common shares due to their contingent nature.

The Company retains a 20% investment in Philco (Note 6).

The Company recorded a gain of $5,033,644 arising from the sale and the revaluation of its remaining investment in Philco.

Under the terms of the agreement the Company exercised an option to purchase (i) 500,000 Mining Group common shares at $0.20 per share for $105,020 (Aus$100,000), and (ii) 2,000,000 options for $0.01 per option for $21,004 (Aus$ 20,000), each such option to purchase a Mining Group share for Aus$0.20 until January 17, 2014. The Company repaid the Secured Loan of Aus$1,000,000 from the proceeds.

Pursuant to a shareholders' agreement, the Mining Group has an obligation to fund Aus$48,000,000 in exploration activity in Philco as follows:

Exploration Expenditures	**Annual amount (Aus$)**	**Cumulative amount (Aus$)**
Year 1	5,000,000	Nil
Year 2	5,000,000	Nil
year 3	5,000,000	15,000,000
Year 4	15,000,000	30,000,000
Year 5	18,000,000	48,000,000

Should the Mining Group not meet the funding requirements, the agreement contains dilution provisions. Upon the Mining Group funding the project to Aus$48,000,000, both the Company and the Mining Group will fund further development pro rata on their ownership interests.

Should the Mining Group exercise its option on Batoto the Company would retain a 20% interest which is free and carried until the Mining Group has incurred a minimum of Aus$30,000,000 of expenditures on the Batoto Gold Project.

(Expressed in Canadian dollars, unless otherwise stated)

6. INVESTMENT IN AND ADVANCE TO PHILCO MINING CORP

Pursuant to the January 17, 2012 sale of an interest in Philco (Note 5), the Company retained a 20% investment in Philco. The investment is accounted for as investment in an associate using the equity method and was revalued on the date of the sale at $1,231,360 (the proportionate amount of the consideration received). The carrying amount is as follows:

Investment amount	$	1,231,360
Share of net loss		(203)
Carrying amount	$	1,231,157
Loan to Philco Mining Corp	$	11,981,889

The Company's advances to Philco are unsecured, non-interest bearing and have no specified terms of repayment. Pursuant to a shareholders' agreement, the Company's advance to Philco will rank equally with amounts advanced by MGL for exploration expenditures on the Philco Copper Gold Project. The advances will be repaid first from distribution of profits on a proportional basis until each advance is repaid.

7. INVESTMENT IN MINING GROUP LTD

Pursuant to the January 17, 2012 sale of an interest in Philco (Note 5), the Company acquired 3,100,000 common shares of the Mining Group and 2,000,000 share purchase options to acquire a Mining Group common share for Aus$0.20 until January 17, 2014. At March 31, 2012, the fair value of the shares is $1,732,423 and of the options (derivative financial instruments) is $758,976. The Company recorded unrealized gains of $737,972 on the options in net income and an unrealized loss on the shares of $147,435 in other comprehensive income.

(Expressed in Canadian dollars, unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles and exploration equipment	Construction in progress	Office furniture and equipment	Leasehold improvements	Total
Cost							
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
Disposition of Philco Mining	903	(1,382)	(616,577)	(1,482,660)	(47,319)	(12,735)	(2,159,770)
Additions	-	-	253,694	-	34,238		287,932
Balance, March 31, 2012	182,548	408,336	861,293	-	55,014	-	1,507,191
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
Disposition of Philco Mining	-	16,242	(343,497)	-	(43,252)	(6,649)	(377,156)
Amortization	-	4,064	47,481		2,773	-	54,318
Balance, March 31, 2012	-	55,328	240,840	-	10,893	-	307,061
Net book value							
Balance, December 31, 2010	75,660	386,007	529,670	1,182,528	8,789	8,483	2,191,137
Balance, December 31, 2011	181,645	374,696	687,320	1,482,660	16,723	6,086	2,749,130
Balance, March 31, 2012	**182,548**	**353,008**	**620,453**	**-**	**44,121**	**-**	**1,200,130**

9. SECURED LOAN

On November 4, 2011, the Mining Group issued to the Company an Aus$1,000,000 ($1,044,190) secured loan ("MGL Loan"). The MGL Loan was secured with a chattel mortgage on a specified exploration permit. The loan matured on January 17, 2012 when the Company completed an agreement with the Mining Group to effect the sale of 80% of the Company's interest in the Panag, Surigaonon and Tagpura properties.

10. CONVERTIBLE NOTES

On December 23, 2011, the Company issued 2,500,000 convertible notes that mature on December 23, 2012, with a face value of $1 per note ("Convertible Notes") for a total of $2,500,000. The Convertible Notes and any securities issued on conversion thereof were subject to a four month hold period that expired on 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. To date the Company has accrued interest of $68,305 in interest on the notes.

(Expressed in Canadian dollars, unless otherwise stated)

10. 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 12 month term to the maturity of the notes. The unamortized discount of $44,316 reduces the carrying value of the notes. The carrying value of the convertible notes at March 31, 2012, was $2,523,989 determined as follows:

	$
Face value of notes	2,500,000
Accrued interest	68,305
unamortized discount	(44,316)
	2,523,989

11. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

At March 31, 2011, 78,369,515 (December 31, 2011 - 78,369,515) 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.

(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, unless otherwise stated)

11. 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 March 31, 2012 and December 31, 2011, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	**March 31, 2012**	**December 31, 2011**
July 20, 2014	$ 0.50	840,000	840,000
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	96,000
July 12, 2016	$ 0.50	64,000	64,000
July 24, 2017	$ 0.50	189,900	189,900
November 6, 2017	$ 0.50	1,174,500	1,174,500
April 15, 2014	$ 0.63	450,000	450,000
September 21, 2016	$ 0.45	750,000	750,000
December 6, 2016	$ 0.20	2,190,000	2,190,000
		6,196,900	6,196,900

(Expressed in Canadian dollars, unless otherwise stated)

11. SHARE CAPITAL (Continued)

(c) Stock options (continued)

The options outstanding and exercisable at March 31, 2012, have a weighted average remaining contractual life of 3.75 years (2011 – 4.38 years). Stock option activity for the year ended December 31, 2011 was as follows:

			December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	6,196,900	$0.49	3,237,000	$ 0.52
Awarded	-	-	3,390,000	$ 0.43
Expired	-	-	(430,000)	$ 0.50
Exercised	-	-	(100)	$ 0.50
Outstanding and exercisable, end of year	6,190,900	$0.49	6,196,900	$ 0.49

No stock options were granted during the quarter ended March 31, 2012.

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.

(Expressed in Canadian dollars, unless otherwise stated)

11. 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 period ended March 31, 2012 and December 31, 2011 as follows:

	2012	**2011**
Risk free rate	n/a	1.77%
Expected life	n/a	4.25 years
Expected volatility	n/a	124.24%
Expected dividend yield	n/a	Nil

Total stock-based compensation recognized during three month period with respect to options, $Nil (2011 - $667,423).

(d) Warrants

As at March 31, 2012 and December 31, 2011, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	**March 31, 2012**	**December 31, 2011**
October 31, 2012	$ 0.80	6,580,000	6,580,000
December 8, 2012	$ 1.10	11,000,000	11,000,000
December 8, 2012	$ 1.10	1,100,000	1,100,000
August 14, 2013	$ 1.50	2,000,000	2,000,000
September 2, 2013	$ 0.30 (1)	4,560,667	4,560,667
September 2, 2013	$ 0.45	259,140	259,140
September 15, 2015	$ 1.00 (2)	2,079,846	2,079,846
October 18, 2015	$ 1.00 (2)	2,980,188	2,980,188
		30,559,841	30,559,841

(1) 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).

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

(Expressed in Canadian dollars, unless otherwise stated)

11. SHARE CAPITAL (Continued)

(d) Warrants (continued)

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

	March 31, 2012		**December 31, 2011**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of Period	30,559,841	$0.95	34,906,090	$ 1.06
Issued	-	-	4,819,807	$ 0.45
Expired	-	-	(9,166,056)	$ 1.10
Outstanding, end of period	30,559,841	$ 0.95	30,559,841	$ 0.95

12. RELATED PARTY TRANSACTIONS AND BALANCES

During the period ended March 31, 2012 and 2011, the Company incurred management compensation as follows:

	2012	**2011**
Key management - consulting fees	180,000	199,948
Key management - share based payments	-	90,000
	180,000	289,948

Of this amount, $150,000 (2011 - $120,000) was expensed and $30,000 (2011 - $169,948) was capitalized to investment in, and expenditures on, exploration and evaluation assets.

At March 31, 2012, the Company owed $Nil (December 31, 2011 - $Nil) 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.

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 to March 31, 2012 (December 31, 2011 - $50,278,839). The Company issued a secured loan for Aus$1,000,000 (Cdn$1,044,190) (note 9) which was redeemed on January 17, 2012 as part of the transaction with the Mining Group (note 5). In addition, the Company issued Convertible notes for $2,500,000 (note 10). 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, unless otherwise stated)

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.

	March 31, 2011							
		Canada		Australia		Philippines		Consolidated
Current assets	$	1,877,758	$	2,535	$	584,192	$	2,464,485
Deferred exploration costs		999,064		-		20,382,884		21,381,948
Loan to Philco Mining		11,981,890		-		-		11,981,890
Investments held for resale		2,491,399		-		-		2,491,399
Investment in Philco Mining		1,231,157		-		-		1,231,157
Property, plant and equipment		15,866		-		1,184,264		1,200,130
Total Assets	$	18,597,134	$	2,535	$	22,151,340	$	40,751,009
Total Liabilities	$	2,889,038	$	-	$	449,215	$	3,338,253
	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
Total Liabilities	$	626,936	$	2,203	$	115,441	$	853,580

16. SUBSEQUENT EVENTS

On April 10, 2012 the Company amended the terms of 11,000,000 warrants extending the expiry date to December 8, 2015.