Consolidated Financial Statements

December 31st, 2011

San Gold Corporation
Corporate Office
212-1661 Portage Avenue
Winnipeg, MB
R3J 3T7
Canada

info@sangold.ca
www.sangold.ca

SCARROW & DONALD LLP
CHARTERED ACCOUNTANTS
100 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Telephone: (204) 982-9800
Fax: (204) 474-2886
www.scarrowdonald.mb.ca

March 28, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of San Gold Corporation:

We have audited the accompanying consolidated financial statements of San Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of net income (loss) and comprehensive income (loss), changes in 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, 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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 San Gold Corporation as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss for the period ended December 31, 2011 of $5,090,550 (2010 - $24,610,183) and has a deficit of $178,063,384 as at December 31, 2011 (2010 - $171,778,801). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Scarrow & Donald LLP

Chartered Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

Scarrow & Donald LLP, a Canadian owned Limited Liabitiy Partnership established under the laws of Manitoba , is a member of PKF International Limited , a company incorporated in England

SAN GOLD CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
CURRENT ASSETS			
Cash	$ 726,780	$ -	$ -
Accounts receivable	14,724,488	8,594,032	3,607,864
Marketable securities (Note 4)	19,165,350	59,547,707	13,294,890
Supply inventory	4,900,479	2,471,730	1,680,699
Gold in process (Note 5)	9,551,971	6,118,920	8,649,764
Prepaid expenses	548,289	467,659	460,086
	49,617,357	**77,200,048**	**27,693,303**
PROPERTY, PLANT AND EQUIPMENT (Note 6)	**54,705,506**	**28,295,682**	**14,602,362**
MINERAL PROPERTIES (Note 7)	**128,022,043**	**95,785,374**	**64,346,503**
OTHER ASSETS			
Collateral deposit	-	-	51,221
Mining claims and options (Note 8)	6,652,949	6,382,949	1,002,649
Investment in associate (Note 9)	1	1	503,165
	6,652,950	**6,382,950**	**1,557,035**
	$ 238,997,856	**$ 207,664,054**	**$ 108,199,203**

LIABILITIES

CURRENT LIABILITIES			
Bank indebtedness	$ -	$ 3,725,589	$ 356,918
Accounts payable and accrued liabilities (Note 10)	13,346,447	10,983,062	5,685,030
Flow-through share premium	2,230,327	-	-
Current portion of long-term debt (Note 11)	1,619,818	1,264,791	393,377
	17,196,592	**15,973,442**	**6,435,325**
LONG-TERM LIABILITIES			
Asset retirement obligation (Note 12)	3,274,549	3,133,233	3,010,526
Long-term debt (Note 11)	3,115,684	1,332,961	306,819
Net royalty obligation (Note 21)	2,116,471	2,371,623	2,626,790
	8,506,704	**6,837,817**	**5,944,135**

SHAREHOLDERS' EQUITY

EQUITY	**213,294,560**	**184,852,795**	**95,819,743**
	$ 238,997,856	**$ 207,664,054**	**$ 108,199,203**

Commitments (Note 25)

The accompanying notes form an integral part of these consolidated financial statements.
These financial statements were approved by the board of directors and authorized for issue on March 28th, 2012.

APPROVED BY THE BOARD: *"Hugh Wynne"* Director

"Dale Ginn" Director

SAN GOLD CORPORATION
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31

	2011	2010
REVENUE	**$ 114,124,699**	**$ 57,950,671**
OPERATIONS		
Operations (Note 16)	83,726,249	61,934,879
INCOME (LOSS) FROM OPERATIONS	**30,398,450**	**(3,984,208)**
Exploration	24,498,550	12,146,690
General and administrative (Note 17)	16,394,578	14,069,492
LOSS BEFORE OTHER INCOME AND EXPENSES	**10,494,678**	**30,200,390**
OTHER INCOME AND EXPENSES		
Finance income - net (Note 18)	604,478	798,679
Finance costs (Note 18)	(444,373)	(265,944)
Equity loss of associate (Note 9)	(483,350)	(503,164)
Loss on disposal of property, plant and equipment	-	(7,714)
LOSS BEFORE INCOME TAX	10,817,923	30,178,533
Income tax recovery on flow-through shares (Note 19)	5,727,373	5,568,350
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ 5,090,550**	**$ 24,610,183**
LOSS PER COMMON SHARE: (Note 22)		
Basic	**$ 0.02**	**$ 0.09**
Diluted	**$ 0.02**	**$ 0.09**

SAN GOLD CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2011	2010
OPERATING ACTIVITIES		
Net loss for the period	**$ (5,090,550)**	**$ (24,610,183)**
Add: Items not affecting cash		
Accretion - asset retirement obligation	19,716	28,500
Amortization - property, plant and equipment	4,711,243	2,937,975
Loss on disposal of property, plant and equipment	-	7,714
Depletion - mineral properties	18,251,553	8,398,201
Fair market value adjustment on marketable securities	(232,171)	(34,015)
Deferred revenue realized	(255,152)	(255,153)
Equity loss from subsidiary	483,350	503,164
Share-based compensation	7,525,984	6,033,142
Income tax recovery	(5,727,373)	(5,568,350)
Net change in non-cash working capital (Note 27)	(10,070,901)	2,578,659
	9,615,699	**(9,980,346)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(27,762,968)	(14,536,211)
Proceeds on disposition of property, plant and equipment	-	6,000
Investment in mineral properties	(50,366,622)	(39,742,867)
Change in marketable securities	40,614,528	(46,218,802)
Purchase of mining claims and options	(270,000)	(1,120,000)
	(37,785,062)	**(101,611,880)**
FINANCING ACTIVITIES		
Proceeds from shares issued and subscribed	35,497,100	114,609,664
Proceeds from long-term debt	1,177,495	1,207,018
Share issue costs	(1,655,019)	(6,174,867)
Repayment of long-term debt	(2,397,844)	(1,418,260)
	32,621,732	**108,223,555**
CHANGE IN CASH	**4,452,369**	**(3,368,671)**
CASH (BANK INDEBTEDNESS), BEGINNING OF THE PERIOD	(3,725,589)	(356,918)
CASH (BANK INDEBTEDNESS), END OF THE PERIOD	**$ 726,780**	**$ (3,725,589)**
Supplementary Information		
Interest paid	**$ 424,657**	**$ 237,444**
Finance income received	**$ 255,193**	**$ 245,558**

SAN GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Contributed surplus	Deficit	Total
Balance as at January 1, 2010	$ 227,943,094	$ 9,013,334	$ (141,136,685)	$ 95,819,743
Private placements	105,978,950	-	(6,174,870)	99,804,080
Share-based compensation	6,092,863	3,343,055	142,937	9,578,855
Non monetary issues	4,260,300	-	-	4,260,300
Net loss	-	-	(24,610,183)	(24,610,183)
Balance as at December 31, 2010	$ **344,275,207**	$ **12,356,389**	$ **(171,778,801)**	$ **184,852,795**
Balance as at December 31, 2010	$ 344,275,207	$ 12,356,389	$ (171,778,801)	$ 184,852,795
Private placements	21,883,675	-	(1,655,019)	20,228,656
Share-based compensation	9,877,595	2,843,128	460,986	13,181,709
Non monetary issues	121,950	-	-	121,950
Net loss	-	-	(5,090,550)	(5,090,550)
Balance as at December 31, 2011	$ **376,158,427**	$ **15,199,517**	$ **(178,063,384)**	$ **213,294,560**

1. Nature of operations and going concern assumption

San Gold Corporation and its subsidiaries ("the Company") is a listed public company, incorporated and domiciled in Canada. The shares of the Company are traded on the Toronto and OTCQX stock exchanges under the trading symbols "SGR" and "SGRCF", respectively. The address of the Company's corporate office is 212-1661 Portage Avenue, Winnipeg, Manitoba, R3J 3T7. The address of the Company's principal place of business is P.O. Box 1000, General Delivery, Bissett, Manitoba, R0E 0J0. The registered office of the Company is Aikins, MacAulay & Thorvaldson LLP, 30th floor, 360 Main Street, Winnipeg, Manitoba, R3C 4G1.

The Company's main business operations consist of exploring for gold primarily in the Bissett area of Manitoba, Canada and producing gold from: (i) the Rice Lake Mine; and (ii) the Hinge Mine. The Company also owns certain Mineral claims in and around the Timmins, Ontario area. The Company has begun certain minor exploration activities on these claims but these activities do not form a material portion of the business of the Company. The primary product produced by the Company is gold, which is sold by the Company as described in Note 2. Since commencing commercial production of gold, the Company has received revenue from, and anticipates that its markets will continue to be, the North American gold bullion markets.

For the year ended December 31st, 2011, the Company had a comprehensive loss of $5,090,550 (December 31st, 2010 – $24,610,183) and a deficit of $178,063,384 (December 31st, 2010 - $171,778,801 January 1st, 2010 - $141,136,685). In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs and interest charges. Although management may have been successful in the past in undertaking financings, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and consolidated statement of financial position classifications that may be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Significant accounting policies

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Subject to certain transition elections disclosed in Note 28, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1st, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 28 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31st, 2010.

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency as it is the currency of the primary economic environment in which the transactions are undertaken. All reference to dollars ($) are to Canadian dollars unless otherwise noted. The consolidated financial statements have been prepared on a historical cost basis, except for cash, accounts receivable, marketable securities, collateral deposit, investment in associate, bank indebtedness, accounts payable, long-term debt (excluding finance leases), and net royalty obligation.

2. Significant accounting policies (continued)

b) Accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the fiscal year. Critical accounting estimates and judgments are described in Note 3.

c) Cash and Bank indebtedness

Cash consists of demand deposits with financial institutions. The Company classifies outstanding cheques in excess of funds on deposit as bank indebtedness.

d) Financial instruments

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as at fair value through profit or loss, available for sale, held to maturity, loans and receivables, or financial liabilities measured at amortized cost. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of financial instruments at initial recognition. Transactions to purchase or sell financial assets are recorded on the settlement date.

Financial assets and financial liabilities classified at fair value through profit or loss are subsequently measured at fair value with gains and losses recognized in net income (loss). Loans and receivables and financial liabilities measured at amortized cost are subsequently measured at their amortized cost, using the effective interest method.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net income (loss), except for derivatives that are designated as cash flow hedges. The Company presently does not have any derivative financial instruments.

The Company has designated its accounts payable, long-term debt (excluding finance leases), and net royalty obligation as financial liabilities measured at amortized cost, which are reflected on the consolidated statement of financial position at amortized cost using the effective interest method of measurement. Marketable securities have been designated at fair value through profit or loss, which are reflected on the consolidated statement of financial position at fair value. The Company has designated cash, accounts receivable, collateral deposit and bank indebtedness as loans and receivables, which are reflected on the consolidated statement of financial position at amortized cost using the effective interest method of measurement.

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in net income (loss).

2. Significant accounting policies (continued)

e) Fair Value

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the consolidated statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

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

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

f) Principles of consolidation

These consolidated financial statements include the financial assets and liabilities and results of operations of the Company and of its wholly owned subsidiary corporations 6493068 Canada Ltd., 6573258 Canada Ltd., and 6772684 Canada Ltd.

g) Associates

Investments in associates, where the Company has significant influence but not control, are accounted for using the equity method and are recorded at cost plus the Company's share of income or loss to date less dividends received. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statement of net income (loss) and its share of other comprehensive income (loss) of associates is included in the other comprehensive income (loss) account.

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statement of net income (loss).

2. Significant accounting policies (continued)

h) Income taxes

Current tax for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the consolidated statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax is recognized using the liability method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below:

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the consolidated statement of financial position date.

Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of net income (loss).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

Flow-through shares

Expenditures related to exploration and development activities funded by flow-through shares are renounced to investors in accordance with income tax regulations. The proceeds on the issuance of flow-through shares are allocated to share capital and flow-through share premium liability. The flow-through share premium liability represents the difference between the proceeds received and the market price of the Company's shares on the date of the transaction. The flow-through share premium liability is recognized as income when the eligible expenditures are incurred and there is an intention to renounce.

2. Significant accounting policies (continued)

Mining Taxes

Income tax expense includes the mining taxes payable to governments that are calculated based on a percentage of taxable profit whereby taxable profit represents net income adjusted for certain items defined in the applicable legislation.

i) Revenue recognition

Revenue is recognized when all of the activities to produce the gold have been completed by the Company and the risks and rewards of ownership have been transferred. This occurs when the gold is received by the purchasers at the point of shipping from the mill. Adjustments to accounts receivable, if any, between the date of title transfer and the settlement date are recorded when determinable within “Revenue”.

Dore bars and gold in process are recorded in inventory at the lower of average production cost and net realizable value.

Interest and the indemnification fee revenue are recorded on an accrual basis within “Finance income”.

j) Capitalization policy for mineral properties

Exploration expenditures and near term ore development costs are expensed as incurred. Factors considered in determining whether activity at a property is near term or longer term development include: the probability of future benefit, the time horizon to expected development, and the existence of an economic plan for development. By its nature there is a significant amount of management estimate involved in this evaluation.

Property acquisition costs, and longer term development costs incurred to expand ore reserves are capitalized to mineral properties and depleted on a units-of-production basis over proven and probable reserves which are accessible by the Company. Management’s estimate of gold price, recoverable proven and probable mineral reserves, operating, capital and reclamation costs are subject to risks and uncertainties affecting the recoverability of the Company’s investment in mining properties.

k) Property, plant and equipment

Property, plant, and equipment are recorded at cost and depreciated over their estimated useful lives. This requires estimation of the useful life of the asset and its residual value. Property, plant, and equipment are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of property, plant, and equipment is not recoverable if the carrying amount exceeds the sum of the discounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a fixed asset exceeds its fair value. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in net income (loss) in the period in which it became known.

Property, plant, and equipment are recorded at historical cost and are amortized using the declining balance method over their estimated useful lives, as follows:

Buildings	4%
Motor vehicles	30%
Furniture and office equipment	20%
Plant and equipment	20%
Assets under finance lease	20%

2. Significant accounting policies (continued)

l) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statement of net income (loss) in the period in which they are incurred.

m) Impairment of non-financial assets

Property, plant and equipment and mineral properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. 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 which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statement of net income (loss).

n) Provisions

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

o) Share-based compensation plan

The Company has a share-based compensation plan as described in Note 13 and Note 14. The fair value based method of accounting is applied to all share-based compensation. The fair value of the share options granted is estimated on the date of grant using the Black-Scholes option-pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Any consideration paid on exercise of the share option is credited to share capital.

2. Significant accounting policies (continued)

p) Loss per share

Basic loss per share is calculated using the daily weighted average number of shares outstanding.

Diluted loss per share is calculated using the daily weighted average number of shares that would have been outstanding during the year had all dilutive potential common shares been issued at the beginning of the year, or when the underlying options or convertible securities were granted or issued, if later. The treasury share method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options to acquire shares.

q) Inventory

Gold inventory, which includes gold bullion, gold contained in the milling circuit and in stockpiled ore on surface, is valued at the lower of cost and net realizable value. Costs include labour, equipment costs, and operating overhead. Material and supplies inventory is valued at the lower of cost and net realizable value on a weighted average cost basis.

r) Closure Costs

The Company recognizes the fair value of a liability for an asset retirement obligation when it is incurred, if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made when the asset retirement obligation is incurred, the liability will be recognized when a reasonable estimate of fair value can be made. Upon initial recognition of the estimate of the liability for an asset retirement obligation, a corresponding asset retirement cost is recognized by increasing the carrying amount of the, related asset, which is then amortized on the same basis as the related asset. After initial measurement, period-to-period changes in the estimate of the liability for an asset retirement obligation resulting from the passage of time, changes in market discount rates, and revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized as necessary. If the fair value of an asset retirement obligation cannot be reasonably estimated, this is generally because it is not practicable within constraints of timeliness or cost to reliably measure the fair values.

s) Recent accounting pronouncements

IFRS 9, “Financial instruments” (IFRS 9) was issued by the IASB and will replace IAS 39, “Financial Instruments: Recognition and Measurement” (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1st, 2015 with earlier application permitted.

IFRS 10, “Consolidated Financial Statements” (IFRS 10), replaces IAS 27, “Consolidated and Separate Financial Statements” and SIC-12, “Consolidation - Special Purpose Entities”. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

IFRS 11, “Joint Arrangements” (IFRS 11), supersedes IAS 31, “Interests in Joint Ventures” and SIC-13, “Jointly Controlled Entities–Non-monetary Contributions by Venturers”. IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

2. Significant accounting policies (continued)

IFRS 12, "Disclosure of Interests in Other Entities" (IFRS 12) combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27, "Separate Financial Statements" and IAS 28, "Investments in Associates and Joint Ventures", effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

IFRS 13, "Fair Value Measurement" defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

The Company is currently evaluating the impact of the new standards on its consolidated financial statements.

3. Critical accounting estimates and judgments

The preparation of the Company's consolidated financial statement requires management to use estimates and judgments that affect the reported amounts of assets and liabilities, as well as revenues and expenses. The following items are determined to be the most significant.

The policies, upon which the Company's consolidated financial statements depend, are those requiring estimates of proven and probable reserves, recoverable ounces there from, capitalization of mineral properties, assumptions of operating costs and future gold prices, the estimation of the tax basis of assets and liabilities and related deferred income tax assets and liabilities, and the measurement of income tax expense and indirect taxes. Estimates and assumptions affect the potential impairment of long-lived assets and the rate at which depletion and amortization are charged to net income (loss). In addition, management must estimate costs associated with mine reclamation and closure costs. Should adjustments become necessary, they would be reported in net income (loss) in the period in which it becomes known.

a) Mineral reserves

The process of estimating quantities of gold reserves is complex, requiring significant decisions in the evaluation of all available geological, geophysical, engineering and economic data. The data for a given ore body may also change substantially over time as a result of numerous factors, including, but not limited to, additional development activity, production history and the continual reassessment of the viability of ore bodies under various economic conditions. A material revision to existing reserve estimates could occur because of, among other things: revisions to geological data or assumptions; a change in the assumed gold prices; and the results of drilling and exploration activities. If estimates of reserves prove to be inaccurate, or a mining plan changes due to reductions in the price of gold or otherwise, resulting in a reduction in the reserves expected to be recovered, the Company could be required to write-down the recorded value of its plant and equipment and mine development costs, or to increase the amount of future depreciation, depletion and amortization expense, both of which would adversely affect the Company's net income (loss) and net assets.

b) Resources, Reserves and Production

The figures for mineral resources and reserves presented in this and other documents are estimates and no assurance can be given that the anticipated level of recovery and/or grades of reserves or resources will be realized. Establishment of a gold mineral reserve and development of a gold mine does not assure a profit on the investment or recovery of costs. In addition, geological complexity, mining hazards or environmental conditions could increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation

3. Critical accounting estimates and judgments (continued)

capacity or other geological and mechanical conditions. While diligent mine supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period. The quantity of a given mineral tends to vary in all types of deposits. Due to the nature of drilling and building reserves, small variances both positive and negative must be anticipated. Mineral resources are estimated based on samples that may or may not reflect the actual deposit. The combined effect of these factors could have material effects (negative or positive) on the Company's business, financial condition and prospects.

c) Recoverable Values

The recoverability of deferred expenditures is dependent upon: the discovery of economically recoverable mineral reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

4. Marketable securities

	December 31, 2011	December 31, 2010	January 1, 2010
GIC, interest at 1.30% - 4.12% (December 31st, 2010 - 4.12%, January 1st, 2010 - 4.12%) paid annually, maturing April 2012 - July 2012 (December 31st, 2010 - July 2012, January 1st, 2010 - July 2012), $83,883 pledged as security for long-term debt.	$ 3,110,275	$ 82,213	$ 77,888
Common shares - Option Agreements	165,000	-	-
Warrants - Option Agreements	8,000	-	-
Short term investments	15,881,453	59,464,797	2,780,673
Silver certificates	18	21	105,513
Gold certificates	604	676	10,330,816
	$ 19,165,350	**$ 59,547,707**	**$ 13,294,890**

Short term investments are comprised of the following types of securities: treasury bills, banker's acceptances, commercial paper, money market funds, guaranteed investment certificates, coupons and residuals, government bonds, term deposits and corporate bonds. The weighted yield to maturity is 1.00% (December 31st, 2010 – 1.22%, January 1st, 2010 – 2.61%) with maturities from January 2012 to February 2013 (December 31st, 2010 – January 2011 to July 2031, January 1st, 2010 – January 2010 to December 2010).

4. Marketable securities (continued)

The market value of the warrants was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 150%, risk free interest rate of 2.1%, and expected life of 531 days. Marketable securities have been designated at fair value through profit or loss, which are reflected on the consolidated statement of financial position at fair value.

At December 31st, 2011, $50,834 (December 31st, 2010 - $95,429, January 1st, 2010 – $17,951) of accrued interest was included in the market value of the short term investments. For the year ended December 31st, 2011, the Company recognized a gain of $232,171 (December 31st, 2010 - $34,015) to adjust carrying value to published market value. These amounts are recognized as finance income on the consolidated statement of operations. Market value is determined by published price quotation and observable market inputs, including accrued interest.

5. Gold in process

	December 31, 2011	December 31, 2010	January 1, 2010
Ore stockpile	$ 3,303,040	$ 210,622	$ 171,936
In process inventory	5,244,108	5,908,298	2,636,352
Finished product	1,004,823	-	5,841,476
	$ 9,551,971	$ 6,118,920	$ 8,649,764

6. Property, plant and equipment

	Land	Building	Motor vehicles	Furniture and office equipment	Plant and equipment	Assets under finance lease	Projects in process	Total
Cost								
At January 1, 2010	$ 502,210	$ 4,788,344	$ 97,984	$ 1,143,359	$ 11,950,906	$ 1,745,728	$ 781,727	$ 21,010,258
Additions	-	6,557,510	30,414	272,498	3,939,784	2,117,798	3,749,953	16,667,957
Disposals	-	-	-	-	(26,750)	-	-	(26,750)
At December 31, 2010	502,210	11,345,854	128,398	1,415,857	15,863,940	3,863,526	4,531,680	37,651,465
Additions	18,860	4,436,440	270,692	131,713	9,185,278	3,358,099	13,719,985	31,121,067
At December 31, 2011	521,070	15,782,294	399,090	1,547,570	25,049,218	7,221,625	18,251,665	68,772,532
Depreciation								
At January 1, 2010	$ -	$ 293,696	$ 49,718	$ 281,357	$ 5,202,174	$ 580,951	$ -	$ 6,407,896
Depreciation charge	-	452,364	18,728	195,374	1,793,935	500,523	-	2,960,924
Disposals	-	-	-	-	(13,037)	-	-	(13,037)
At December 31, 2010	-	746,060	68,446	476,731	6,983,072	1,081,474	-	9,355,783
Depreciation charge	-	591,231	51,412	202,968	2,908,773	956,859	-	4,711,243
At December 31, 2011	-	1,337,291	119,858	679,699	9,891,845	2,038,333	-	14,067,026
Net book value								
January 1, 2010	**$ 502,210**	**$ 4,494,648**	**$ 48,266**	**$ 862,002**	**$ 6,748,732**	**$ 1,164,777**	**$ 781,727**	**$ 14,602,362**
December 31, 2010	**$ 502,210**	**$ 10,599,794**	**$ 59,952**	**$ 939,126**	**$ 8,880,868**	**$ 2,782,052**	**$ 4,531,680**	**$ 28,295,682**
December 31, 2011	**$ 521,070**	**$ 14,445,003**	**$ 279,232**	**$ 867,871**	**$ 15,157,373**	**$ 5,183,292**	**$ 18,251,665**	**$ 54,705,506**

7. Mineral properties

	SG1	Rice Lake	Hinge	Cohiba	Total
Cost					
At January 1, 2010	$ 6,185,598	$ 41,628,895	$ 30,570,477	$ -	$ 78,384,970
Additions	-	13,869,932	25,967,140	-	39,837,072
Commissioning gold recovery	-	-	(5,885,434)	-	(5,885,434)
At December 31, 2010	6,185,598	55,498,827	50,652,183	-	112,336,608
Additions	-	11,089,494	35,456,612	3,942,116	50,488,222
At December 31, 2011	6,185,598	66,588,321	86,108,795	3,942,116	162,824,830
Depletion and impairment					
At January 1, 2010	$ 661,555	$ 6,146,933	$ 1,344,545	$ -	$ 8,153,033
Depletion charge	-	4,080,056	4,318,145	-	8,398,201
At December 31, 2010	661,555	10,226,989	5,662,690	-	16,551,234
Depletion charge	-	3,390,829	14,860,724	-	18,251,553
At December 31, 2011	661,555	13,617,818	20,523,414	-	34,802,787
Net book value					
January 1, 2010	**$ 5,524,043**	**$ 35,481,962**	**$ 23,340,498**	**$ -**	**$ 64,346,503**
December 31, 2010	**$ 5,524,043**	**$ 45,271,838**	**$ 44,989,493**	**$ -**	**$ 95,785,374**
December 31, 2011	**$ 5,524,043**	**$ 52,970,503**	**$ 65,585,381**	**$ 3,942,116**	**$ 128,022,043**

Mineral property development costs incurred to expand ore reserves are deferred and depleted on a units-of-production basis over proven and probable reserves. Revenue derived from mineral properties before full production during commissioning of a property is accounted for as a reduction of the cost of the property.

8. Mining claims and options

Partner	Location	Agreement entered	December 31st, 2011 Carrying Value	Commitment for option
Peter Dunlop	Beresford Lake 7 claims	Apr 2004	$451,449 (Dec 31st, 2010 - $451,449, Jan 1st, 2010 - $431,449)	Commitments met as at December 31st, 2011 3% Net smelter return to optioner, may be bought down by optioner
Greenbelt Gold Mines Inc.	3 km South of Rice Lake 27 claims (50% interest)	Jan 2005	$421,200 (Dec 31st, 2010 - $421,200, Jan 1st, 2010 - $421,200)	Commitments met as at December 31st, 2011
Strikepoint Gold Inc.	Rice Lake Environ, Manitoba 26 claims	Sep 2009	$200,000 (Dec 31st, 2010 - $200,000, Jan 1st, 2010 - $150,000)	An exploration commitment of $1,500,000 over a three year period to earn a 50% undivided interest in the Strike Point property
Laurion Mineral Exploration Properties	Timmins Ontario 31.5% interest in Davidson-Tisdale property and 100% ownership in North Tisdale property	Jan 2010	$4,450,000 (Dec 31st, 2010 - $4,450,000, Jan 1st, 2010 - $nil)	North Tisdale property subject to a 2% net smelter royalty
Golden Horse Claims	Rice Lake Environ, Manitoba 4 claims, 400 Hectares	Feb 2010	$270,800 (Dec 31st, 2010 - $270,800, Jan 1st, 2010 - $nil)	Subject to a 3% net smelter royalty, may be bought down by optioner
Canada Lithium Corporation	Timmins Ontario 50% interest in 18 claims	Sep 2010	$589,500 (Dec 31st, 2010 - $589,500, Jan 1st, 2010 - $nil)	The properties have a 5% net profits interest with Talisman Energy Inc., and a net profits interest acquisition agreement with Falconbridge Limited where Falconbridge Limited is entitled to a one-time cash payment of 0.1% of the gold price set forth in a feasibility study leading to production on the claims multiplied by the number of recoverable ounces of gold identified in the feasibility study due at the commencement of commercial production as defined by the agreement. Falconbridge Limited is also entitled to a 0.5% net smelter royalty on all ounces produced over and above those identified in the feasibility study.
Cougar Minerals Corp.	Rice Lake, Environ 80% interest in 18 claims	June 2011	$nil (Dec 31st, 2010 - $nil, Jan 1st, 2010 - $nil)	An exploration commitment of $1,500,000 over a four year period and a subscription commitment of $600,000 units of Cougar over a 3 year period.
Wildcat Exploration Ltd.	Rice Lake, Environ 80% interest in 122 claims	Aug 2011	$250,000 (Dec 31st, 2010 - $nil, Jan 1st, 2010 - $nil)	An exploration commitment of $5,100,000 over a four year period and a subscription commitment of $750,000 common shares of Wildcat over a 3 year period.

8. Mining claims and options (continued)

Partner	Location	Agreement entered	December 31st, 2011 Carrying Value	Commitment for option
Creighton Claims	Timmins, Ontario 50% interest in 1 claim	Oct 2011	$20,000 (Dec 31st, 2010 - $nil, Jan 1st, 2010 - $nil)	An exploration commitment of $575,000 over a three year period. 2.2% net smelter return with the right to buy back 1% for $1,000,000.
Total			$6,652,949 (Dec 31st, 2010 - $6,382,949, Jan 1st, 2010 - $1,002,649)	

9. Investment in associate

	December 31, 2011	December 31, 2010	January 1, 2010
Investment in associate, beginning of period	$ 1	$ 503,165	$ -
Subscription for share capital	483,350	-	60
Sale of mining claims and options at carrying value	-	-	738,580
Equity loss of associate	(483,350)	(503,164)	(18,033)
Share issue costs	-	-	(217,442)
Investment in associate, end of the period	**$ 1**	**$ 1**	**$ 503,165**

The investment in associate relates to SGX Resources Inc. which began trading on the TSX Venture exchange on April 20th, 2010 under the symbol "SXR". The Company has not guaranteed obligations of SGX Resources Inc. and is not otherwise committed to provide further financial support. Should SGX Resources Inc. return to profitability, the Company will record its proportionate share of income to the extent the income exceeds unrecognized cumulative loses. Unrecognized period and cumulative losses to December 31st, 2011 were approximately $2,809,000 (December 31st, 2010 - $1,214,000).

The following summarizes financial information about the Company's share of assets, liabilities, revenue and loss of its associate:

	December 31, 2011	December 31, 2010	January 1, 2010
Assets	$ 887,000	$ 1,889,000	$ 3,380,000
Liabilities	$ 312,000	$ 319,000	$ 36,000
Revenue	-	-	-
Loss	$ (2,267,000)	$ (1,840,000)	$ -
Percentage held	34%	41%	48%

10. Accounts payable and accrued liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 8,648,987	$ 7,650,333	$ 3,259,764
Payroll and other compensation	3,003,079	2,541,927	1,982,007
Accruals and other payables	1,694,381	790,802	443,259
	$ 13,346,447	$ 10,983,062	$ 5,685,030

11. Long-term debt

	December 31, 2011	December 31, 2010	January 1, 2010
Term loans	$ 1,276,512	$ 902,673	$ 317,033
Finance lease liabilities	3,458,990	1,695,079	383,163
Total long-term debt	**4,735,502**	**2,597,752**	**700,196**
Total current portion	1,619,818	1,264,791	393,377
Total long-term portion	**$ 3,115,684**	**$ 1,332,961**	**$ 306,819**

Long-term debt is repayable by blended monthly payments of $4,909 to $62,060 with interest rates ranging from 2.50% to 8.86% (December 31st, 2010 – 2.50% to 12.30%), a weighted average interest rate of 5.18% (December 31st, 2010 – 5.51%) and is secured by specific equipment with maturities ranging from January 2012 to December 2015 (December 31st, 2010 – April 2011 to August 2015).

a) Term loans

Term loans have interest rates ranging from 6.81% to 8.86% (December 31st, 2010 – 7.38% to 12.30%) and a weighted average interest rate of 6.94% (December 31st, 2010 – 8.03%). Principal due on term loans by year end and in aggregate is approximately as follows:

December 31, 2012	$ 521,654
December 31, 2013	363,618
December 31, 2014	364,588
December 31, 2015	26,652
	$ 1,276,512

b) Finance lease liabilities

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Finance leases have interest rates ranging from 2.50% to 6.75% (December 31st, 2010 – 2.50% to 6.85%) and a weighted average interest rate of 5.35% (December 31st, 2010 – 4.17%). Principal due on finance leases by year end and in aggregate is approximately as follows:

December 31, 2012	$ 1,098,164
December 31, 2013	1,087,422
December 31, 2014	914,359
December 31, 2015	359,045
	$ 3,458,990

Interest amounting to $157,177 (December 31st, 2010 - $56,088) relating to the lease of capital assets are included in finance costs in the consolidated statement of net income (loss).

12. Asset retirement obligation

	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of year	$ 3,133,233	$ 3,010,526	$ 1,636,359
Accretion	19,716	28,500	-
Change in estimate	121,600	94,207	1,374,167
Balance at end of year	**$ 3,274,549**	**$ 3,133,233**	**$ 3,010,526**

The mine operates under Environmental License No. 2161 S1 RR issued by Manitoba Conservation in March 1996 and amended in September 1998. The mine also has a closure and rehabilitation plan that has been accepted by Manitoba Industry, Trade, and Mines. A closure plan for the Bissett Gold Mine was submitted on September 1st, 2001. The plan covers all aspects of rehabilitation of the mine including post closure monitoring.

The Company's asset retirement obligations consist primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for earthworks, including detoxification and re-contouring, re-vegetation, water treatment and demolition. In determining the estimated costs, the Company considers such factors as changes in laws and regulations and requirements under existing permits. Such analyses are performed on an ongoing basis. The total estimated cost for the closure and post closure monitoring is $3,300,000.

13. Share capital

Authorized: Unlimited number of common shares

Issued and fully paid, no par value: 312,676,841 common shares (December 31st, 2010 – 300,408,146, January 1st, 2010 – 267,048,730)

The Company's board of directors and shareholders have approved a stock option plan, the purpose of which is to provide employees, consultants, and directors of the Company with the opportunity to participate in the growth and development of the Company. The number of common shares reserved for issuance under the stock option plan is 31,267,684 (December 31st, 2010 – 30,040,814, January 1st, 2010 – 26,704,873).

	December 31, 2011		December 31, 2010	
	(#)	($)	(#)	($)
Balance, beginning of the year	300,408,146	344,275,207	267,048,730	227,943,094
Private placements	7,957,700	21,883,675	27,799,100	105,978,950
Options exercised	4,275,995	9,877,595	4,350,316	6,092,863
Non monetary issues	35,000	121,950	1,210,000	4,260,300
Balance, end of the year	**312,676,841**	**376,158,427**	**300,408,146**	**344,275,207**

14. Options

During the year ended December 31st, 2011, the fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for the grants: dividend yield of 0% (December 31st, 2010 – 0%), expected volatility of 61% to 63% (December 31st, 2010 – 65% to 70%), risk free interest rate of 1.30% to 2.38% (December 31st, 2010 – 2.20% to 4.02%), and expected life of 1825 days (December 31st, 2010 – 1825 days). The estimated forfeiture rate for options is 5.10% (December 31st, 2010 – 5.04%).

A summary of the status of the Company's share option plan as at December 31st, 2011 and December 31st, 2010 and changes during the periods then ended are as follows:

	December 31, 2011	Average Price ($)	December 31, 2010	Average Price ($)
Options, beginning of the year	14,401,016	2.16	13,501,259	1.16
Options granted	5,525,000	2.68	6,030,000	3.46
Options exercised	(4,275,995)	1.32	(4,350,316)	0.81
Options expired	(866,676)	1.64	(779,927)	2.29
Options forfeited	(333,336)	3.02	-	-
Options, end of the year	**14,450,009**	**2.63**	**14,401,016**	**2.16**
Options vested, end of the year	**5,613,308**	**2.27**	**5,062,659**	**1.27**
Weighted average remaining life (years)	**3.24**		**3.05**	

Exercise Price	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Oustanding Strike Price	Vested	Remaining Vested Contractual Life	Weighted Average Vested Strike Price
$1 to 2	3,647,341	1.68	$ 1.31	2,947,334	1.60	$ 1.32
2 to 3	3,897,668	4.19	2.50	397,666	3.77	2.48
3 to 4	6,855,000	3.57	3.40	2,251,642	3.24	3.45
4 to 5	50,000	3.38	4.36	16,666	3.38	4.36
$1 to 5	**14,450,009**	**3.24**	**$ 2.63**	**5,613,308**	**2.41**	**$ 2.27**

15. Contributed surplus

Changes in contributed surplus consisted of the following:

	December 31, 2011	December 31, 2010
Contributed surplus, beginning of the year	$ 12,356,389	$ 9,013,334
Options issued	7,651,735	5,898,587
Options exercised	(4,221,870)	(2,547,150)
Options expired	(460,986)	(8,382)
Options forfeited	(125,751)	-
Contributed surplus, end of the year	**$ 15,199,517**	**$ 12,356,389**

16. Operations

	December 31, 2011	December 31, 2010
Mine production costs	$ 60,763,453	$ 50,598,703
Amortization of plant and equipment	4,711,243	2,937,975
Depletion of mineral properties	18,251,553	8,398,201
	$ 83,726,249	**$ 61,934,879**

17. General and administrative

	December 31, 2011	December 31, 2010
Share-based compensation	$ 7,525,984	$ 6,033,142
Other	8,868,594	8,036,350
	$ 16,394,578	**$ 14,069,492**

18. Finance income and costs

	December 31, 2011	December 31, 2010
Royalty indemnification fee	$ 255,152	$ 255,153
Royalty interest income	7,869,072	7,870,840
Investment income (loss)	349,327	543,511
Finance income	**8,473,551**	**8,669,504**
Royalty expense	7,869,073	7,870,825
Finance income - net	**$ 604,478**	**$ 798,679**
Interest expense	$ 424,657	$ 237,444
Accretion of asset retirement obligation	19,716	28,500
Finance costs	**$ 444,373**	**$ 265,944**

19. Income taxes

The provision for income taxes reflects an effective tax rate, which differs from the combined Canadian federal and provincial corporate tax rates for the following reasons:

	December 31, 2011	December 31, 2010
Loss for the period before income taxes	$ 10,817,923	$ 30,178,533
Combined statutory tax rate	28.50%	30.00%
Income tax recovery based on statutory rate	3,083,108	9,053,560
Valuation allowance and change in estimate	2,644,265	(3,485,210)
Income tax recovery on flow-through shares	**$ 5,727,373**	**$ 5,568,350**

19. Income taxes (continued)

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2011	December 31, 2010
Deferred income tax assets:		
Non-capital losses carried forward	$ 24,868,000	$ 13,000,000
Canadian exploration and development expense pools	16,853,000	23,660,000
	41,721,000	36,660,000
Deferred income tax liabilities		
Temporary taxable differences	34,836,000	22,620,000
Net deferred income tax asset	6,885,000	14,040,000
Valuation allowance	(6,885,000)	(14,040,000)
	$ -	**$ -**

As at December 31st, 2011, the Company had non-capital loss carry forward amounts available for income tax purposes of $92,042,000 that expire as follows:

December 31, 2011	Expiry
$ 985,000	December 31, 2013
2,086,000	December 31, 2014
1,798,000	December 31, 2015
3,207,000	December 31, 2026
4,558,000	December 31, 2027
32,460,000	December 31, 2028
6,958,000	December 31, 2029
25,520,000	December 31, 2030
14,470,000	December 31, 2031
$ 92,042,000	

The Company has issued flow-through shares to finance certain of its exploration activities. The Company intends to renounce expenditures totaling the amount of the purchase price of the flow-through shares issued to the purchasing shareholders and as a result, tax deductibility of these costs will not be available to the Company. As at December 31st, 2011, the Company had an obligation to spend $8,364,000 of flow-through capital that was already renounced to shareholders (December 31st, 2010 - $10,600,000).

At December 31st, 2011 the Company reported $56,175,000 (December 31st, 2010 - $57,300,000) of unused cumulative Canadian exploration and development costs available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

20. Related party transactions

Wynne Mining Ltd., Wynne Drilling Ltd., Wynne's Place Ltd., and Hotel San Antonio

	December 31, 2011	December 31, 2010
Accounts payable, beginning of the period	$ 484,172	$ 19,246
Expenses at exchange amount	17,557,070	10,989,523
GST on services	806,559	498,797
Payments issued	(18,625,661)	(11,023,394)
Accounts payable, end of the year	**$ 222,140**	**$ 484,172**
Prepaid expenses	**$ -**	**$ 200,000**

During the year, the Company purchased goods and services for the sum of $17,557,070 (December 31st, 2010 - $10,989,523) from Wynne Mining Ltd., Wynne's Place Ltd., Hotel San Antonio, and Wynne Drilling Ltd., (corporations controlled by a Director and Chairman of the Company). These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

These services were expensed or capitalized in the period, forming part of direct exploration expenses, general & administrative expenses, or operational expenses on the Company's consolidated statement of net income (loss). The amounts due to related parties on December 31st, 2011 of $222,140 (December 31st, 2010 – $484,172) are included in the accounts payable on the Company's consolidated statement of financial position.

The Company undertakes transactions in the normal course of business with other related parties. These transactions are recognized at the exchange amount. General and administrative expenses for the year ended December 31st, 2011 include $45,500 (December 31st, 2010 - $276,930) for fees paid to companies controlled by directors for various consulting and managerial work. Exploration expense includes $636,300 paid to a company controlled by former directors for work done according to a mining claims and option agreement between the parties (December 31st, 2010 - $nil).

Accounts receivable includes $141,950 (December 31st, 2010 - $123,000) due from SGX Resources Inc. The amount is the value of common shares of the Company issued to SGX Resources Inc.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, and include any director (whether executive of otherwise) of the Company.

	December 31, 2011	December 31, 2010
Salaries and other short-term employee benefits	$ 1,459,499	$ 866,000
Share-based payments	4,744,894	3,211,905
	$ 6,204,393	$ 4,077,905

21. Net royalty obligation

	December 31, 2011	December 31, 2010	January 1, 2010
Restricted accrued interest	$ 7,724,115	$ 7,777,292	$ 7,439,926
Promissory note	127,805,938	128,692,192	123,123,675
	$ 135,530,053	$ 136,469,484	$ 130,563,601
Current portion of deferred revenue	$ 255,152	$ 255,152	$ 255,152
Current portion of royalty obligation	7,843,774	9,781,883	2,941,098
Deferred revenue	880,803	1,135,956	1,391,109
Royalty obligation	128,666,795	127,668,116	128,603,032
	$ 137,646,524	$ 138,841,107	$ 133,190,391
Net royalty obligation	**$ 2,116,471**	**$ 2,371,623**	**$ 2,626,790**

During the year ended December 31st, 2010, the annual royalties on the 2007 royalty sale were amended to be payable at rates ranging from $72.05 to $349.83 per ounce of gold produced during the period of the agreement to the later of December 31st, 2017 and five years after the end of commercial production from the mine. During the year ended December 31st, 2010, the annual royalties on the 2006 royalty sale were amended to be payable at rates ranging from $29.26 to $310.84 per ounce of gold produced during the period of the agreement to the later of December 31st, 2016 and five years after the end of commercial production from the mine. During the year ended December 31st, 2010, the annual royalties on the 2005 royalty sale were amended to be payable at rates ranging from $5.00 to $100.00 per ounce of gold produced during the period of the agreement to the later of December 31st, 2015 and five years after the end of commercial production from the mine.

During the term of the agreements, the Company is entitled to have amounts held under the restricted promissory notes used to make payments under the royalty obligations.

Under certain circumstances, 100% subsidiaries of the Company will have the right to purchase ("Call") the equity of the holder of the royalties or right to receive the royalties at an amount no greater than the fair market value thereof at the time of the Call. The Call price will be paid from the balance owing to the Company under the promissory note. Under certain circumstances, the purchaser of the royalties will have the right to sell ("Put") their interest in the royalty to the Company at an amount no greater than the fair market value thereof at the time of the Put. However, such right is subject to the subsidiaries of the Company's pre-emptive right to exercise the Call in advance of any Put being exercised and completed. In addition to the royalty, the Company has granted a net profit interest ("NPI") for the years 2011 to 2017 inclusive. Under the commitment, minimum gold price thresholds of $875, $1,075, and $1,275 per ounce trigger NPI levels of 6%, 6.75% and 7% respectively. Under the 2005 and 2006 commitments, minimum gold prices or $875, $1,075, and $1,275 per ounce trigger NPI levels of 1%, 2%, and 3% respectively. No NPI is payable until the Company recovers its capital invested including reserve and interest charges.

22. Loss per share

The Company determines basic loss per common share on the weighted average number of outstanding common shares for the period.

Net loss available to common shareholders for the year ended December 31st, 2011 is $5,090,550 (December 31st, 2010 - $24,610,183). Outstanding options are anti-dilutive.

	December 31, 2011	December 31, 2010
Weighted average basic and diluted shares outstanding	309,069,325	284,660,396

The following securities were not included in the diluted net income per share calculation as the effect would have been anti-dilutive:

	Exercise / conversion price	Number of shares if converted or exercised
Share options - December 31, 2011	$ 2.63	14,450,009
Share options - December 31, 2010	$ 2.16	14,401,016

23. Risk management and fair values

The Company's risk management policies are typically manifested as part of the day to day management of operations. As management becomes aware of risks, the functioning of control procedures is evaluated both directly and through consultation with employees, consultants and third parties with a judgment on the cost and benefit of different courses of action as well as the impact on risk and fair value. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial commitments as they become due. The Company's main sources of liquidity are its operations and external borrowings and issuance of capital. The Company ensures that there is sufficient working capital and available credit facilities to meet its ongoing current obligations.

The following are the estimated maturities of the Company's financial liabilities from continuing operations:

	Total	1 year	2 years	3 years	4 years
Accounts payable and accrued liabilities	$ 13,346,447	$ 13,346,447	$ -	$ -	$ -
Term Loans	1,276,512	521,654	363,618	364,588	26,652
Finance Leases	3,458,990	1,098,164	1,087,422	914,359	359,045
	$ 18,081,949	$ 14,966,265	$ 1,451,040	$ 1,278,947	$ 385,697

The Company's royalty obligation will be funded by the restricted promissory note.

23. Risk management and fair values (continued)

Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. In general, the risk of investing cash equivalents into fixed interest rate investments is mitigated by the short terms in which the investments mature.

The Company primarily invests in high credit quality debtors including the Government of Canada and Provinces of Canada.

The Company does not recognize any allowance for doubtful accounts and has no past due receivables.

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures relating to customer accounts receivable balances and trade accounts payable denominated in U.S. currency.

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Gold prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

Fair values

The fair values of the Company's current financial assets and liabilities (cash, accounts receivable, bank indebtedness, and accounts payable), approximate their recorded values as at period end due to their short-term nature. The fair value of the marketable securities is based on a published source and observable market inputs. Management has estimated that the fair value of the collateral deposit approximates its book value.

The fair value of the Company's long-term debt (excluding finance leases) for the year ended December 31st, 2011 is $1,276,512 (December 31st, 2010 - $902,673, January 1st, 2010 - $317,033). The fair value of long-term debt has been estimated based on the current market rates for mortgages with similar terms and conditions.

23. Risk management and fair values (continued)

The cash flows associated with the net royalty obligation are equal. The net fair value of the net royalty obligation is $nil (December 31st, 2010 - $nil).

The fair value hierarchy of financial instruments measured at fair value on the consolidated statement of financial position is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Financial assets			
Marketable securities (Level 1)	$ 9,183,616	$ 40,873,874	$ 10,436,329
Marketable securities (Level 2)	9,981,734	18,673,833	2,858,561
	$ 19,165,350	$ 59,547,707	$ 13,294,890

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

24. Capital management

The Company's total capital of $218,030,062 (December 31st, 2010 - $187,450,547, January 1st, 2010 - $96,519,939) consists of $376,158,427 (December 31st, 2010 - $344,275,207, January 1st, 2010 - $227,943,094) of share capital, $15,199,517 (December 31st, 2010 - $12,356,389, January 1st, 2010 - $9,013,334) of contributed surplus and an offsetting accumulated deficit of $178,063,384 (December 31st, 2010 - $171,778,801 January 1st, 2010 - $141,136,685). The majority of capital funding has therefore come by way of share issuance. The Company also considers its long term debt as part of its capital structure in the amount of $4,735,502 (December 31st, 2010 - $2,597,752, January 1st, 2010 - $700,196).

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company sets the price of capital in proportion to risk and market levels for similar products. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company can issue new shares, return shares to shareholders, sell assets, buy back debt or issue new debt and / or any combination thereof.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

25. Commitments

The Bissett mine operates under a Mining Lease (ML 063) granted by the Manitoba Industry, Trade and Mines for a period of 21 years commencing April 1st, 1992. A license fee of $20,957 is payable annually to the Province of Manitoba.

In addition, the Company is potentially subject to regular audits from federal and provincial tax authorities relating to income, capital, and commodity taxes and as a result of these audits may receive assessments or reassessments. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

To satisfy the closure plan described in Note 12, the Company has agreed to provide a cheque, bond, or letter of credit in the amount of $40,000 as well as a pledge of the current estimated salvage value of mine assets to cover the calculated value of mine closure and post closure monitoring costs.

The Company has entered into lease agreements for the use of office space. The leases expire on September 30th, 2016. Minimum lease payments over the next five years are as follows:

December 31, 2012	$	175,085
December 31, 2013		174,593
December 31, 2014		173,117
December 31, 2015		173,117
December 31, 2016		123,391

26. Defined contribution pension plan

Effective May 1, 2010, the Company provides a defined contribution plan for its employees. The Company is responsible for contributing 3% of the employees' earnings to the plan. The Company's contributions to the plan, which are recognized in the year earned by the employee and treated in the same manner as the related compensation, were $609,875 (December 31st, 2010 - $318,069).

27. Net change in non-cash working capital

	December 31, 2011	December 31, 2010
Accounts receivable	$ (6,491,858)	$ (4,502,819)
Supply inventory	(2,428,749)	(791,031)
Gold in process	(3,433,051)	2,530,844
Prepaid expenses	(80,630)	(7,573)
Collateral deposit	-	51,221
Restricted accrued interest	53,117	(337,366)
Royalty obligation	(53,116)	337,352
Accounts payable	2,363,386	5,298,031
	$ (10,070,901)	**$ 2,578,659**

28. First time adoption of IFRS

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian GAAP.

Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In preparing these consolidated financial statements, the Company's opening statement of financial position was prepared as at January 1st, 2010, the Company's date of transition to IFRS. This note explains how the transition from GAAP to IFRS has affected the Company's financial position, financial performance, and cash flows as set out in the following tables and notes.

IFRS election options and mandatory exception

The Company has applied the following transition elections and exceptions to full retrospective application of IFRS:

i) Business combinations: IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, to a specific date prior to the transition date or prospectively from the transition date. Full retrospective application of IFRS 3 would require restatement of all business combinations that occurred prior to the transition date.

The Company has applied the business combinations exemption in IFRS 1 and as a result has not retrospectively applied IFRS 3 to any business combinations that took place prior to the transition date of January 1st, 2010.

ii) Borrowing costs: This exemption allows an entity to adopt IAS 23, *Borrowing Costs*, prospectively to construction projects for which the capitalization commencement date is after January 1st, 2010 or it may elect any date earlier than January 1st, 2010 for transition.

The Company has elected to apply the borrowing cost exemption prior to January 1st, 2010 and as a result will apply IAS 23 to qualifying properties for which the commencement date for capitalization is January 1st, 2010 or later.

iii) Share-based payments: This exemption allows first-time adopters to not apply IFRS 2, *Share-based payments,* to equity instruments that were granted prior to November 7th, 2002. It also allows the first-time adopter to not apply IFRS 2 to equity instruments granted after November 7th, 2002 that vested before transition to IFRS.

The Company has elected this exemption and as a result will only apply IFRS 2 for share-based payments that were granted after November 7th, 2002, and had not vested at January 1st, 2010.

iv) Asset retirement obligations: This exemption allows a first-time adopter to calculate the asset retirement obligation on the transition date in accordance with IFRS, discount the liability back to the date when it first arose and depreciate the related asset to its carrying amount on the transition date.

In the absence of this exemption, entities would need to determine what the change in the asset retirement obligation each reporting period would have been since the liability was incurred and make corresponding adjustments to depreciation at the transition date. The Company elected to apply this exemption on transition as a result of the changes in accounting for asset retirement obligations.

v) Compound financial instruments: This exemption applies when a compound financial instrument is split into separate liability and equity components and the liability is no longer outstanding. Under the exemption, if the liability component is no longer outstanding, a first-time adopter does not have to retrospectively separate the liability from the equity component.

The Company has elected to apply this exemption as convertible debentures issued in 2006 and 2008 were redeemed and/or converted with the related liability component no longer being outstanding at January 1st, 2010.

vi) The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies. Estimates under IFRS at January 1st, 2010 are consistent with estimates made for that same date under Canadian GAAP.

Reconciliation of GAAP to IFRS

(i) Reconciliation of consolidated statement of financial position as previously reported under Canadian GAAP to IFRS for January 1, 2010

	Ref	Canadian GAAP January 1, 2010	Effect of conversion to IFRS	IFRS January 1, 2010
CURRENT ASSETS				
Accounts receivable		$ 3,607,864	$ -	$ 3,607,864
Marketable securities		13,294,890	-	13,294,890
Supply inventory		1,680,699	-	1,680,699
Gold in process		8,649,764	-	8,649,764
Prepaid expenses		460,086	-	460,086
Restricted accrued interest	e	7,439,926	(7,439,926)	-
		35,133,229	**(7,439,926)**	**27,693,303**
NON-CURRENT ASSETS				
Property, plant and equipment		14,602,362	-	14,602,362
Mineral properties	a	62,900,439	1,446,064	64,346,503
Collateral deposit		51,221	-	51,221
Mining claims and options		1,002,649	-	1,002,649
Promissory note	e	123,123,675	(123,123,675)	-
Investment in associate		503,165	-	503,165
		202,183,511	**(121,677,611)**	**80,505,900**
		$ 237,316,740	**$ (129,117,537)**	**$ 108,199,203**
CURRENT LIABILITIES				
Bank indebtedness		$ 356,918	$ -	$ 356,918
Accounts payable and accrued liabilities		5,685,030	-	5,685,030
Current portion of deferred revenue	e	255,152	(255,152)	-
Current portion of long-term debt		393,377	-	393,377
Current portion of royalty obligation	e	2,941,098	(2,941,098)	-
		9,631,575	**(3,196,250)**	**6,435,325**
NON-CURRENT LIABILITIES				
Asset retirement obligation	a	1,636,359	1,374,167	3,010,526
Deferred revenue	e	1,391,109	(1,391,109)	-
Long-term debt		306,819	-	306,819
Net royalty obligation	e	-	2,626,790	2,626,790
Royalty obligation	e	128,603,032	(128,603,032)	-
		131,937,319	**(125,993,184)**	**5,944,135**
EQUITY				
Share capital	b	238,989,388	(11,046,294)	227,943,094
Contributed surplus		9,013,334	-	9,013,334
Deficit	a,b	(152,254,876)	11,118,191	(141,136,685)
		95,747,846	**71,897**	**95,819,743**
		$ 237,316,740	**$ (129,117,537)**	**$ 108,199,203**

(ii) Reconciliation of consolidated statement of financial position as previously reported under Canadian GAAP to IFRS for December 31, 2010

	Ref	Canadian GAAP December 31, 2010	Effect of conversion to IFRS	IFRS December 31, 2010
CURRENT ASSETS				
Accounts receivable		$ 8,594,032	$ -	$ 8,594,032
Marketable securities		59,547,707	-	59,547,707
Supply inventory		2,471,730	-	2,471,730
Gold in process		6,118,920	-	6,118,920
Prepaid expenses		467,659	-	467,659
Restricted accrued interest	e	7,777,292	(7,777,292)	-
		84,977,340	**(7,777,292)**	**77,200,048**
NON-CURRENT ASSETS				
Property, plant and equipment		28,295,682	-	28,295,682
Mineral properties	a	94,364,655	1,420,719	95,785,374
Mining claims and options		6,382,949	-	6,382,949
Promissory note	e	128,692,192	(128,692,192)	-
Investment in associate		1	-	1
		257,735,479	**(127,271,473)**	**130,464,006**
		$ 342,712,819	**$ (135,048,765)**	**$ 207,664,054**
CURRENT LIABILITIES				
Bank indebtedness		$ 3,725,589	$ -	$ 3,725,589
Accounts payable and accrued liabilities		10,983,062	-	10,983,062
Current portion of deferred revenue	e	255,152	(255,152)	-
Current portion of long-term debt		1,264,791	-	1,264,791
Current portion of royalty obligation	e	9,781,883	(9,781,883)	-
		26,010,477	**(10,037,035)**	**15,973,442**
NON-CURRENT LIABILITIES				
Asset retirement obligation	a	1,803,481	1,329,752	3,133,233
Deferred revenue	e	1,135,956	(1,135,956)	-
Long-term debt		1,332,961	-	1,332,961
Net royalty obligation	e	-	2,371,623	2,371,623
Royalty obligation	e	127,668,116	(127,668,116)	-
		131,940,514	**(125,102,697)**	**6,837,817**
EQUITY				
Share capital	b	360,889,851	(16,614,644)	344,275,207
Contributed surplus		12,356,389	-	12,356,389
Deficit	a,b	(188,484,412)	16,705,611	(171,778,801)
		184,761,828	**90,967**	**184,852,795**
		$ 342,712,819	**$ (135,048,764)**	**$ 207,664,054**

(iii) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS for the year ended December 31, 2010

		For the year ended December 31, 2010		
	Ref	Canadian GAAP	Effect of conversion to IFRS	IFRS
REVENUE		**$ 57,950,671**	**$ -**	**$ 57,950,671**
OPERATIONS				
Operations	c	50,598,703	11,336,176	61,934,879
Asset retirement accretion	d	167,122	(167,122)	-
Amortization of property, plant and equipment	a,c	2,937,975	(2,937,975)	-
Depletion of mineral properties	c	8,278,651	(8,278,651)	-
LOSS FROM OPERATIONS		**4,031,780**	**(47,572)**	**3,984,208**
Exploration		12,146,690	-	12,146,690
General and administrative	c	8,036,350	6,033,142	14,069,492
Royalty expense	c	7,870,825	(7,870,825)	-
Interest expense	c	237,444	(237,444)	-
Share-based compensation	c	6,033,142	(6,033,142)	-
LOSS BEFORE OTHER REVENUE		**38,356,231**	**(8,155,841)**	**30,200,390**
OTHER REVENUE AND EXPENSES				
Indemnification fee	c	255,153	(255,153)	-
Interest income	c	8,414,351	(8,414,351)	-
Finance income - net	c	-	798,679	798,679
Finance cost	c,d	-	(265,944)	(265,944)
Equity loss of associate		(503,164)	-	(503,164)
Loss on disposal of property, plant and equipment		(7,714)	-	(7,714)
LOSS BEFORE INCOME TAX		30,197,605	(19,072)	30,178,533
Income tax recovery (expense)	b	7,959,465	(2,391,115)	5,568,350
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ 22,238,140**	**$ 2,372,043**	**$ 24,610,183**
LOSS PER COMMON SHARE: Basic & diluted		**$ 0.08**	**$ 0.01**	**$ 0.09**

Notes to reconciliations

IFRS adjustments

a) Asset retirement obligations

IFRS requires the asset reclamation obligations costs and obligations to be measured based on management's best estimate of future expenditures and adjustments to the liability are made in each period for changes in the timing or amount of cash flow, changes in the discount rate and the accretion expense. The estimated future cash flows are discounted at the period end risk free rate and upward revisions in the liability are not tracked separately as is required under Canadian GAAP.

The adjustment on transition to IFRS measures the asset retirement obligation in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). As described above, the Company applied the IFRS 1 exemption to not retrospectively apply IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities. This optional exemption allows for a short-cut method in order to record an adjustment for the opening depreciated cost of the decommissioning and restoration asset under IFRS on transition. Accordingly, the Company recorded an adjustment to increase the asset retirement obligation asset (included within mineral properties) by $1,446,064 and the asset retirement liability by $1,374,167 for a total adjustment that reduced the deficit by $71,897 on transition to IFRS.

Under IFRS, the asset retirement obligation is required to be recalculated using a new discount rate at each reporting period. The change in the discount rate is adjusted through the asset retirement asset and liability. As a result in the change in the discount rate, depletion of the asset retirement asset increased by $119,550 and the accretion expense decreased by approximately $138,622 for the year ended December 31st, 2010.

b) Flow-through shares

Under IFRS, the Company will record a liability for the difference between the proceeds received and the market price of the Company's shares on the date of the transaction ("premium"). This premium will be recognized as income upon the related renouncement of expenditures. At this point, the Company will also record the deferred tax liability associated with the renouncement of the tax benefits. Any difference between the deferred tax liability and the original premium liability will be recorded in the statement of income.

The adjustment on transition to IFRS to record the change in accounting for flow-through shares is computed as the difference between the tax attributes renounced to subscribers (and recorded against equity for Canadian GAAP) and the premium on the flow through share issuance (which is the only amount that should be recorded for IFRS). Under IFRS, the difference is recorded to future tax expense, which impacts accumulated deficit. Accordingly, the Company recorded an adjustment on transition to decrease share capital and deficit by $11,046,294 to record the effects of this policy change on historical flow-through issuances.

The Company also issued flow through shares in the first quarter of 2010. Upon renouncing these expenditures, an income tax expense is recorded as the difference between the premium and value of tax attributes renounced to shareholders. As a result of the issuance and subsequent renunciation, share capital and deficit decreased by $16,614,644 for the year ended December 31st, 2010.

IFRS reclassifications

c) Expense classification by function

IFRS requires that expenses be classified by function or nature. The Company will report expenses by function and has accordingly reclassified certain expenses on the face of the statement of comprehensive income to comply with this presentation.

d) Accretion expense

In accordance with IFRS, accretion expense is presented as a financing cost. Accretion expense was previously reported as an operating cost.

e) Net royalty obligation

Upon transition to IFRS, the Company has changed the presentation of items previously shown as gross under Canadian GAAP. Under IFRS, even when more than two parties are involved in the arrangement net presentation is required provided the criteria of offsetting is met, while under Canadian GAAP the Company's policy was such that netting presentation was only permitted where two parties were involved. No gain or loss has been recognized as a result of this presentation difference, as the recognition and measurement treatment of the different components of the transaction has not changed upon transition. The royalty agreements have not been modified.

Other impacts

f) Cash flow statement

There are no material differences between the cash flow statements presented under IFRS and the cash flow statements presented under Canadian GAAP for the year ended December 31st, 2010.

g) Loss per share

Primarily, as a result of the change in accounting for flow-through shares as described above, the Company's loss per common share has increased by $0.01 for the year ended December 31st, 2010.

29. Subsequent events

In the subsequent period, the Company entered into an initial agreement with SGX Resources Inc. to sell all of the interests of the Company's mining claims in Tisdale Township, in the Timmins, Ontario mining camp in consideration of the issuance of 8,060,000 common shares of SGX at a deemed price of $0.50 per SGX share. The Company has not yet entered into a formal purchase agreement with respect to the transaction.

Subsequent to year end, the Company entered into a private placement to issue 10,715,000 flow-through common shares at a price of $2.10 per flow-through common share for total gross proceeds of $22,501,500. The company will use its best efforts to ensure that a majority of the gross proceeds from the sale of the flow through common shares will be used for flow through mining expenditures for purposes of the Income Tax Act related to the Company's exploration projects. The offering is subject to a number of conditions, including, without limitation, receipt of all regulatory approvals.

Also, in the subsequent period, the Company issued 4,765,000 incentive stock options ("Options") to purchase its common shares, exercisable at a price of $1.58 per common share, to approximately 80 directors, officers, employees and consultants of the Company. The options have been issued pursuant to the Corporation's stock option plan.