ETHOS GOLD CORP.
(formerly Ethos Capital Corp.)

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 AND 2010

(Expressed in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ethos Gold Corp. are the responsibility of management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and where appropriate include management's best estimates and judgments.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and the majority of its members are independent directors. The Audit Committee meets periodically with management and the shareholders' auditors to review financial statements and reports prepared by management, internal controls, audit results, accounting principles and related matters. The Board of Directors approves the financial statements on recommendation from the Audit Committee.

Hay & Watson, an independent firm of Chartered Accountants, was appointed as auditor by the shareholders at the last annual meeting to examine the financial statements and provide an independent professional opinion.

"Gary Freeman"

Gary Freeman
Chief Executive Officer

"Peter G. Wong"

Peter G. Wong
Chief Financial Officer

April 18, 2012

HAY & WATSON | Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ethos Capital Corp.

We have audited the financial statements of Ethos Capital Corp., which comprise the balance sheets as at December 31, 2011 and 2010 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Hay + Watson

Chartered Accountants
Vancouver, British Columbia
April 18, 2012

ETHOS GOLD CORP.
Balance Sheets
(Stated in Canadian Dollars)

	December 31 2011	December 31 2010 (Note 15)	January 1 2010 (Note 15)
Assets			
Current assets:			
Cash and cash equivalents	$ 14,291,378	$ 5,707,569	$ 1,392,457
Amounts receivable	277,496	18,475	1,813
Prepaid expenses	193,256	16,454	-
	14,762,130	5,742,498	1,394,270
Mineral Interests (note 4)	1,716,000	1,011,750	130,750
Equipment (note 5)	44,969	-	-
	$ 16,523,099	$ 6,754,248	$ 1,525,020
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 223,545	$ 134,360	$ 18,925
Due to related parties (note 7)	90,407	6,876	1,304
Flow-through share liability (note 15)	109,766	32,862	-
	423,718	174,098	20,229
Shareholders' Equity			
Share capital (note 6)	21,337,822	6,778,671	2,007,873
Share option reserve	1,693,527	662,465	322,808
Share warrant reserve	3,065,932	1,627,040	-
Deficit	(9,997,900)	(2,488,026)	(825,890)
	16,099,381	6,580,150	1,504,791
	$ 16,523,099	$ 6,754,248	$ 1,525,020

The accompanying notes are an integral part of the financial statements

Approved by the Board of Directors and authorized for issue on April 18, 2012

"Chris Theodoropoulos" **Director**

"Gary Freeman" **Director**

ETHOS GOLD CORP.
Statements of Loss and Comprehensive Loss
For the Fiscal Years Ended December 31, 2011 and 2010
(Stated in Canadian Dollars)

	2011	2010
		(Note 15)
Expenses		
Amortization of equipment	$ 6,079	$ -
Bank charges	3,787	937
Consulting	397,882	215,774
Exploration and project evaluation	5,020,375	865,696
Investor relations	289,048	79,893
Listing and filing fees	106,549	46,797
Office and administrative	134,908	79,931
Professional fees	104,588	47,016
Rent	35,463	21,150
Salaries	147,870	-
Share-based compensation	1,129,981	291,505
Travel and expenses	218,813	22,671
Write-off of mineral interest acquisition costs	246,750	-
Loss before the undernoted	(7,842,093)	(1,671,370)
Other income (expenses)		
Other income	199,095	-
Interest income	140,499	15,846
Foreign exchange loss	(7,375)	(6,612)
Net loss and comprehensive loss for the year	(7,509,874)	(1,662,136)
Basic and diluted loss per share	$ 0.21	$ 0.10
Weighted average number of common shares outstanding	35,737,106	17,481,282

The accompanying notes are an integral part of the financial statements

ETHOS GOLD CORP.

Statements of Changes in Shareholders' Equity
For the Fiscal Years Ended December 31, 2011 and 2010
(Stated in Canadian Dollars)

	Share Capital		Share Reserves			
	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve	Deficit	Total
Balances, January 1, 2010	11,200,000	$2,007,873	$ 322,808	$ -	$(825,890)	$1,504,791
Shares and warrants issued for cash	11,277,455	4,170,281	-	1,586,458	-	5,756,739
Share issue costs	-	(288,799)	-	-	-	(288,799)
Fair value of finder's warrants	-	(147,600)		147,600	-	-
Shares issued for mineral interests	700,000	556,000	-	-	-	556,000
Shares issued for warrants exercised	638,085	346,181	-	(107,018)	-	239,163
Shares issued for options exercised	250,000	134,735	(79,735)	-	-	55,000
Share-based compensation	-	-	419,392	-	-	419,392
Net loss for the year	-	-	-	-	(1,662,136)	(1,662,136)
Balances, December 31, 2010	24,065,540	6,778,671	662,465	1,627,040	(2,488,026)	6,580,150
Shares and warrants issued for cash	13,770,000	13,003,016	-	1,594,985	-	4,598,001
Share issue costs	-	(1,056,773)	-	-	-	(1,056,773)
Fair value of finder's warrants	-	505,642)	-	505,642		-
Shares issued for mineral interests	600,000	726,000	-	-	-	726,000
Shares issued for warrants exercised	3,460,275	2,217,814	-	(661,735)	-	1,556,079
Shares issued for options exercised	202,096	174,736	(98,919)	-	-	75,817
Share-based compensation	-	-	1,129,981	-	-	1,129,981
Net loss for the year	-	-	-	-	(7,509,874)	(7,509,874)
Balances, December 31, 2011	42,097,911	$21,337,822	$1,693,527	$3,065,932	($9,997,900)	$16,099,381

The accompanying notes are an integral part of the financial statements

ETHOS GOLD CORP.

Statements of Cash Flows
For the Fiscal Years Ended December 31, 2011 and 2010
(Stated in Canadian Dollars)

		2011		2010
				(Note 15)
Operating activities				
Net loss for the year	$	(7,509,874)	$	(1,662,136)
Item not affecting cash:				
Amortization of equipment		6,079		-
Share-based compensation		1,129,981		419,392
Write-off of mineral interests		246,750		-
		(6,127,064)		(1,242,744)
Changes in non-cash working capital components				
Amounts receivable		(259,021)		(16,662)
Prepaid expenses		(74,578)		(4,436)
Accounts payable and accrued liabilities		94,593		60,732
Due to related parties		83,531		5,572
Items not affecting operating activities				
Other income		(199,096)		-
Exploration and project evaluation		5,020,375		852,799
		(1,461,260)		(344,739)
Investing activities				
Equipment		(51,048)		-
Mineral interests		(5,353,006)		(1,135,114)
		(5,404,054)		(1,135,114)
Financing activities				
Private placements of common shares		14,874,000		5,789,601
Exercise of options		75,817		55,000
Exercise of warrants		1,556,079		239,163
Share issue costs		(1,056,773)		(288,799)
		15,449,123		5,794,965
Increase in cash		8,583,809		4,315,112
Cash and cash equivalents, beginning of period		5,707,569		1,392,457
Cash and cash equivalents, end of period	$	14,291,378	$	5,707,569
Cash and cash equivalents consisted of				
Cash on deposit with a Canadian senior bank	$	12,645,584	$	1,084,285
Term deposits and guaranteed investment certificates issued by a Canadian senior bank		1,645,794		4,623,284
	$	14,291,378	$	5,707,569

Supplemental Cash Flow Information (note 9)
The accompanying notes are an integral part of the financial statements

1. NATURE OF OPERATIONS

Ethos Gold Corp., formerly known as Ethos Capital Corp., (the "Company") was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2007, the Company completed an initial public offering ("IPO") and was publicly listed as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "TSX-V" or "Exchange"). In 2008, the Company announced a proposed qualifying transaction ("Qualifying Transaction"). In 2009, the TSX-V accepted the Company's Qualifying Transaction and filing statement, and the Company began trading on the TSX-V as a Tier 2 company under the symbol ECC. Its registered office is located at 680 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company's operations during the fiscal year ended December 31, 2011 were primarily directed towards the exploration of the Company's property interests located in Canada.

These financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing and, if required, through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations in the normal course of business.

2. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Statement of compliance

These financial statements represent the Company's first IFRS annual financial statements and have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standing Interpretations Committee ("SICs"). The Company adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date of January 1, 2010. These financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2011, with significant accounting policies as described in note 3.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for cash and cash equivalents and other financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value, and are presented in Canadian dollars.

2. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

First-time adoption of IFRS

Due to the Company's transition to IFRS, the basis of preparation of these financial statements differs from that of the Company's prior year financial statements, which were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The disclosures required by IFRS 1 identify the impact of the transition to IFRS as at January 1, 2010 and December 31, 2010 and for the year ended December 31, 2010. The details of the transition are provided in note 15 which includes reconciliations of the Company's balance sheets at January 1, 2010 and December 31, 2010 and statements of loss and comprehensive loss for the year ended December 31, 2010 from Canadian GAAP to IFRS.

IFRS 1 requires accounting policies under IFRS to be applied retrospectively as of the transition date of January 1, 2010 with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The exemption made by the Company to its opening balance sheet dated January 1, 2010 was:

Share-based payments

IFRS 1 permits the application of IFRS 2, Share-Based Payment, only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company has applied this exemption and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

IFRS 1 also outlines guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guideline to its opening balance sheet dated January 1, 2010:

Estimates

In accordance with IFRS 1, an entity's accounting estimates in accordance with IFRS at the date of transition to IFRS must be consistent with accounting estimates made for the same date in accordance with previous Canadian GAAP, unless there is objective evidence that those estimates were made in error. The Company's IFRS estimates at January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting estimates and judgments (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of amounts receivable, the carrying values of minerals interest and equipment, the determination of realizable amounts of deferred tax assets and liabilities, the fair value of options and warrants issued, and the fair value of reclamation obligations. Actual results may differ from those estimates.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from property and equipment.

(b) Reporting and functional currencies

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar.

Transactions in other currencies are initially recorded in the functional currency at the rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary items that are measured in terms of historical cost in other currencies are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in another currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these transactions are included in the statement of loss.

(c) Financial instruments

Financial instruments are classified into various categories. Held to maturity investments and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as FVTPL when the financial instrument is held for trading or designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income (see (l) below) until the asset is removed from the balance sheet, and losses due to impairment are included in operations. Other financial liabilities are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

The Company's financial instruments are cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and due to related parties. The Company has classified its cash and cash equivalents as FVTPL, amounts receivable as loans and receivables and accounts payable and accrued liabilities and due to related parties as other financial liabilities. The carrying values of these financial instruments approximate their fair value due to their short-terms to maturity.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

(d) Cash and cash equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

(e) Mineral interests

Mineral interests are recorded at cost less accumulated impairment losses. All direct costs related to the to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. Upon commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

(f) Equipment

Equipment is recorded at cost and amortized over its estimated useful lives. The Company records amortization on a declining balance basis at the following annual rates. The amortization rates are reduced by one-half in the years of acquisition and disposal.

Computer equipment	30%
Office equipment	20%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its mineral interests and equipment to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (in any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(i) Reclamation obligations

Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future site restoration and other costs as required due to environmental law or contracts. At December 31, 2011, there were no reclamation obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share capital

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

(i) Flow-through shares

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

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(k) Income recognition

Interest from cash and cash equivalents is recorded on an accrual basis when collection is reasonably assured.

(l) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the balance sheet. At present, the Company has no other comprehensive income or loss.

(m) Share-based payments

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

(o) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the periods presented as including them would have been anti-dilutive.

(p) New accounting standards and interpretations

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below and include only those which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards and interpretations when they become effective and their impact on the financial statements is currently being assessed.

The new standards and interpretations issued include:

- IFRS 9 'Financial Instruments' (effective for years beginning on or after January 1, 2015): IFRS 9 introduces new requirements for classifying and measuring financial assets and provides additional guidance on the fair value option for liabilities to address the entity's own credit risk.
- IFRS 10 'Consolidated Financial Statements' (effective for years beginning on or after January 1, 2013): IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements.
- IFRS 11 'Joint Arrangements' (effective for years beginning on or after January 1, 2013): IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New accounting standards and interpretations (continued)

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for years beginning on or after January 1, 2013): IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement' (effective for years beginning on or after January 1, 2013): IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements.

Accounting standards that have been amended but are not yet effective include:

- IFRS 7 'Financial Instruments: Disclosures' (effective for years beginning on or after July 1, 2011): IFRS 7 was amended to improve the disclosure requirements in relation to transferred financial assets.
- IFRS 7 'Financial Instruments: Disclosures' (effective for years beginning on or after January 1, 2013): IFRS 7 was amended to provide new disclosure requirements for financial instruments that have been offset in the statement of financial position. As part of this amendment, IAS 32 'Financial Instruments: Presentation' was also amended to clarify the meaning of "currently has a legally enforceable right of set-off."
- IAS 1 'Presentation of Financial Statements' (effective for years beginning on or after July 1, 2012): The amendments to IAS 1 improve how components of other comprehensive income are presented.
- IAS 27 'Separate Financial Statements' (effective for years beginning on or after January 1, 2013): IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, non-consolidated, financial statements.
- IAS 28 'Investments in Associates and Joint Ventures' (effective for years beginning on or after January 1, 2013): IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting for investments in associates and joint ventures.

4. MINERAL INTERESTS

Acquisition Costs	Santa Teresa Mexico	Corrales Mexico	Yukon	Total
Balance, January 1, 2010	$ 65,375	$ 65,375	$ -	$ 130,750
Additions	58,000	58,000	765,000	881,000
Balance, December 31, 2010	123,375	123,375	765,000	1,011,750
Additions	-	-	951,000	951,000
Write-off	(123,375)	(123,375)	-	(246,750)
Balance, December 31, 2011	$ -	$ -	$ 1,716,000	$ 1,716,000

4. MINERAL INTERESTS (continued)

Santa Teresa and Corrales Option Agreement, Mexico

Pursuant to a number of agreements and amendments, the Company had an exclusive option (the "Option") to earn an undivided seventy percent (70%) right, title and working interest in two of Cardero Resource Corp.'s ("Cardero") mineral properties in Mexico, the Santa Teresa and Corrales properties (the "Mineral Properties") respectively, by:

(a) Paying to Cardero the sum of $300,000, as follows:

i. $100,000 on the Acceptance Date (completed on July 20, 2009)
ii. an additional $75,000 on or before December 15, 2010 (completed December 10, 2010); and
iii. an additional $125,000 on or before July 17, 2011 (not completed);

(b) delivering to Cardero 1,000,300 fully-paid and non-assessable common shares of the Company as follows:

i. 150,000 common shares of the Company on or before December 15, 2010 (completed December 3, 2010);
ii. an additional 250,000 common shares of the Company by July 17, 2011 (not completed); and
iii. an additional 600,300 common shares of the Company on or before July 17, 2012 (not completed);

(c) assuming all of the liabilities and performing, in a timely manner, all of the obligations pursuant to each of the third-party agreements to which Cardero or its subsidiaries hold their rights in and title to the Mineral Properties during the Option period.

The Company surrendered and terminated its right to acquire from Cardero the Santa Teresa property during 2011 and the Corrales property during 2012.

Betty & Wolf Option Agreements, Yukon

On December 21, 2010, the TSX-V accepted for filing two option agreements dated November 30, 2010 between the Company and Shawn Ryan ("Ryan") and Wildwood Exploration Inc. ("Wildwood") whereby the Company has the option to acquire a 100% interest in the Betty and Wolf properties, located in the White Gold area, west-central Yukon by completing the following:

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

Betty & Wolf Option Agreements, Yukon (continued)

Cash Payments

Property	Within 5 business days of TSXV Acceptance (Completed December 23, 2010)	On or before January 15, 2012 (Completed January 15, 2012)	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	$100,000	$100,000	$100,000	$100,000	$150,000
Betty	$150,000	$100,000	$100,000	$100,000	$150,000
Totals	$250,000	$200,000	$200,000	$200,000	$300,000
Cumulative	$250,000	$450,000	$650,000	$850,000	$1,150,000

Required Expenditures

Property	On or before January 15, 2012	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Wolf	$200,000	$300,000	$500,000	$750,000	$750,000
Betty	$200,000	$300,000	$500,000	$750,000	$750,000
Totals	$400,000	$600,000	$1,000,000	$1,500,000	$1,500,000
Cumulative	$400,000	$1,000,000	$2,000,000	$3,500,000	$5,000,000

Share Payments

Property	Within 5 business days of TSXV Acceptance (Completed December 23, 2010)	On or before January 15, 2012 (Completed January 15, 2012)	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	$250,000	$250,000	$250,000	$250,000	$250,000
Betty	$250,000	$250,000	$250,000	$250,000	$250,000
Totals	$500,000	$500,000	$500,000	$500,000	$500,000
Cumulative	$500,000	$1,000,000	$1,500,000	$2,000,000	$2,500,000

4. MINERAL INTERESTS (continued)

Betty & Wolf Option Agreements, Yukon (continued)

The Company will also issue and deliver to Ryan 500,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on each of the Betty and Wolf properties, and issue and deliver to Ryan an additional 500,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on each of the Betty and Wolf properties.

In addition, the Company has the option to accelerate all of the above obligations and upon fulfilling all of these obligations, under both option agreements, the Company will make annual cash advance royalty payments of $30,000 to Ryan and Wildwood commencing October 30, 2015 and continuing each year thereafter until commencement of commercial production of each of the respective mineral properties. These advance royalty payments will be deducted from the royalty payable upon commencement of commercial production.

Each of the properties will be subject to a 2% Net Smelter Return ("NSR") royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buy out 1% of the NSR royalty for CDN$2,500,000 per property.

Bridget & Hen Option Agreements, Yukon

The Company entered into two option agreements dated March 1, 2011 between the Company and Ryan and Wildwood, whereby the Company had the option to acquire a 100% interest in the Bridget and Hen properties, located in the White Gold area. The TSX-V approved this transaction during the second quarter of 2011. In February 2012, the Company and Ryan and Wildwood amended the terms of these two option agreements. 1,633 claims were removed from the Hen Agreement and added to the Bridget Agreement, and 476 former Hen claims were determined not to be required for the Company's exploration objectives, and were returned to Ryan and Wildwood. Consequently, the revised claim package is included under the Bridget Agreement and the Hen Agreement has been terminated.

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

Bridget & Hen Option Agreements, Yukon (continued)

Following are the requirements to fulfill the option as amended in February 2012:

Cash Payments

Property	Within 5 business days of TSXV Acceptance (Completed May 31, 2011)	On or before March 2, 2012 (Completed March 13, 2012)	On or before March 2, 2013	On or before March 2, 2014	On or before March 2, 2015
Bridget	$100,000	$100,000	$100,000	$100,000	$150,000
Hen	$125,000	N/A	N/A	N/A	N/A
Totals	$225,000	$100,000	$100,000	$100,000	$150,000
Cumulative	$225,000	$325,000	$425,000	$525,000	$675,000

Required Expenditures

Property	On or before October 15, 2011	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Bridget	$200,000	$300,000	$500,000	$750,000	$750,000
Hen	$300,000	N/A	N/A	N/A	N/A
Totals	$500,000	$300,000	$500,000	$750,000	$750,000
Cumulative	$500,000	$800,000	$1,300,000	$2,050,000	$2,800,000

Share Payments

Property	Within 5 business days of TSXV Acceptance (Completed May 31, 2011)	On or before March 2, 2012 (Completed March 13, 2012)	On or before March 2, 2013	On or before March 2, 2014	On or before March 2, 2015
Bridget	$250,000	$350,000	$350,000	$350,000	$350,000
Hen	$350,000	N/A	N/A	N/A	N/A
Totals	$600,000	$350,000	$350,000	$350,000	$350,000
Cumulative	$600,000	$950,000	$1,300,000	$1,650,000	$2,000,000

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

Bridget & Hen Option Agreements, Yukon (continued)

The Company will also issue and deliver to Ryan 350,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on the Bridget property, and issue and deliver to Ryan an additional 350,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on the Bridget property.

The Bridget property will be subject to a 2% NSR royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buy out 1% of the NSR royalty exercisable for CDN$2,500,000.

5. EQUIPMENT

	Computer Equipment	Office Equipment	Total
Cost			
Balance, January 1, 2010 and December 31, 2010	$ -	$ -	$ -
Additions	19,491	31,558	51,049
Balance, December 31, 2011	$ 19,491	$ 31,558	$ 51,049
Accumulated amortization			
Balance, January 1, 2010 and December 31, 2010	$ -	$ -	$ -
Amortization	2,924	3,156	6,080
Balance, December 31, 2011	$ 2,924	$ 3,156	$ 6,080
Net book value, January 1, 2010 and December 31, 2010	$ -	$ -	$ -
Net book value, December 31, 2011	$ 16,567	$ 28,402	$ 44,969

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares – Issued and outstanding

At December 31, 2011, 42,097,911 common shares were issued and outstanding.

6. SHARE CAPITAL (continued)

(b) Common shares – Issued and outstanding (continued)

At December 31, 2011, the Company had 727,500 (December 31, 2010 – 1,455,000) common shares issued and under escrow. Pursuant to an escrow agreement, in July 2009, the initial 10% of the original 2,425,000 escrowed common shares was released from escrow on the acceptance by TSX-V of a Qualifying Transaction completed by the Company. A total of 15% of the original number of escrowed common shares are released every 6 months thereafter. Please refer to the statements of changes in equity for movement in share capital for the years ended December 31, 2011 and 2010.

(c) Private placements

In May 2011, the Company completed a brokered private placement of 5,800,000 units (the "Units") at a price of $1.00 per Unit and 4,920,000 flow-through shares (the "FT Shares") at a price of $1.20 per FT Share for aggregate gross proceeds of $11,704,000 (the "Brokered Offering"). The Brokered Offering was completed by a syndicate of agents led by Canaccord Genuity Corp. and including Fraser Mackenzie Limited and Salman Partners Inc. (collectively the "Agents"). In addition, the Company completed a non-brokered private placement (the "Non-Brokered Offering") of 2,450,000 Units and 600,000 FT Shares on the same terms as the Brokered Offering for gross proceeds of $3,170,000. The total gross proceeds of the Brokered Offering and the Non-Brokered Offering were $14,874,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of $1.35 per share until November 5, 2012.

In connection with the Brokered Offering, the Company paid to the Agents cash commissions in the aggregate amount of $702,240 and issued 591,744 broker warrants. Each broker's warrant is exercisable until November 5, 2012 to acquire one additional Unit at a price of $1.00 per Unit (the "Broker's Warrant Units"). Each Broker's Warrant Unit has the same terms as the Units under the Brokered Offering. In connection with the Non-Brokered Offering, the Company paid to five registered dealers finder's fees in the aggregate amount of $160,320 and issued 154,800 finder's warrants. Each finder's warrant is exercisable to acquire one additional Unit until November 5, 2012 at a price of $1.00 per Unit (the "Finder's Warrant Units"). Each Finder's Warrant Unit has the same terms as the Units under the Non-Brokered Offering.

(d) Share purchase options

Share purchase options are granted at an exercise price equal to the estimated fair value of the Company's common shares on the date of the grant.

On June 22, 2010, the Company implemented a new Share Option Plan for the benefit of directors, employees, management company employees and consultants of the Company. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine. The maximum aggregate number of common shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant. At December 31, 2011, 4,175,070 share purchase options were outstanding.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(d) Share purchase options (continued)

A summary of the status of the Company's share purchase options outstanding as at December 31, 2011 and December 31, 2010 and changes during the periods ended on those dates is presented below:

	2011		2010	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,860,000	$0.36	1,100,000	$0.21
Granted	2,570,500	$0.90	1,060,000	$0.47
Exercised	(202,096)	$0.38	(250,000)	$0.22
Cancelled	(53,334)	$0.43	(50,000)	$0.20
Outstanding at end of year	4,175,070	$0.69	1,860,000	$0.36

As at December 31, 2011, the following share purchase options were outstanding:

Expiry Date	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)	Exercisable Options	Weighted Average Exercise Price
Dec 12, 2012	611,000	$0.20	0.95	611,000	$0.20
Sep 30, 2013	50,000	$0.53	1.75	12,500	$0.53
Sep 24, 2014	150,000	$0.25	2.73	150,000	$0.25
Apr 1, 2015	25,000	$0.39	3.25	25,000	$0.39
May 4, 2015	80,000	$0.43	3.34	80,000	$0.43
Sep 22, 2015	638,570	$0.42	3.73	638,570	$0.42
Nov 23, 2015	100,000	$0.90	3.90	100,000	$0.90
Feb 2, 2016	750,000	$0.93	4.09	375,000	$0.93
Feb 15, 2016	70,500	$0.94	1.13	52,875	$0.94
Jun 22, 2016	740,000	$1.15	4.48	370,000	$1.15
Jun 22, 2016	250,000	$0.83	4.48	125,000	$0.83
Sep 30, 2016	100,000	$0.53	4.75	25,000	$0.53
Dec 19, 2016	610,000	$0.69	4.97	152,500	$0.69
	4,175,070	$0.72	3.64	2,717,625	$0.59

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(d) Share purchase options (continued)

The weighted average grant-date fair value of share options granted during the fiscal year ended December 31, 2011 was $0.62 per share (2010 - $0.44 per share). The Company determines the fair value of options granted using the Black-Scholes model for share options issued to employees. The Company determines the fair value of options issued to non-employees using the value of services provided by the non-employees. The following weighted-average grant date assumptions were used in valuing options granted during the periods to employees:

	2011	2010
Risk-free interest rate	1.55%	2.0%
Expected volatility	112%	124%
Expected years of option life	2.95	2.95
Expected dividends	Nil	Nil

Volatility is based on historical share price volatility. Expected option lives were estimated at 2.95 years. Other features of the option grants were not considered relevant for the calculation of grant date fair value.

For share options exercised during the fiscal year ended December 31, 2011, the weighted average share price at the date of exercise was $1.13 (2010 - $0.52 per share).

(e) Warrants

A summary of the status of the Company's warrants outstanding as at December 31, 2011 and December 31, 2010 and changes during the periods ended on those dates is presented below:

	2011		2010	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	5,149,519	$0.68	-	-
Issued	5,244,815	$1.28	5,787,604	$0.64
Exercised	(3,460,275)	$0.45	(638,085)	$0.37
Expired	-	-	-	-
Outstanding at end of year	6,934,059	$1.30	5,149,519	$0.68

(Expressed in Canadian Dollars)

6. WARRANTS (continued)

(e) Warrants (continued)

The Company determined the fair value of the warrants issued using the Black-Scholes pricing model, using the following weighted average assumptions:

	2011	**2010**
Risk-free interest rate	1.50%	1.61%
Expected life	1.00 years	1.59 years
Expected volatility	107%	119%
Expected dividend yield	Nil	Nil

For warrants exercised during the fiscal year ended December 31, 2011, the weighted average share price at the date of exercise was $0.82 (2010 - $0.37 per share).

7. RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount as agreed to by the parties. Related party transactions not otherwise disclosed in these financial statements are:

a) The Company paid $62,613 (2010 - $44,076) to a publicly listed company with a common Chief Executive Officer, for office rent and reimbursement of certain office costs. There was no outstanding payable to that company as at December 31, 2011 (2010 - $567).

b) The Company paid $57,238 (2010 - $144,955) for option agreement payments and reimbursement for certain mineral exploration costs, of which $68,820 (2010 - $5,204) was payable at December 31, 2011 to a company of which one of the directors is the President and Chief Executive Officer.

c) The Company also paid $270,356.59 (2010 - $107,597) in consulting fees to private companies controlled by certain directors of the Company, of which $21,587 (2010 - $1,105) was payable at December 31, 2011.

Key management personnel compensation

	For the year ended	
	December 31, 2011	**December 31, 2010**
Salaries	$147,870	-
Share-based compensation	$1,129,981	$419,392
	$1,277,851	$419,392

(Expressed in Canadian Dollars)

8. MULTI-EMPLOYER PENSION PLAN (CPP)

The Company contributes to the Canada Pension Plan, a national multi-employer, defined contribution pension plan in Canada on behalf of its employees. During the fiscal year ended December 31, 2011, the Company made contributions totaling $5,858 (2010 - $nil).

9. SUPPLEMENTAL CASH FLOW INFORMATION

	2011	2010
Interest received	$ 140,499	$ 3,176
Interest paid	-	-
Non-cash activities		
Acquisition of mineral property through issue of shares	726,000	556,000
Payment of finder's fees through issue of broker warrants	505,642	147,600
Transfer of reserve amounts upon exercise of warrants and options	760,654	186,753
Reserve for warrants and options issued	1,594,985	1,586,458

10. SEGMENT INFORMATION

a) The Company operates in one industry segment (note 1).

b) At December 31, 2011 and December 31, 2010, the Company's mineral interests were located in:

	2011	2010
Mexico	$ -	$ 246,750
Canada	1,716,000	765,000
	$1,716,000	$1,011,750

The Company's other assets and liabilities and net expenses are attributable to its corporate office activities in Canada.

11. COMMITMENT AND CONTINGENCIES

The Company's exploration activities in the Yukon Territory are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. The Company makes, and expects to make in the future, expenditures to comply with such laws and regulations, including any reclamation at its mineral properties, on a continuous basis.

The Company's option agreements with Wildwood and Ryan require that the Company make all of the necessary payments to maintain the mineral properties titles in good standing. Minimum required exploration expenditures for 2012 are $509,500. The Company has already incurred $4,761,088 in 2011. Hence 2012 required exploration expenditures have been met.

(Expressed in Canadian Dollars)

11. COMMITMENT AND CONTINGENCIES (continued)

The Company leases its premises in Vancouver, British Columbia and the minimum annual rent in each of the next five years until the lease agreement's expiry on January 31, 2015 are as follows:

2012	$61,762
2013	$63,752
2014	$63,927
2015	$ 5,327

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders' equity. The Company's primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required, but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through at least the next twelve months. There are no external restrictions on the Company's capital.

13. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at a major financial institution. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and due to related parties are due within the current operating period. The Company manages liquidity risk through the management of its capital structure (note 11).

13. FINANCIAL INSTRUMENTS (continued)

Currency Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. Some of the Company's mineral interests were previously located in Mexico and the Company's financial instruments are denominated in Canadian dollars. The Company was therefore exposed to changes in the Canadian dollar/Mexican peso exchange rate, a risk which it did not actively manage.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

14. INCOME TAXES

The Company's deferred tax assets and liabilities at December 31, 2011 and 2010 are:

	2011	2010
Deferred tax assets		
Mineral interests	$ 1,646,470	$ 282,418
Equipment	1,610	-
Tax loss carry-forwards	519,255	230,218
Total deferred tax assets	2,167,335	512,636
Valuation allowance	(2,167,335)	(512,636)
Net deferred tax assets	$ -	$ -

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

A reconciliation of the provision for income taxes is:

	2011	2010
Loss before income taxes	$ 7,509,874	$ 1,662,136
Combined federal and provincial statutory income tax rate	26.5%	28.5%
Recovery of income taxes based on combined statutory income tax rate	1,990,117	473,709
Adjustments:		
Expenses deductible for tax purposes	-	14,440
Amounts not deductible for tax purposes	(299,445)	(324,127)
Unrecognized losses of the year	(1,690,672)	(164,022)
Provision for income taxes	$ -	$ -

The Company has non-capital losses of approximately $2,342,000 for income tax purposes, which may be used to reduce taxable income of future years. If unused, these non-capital losses will expire in the years 2027 through 2031.

15. FIRST-TIME ADOPTION OF IFRS

Reconciliations

The adoption of IFRS (note 2) resulted in changes to the Company's reported financial position and results of operations.

In order to allow the users of the financial statements to better understand these changes, the financial statements previously presented under Canadian GAAP have been reconciled to IFRS. For a description of the changes, see the discussion in the notes to the IFRS reconciliations below.

The differences between Canadian GAAP and IFRS included in the following reconciliations are:

(a) Under IFRS, an entity can choose to expense or defer exploration and evaluation expenditures on mineral resources. Under Canadian GAAP, the Company capitalized all exploration and evaluation expenditures. On transition to IFRS, the Company has chosen to expense all exploration and evaluation expenditures related to exploration costs. This has resulted in a decrease in mineral interests and an increase in the deficits at January 1, 2010 and December 31, 2010.

(b) Under IFRS, share reserves (contributed surplus) are required to be segregated into their categories of origin. As a result, the Company has segregated its share reserves into the following categories: Share option reserves and share warrant reserves.

15. FIRST-TIME ADOPTION OF IFRS (continued)

(c) Under IFRS, the issue of flow-through shares is considered, in substance, the issue of ordinary shares and the sale of tax deductions. The sale of tax deductions is recognized as a flow-through share liability at the time of share issue in an amount equal to the difference between the fair value of the shares issued and the issue price. This liability is subsequently recognized as a credit to other income or deferred tax expense when the Company has fulfilled the obligation to pass on tax deductions by incurring all eligible expenditures. Under Canadian GAAP, flow-through shares were recorded at the issue price at the time of issue, together with a corresponding reduction in share capital and a future tax liability equal to the renounced tax deductions multiplied by the tax rate. This change resulted in recognition of a flow-through share liability when the flow-through shares were issued and a deferred tax recovery when the obligation to pass on tax deductions was fulfilled. As a result, the future income tax liability which was recorded under Canadian GAAP has been eliminated as of December 31, 2010 and a flow-through share liability has been recorded.

(Expressed in Canadian Dollars)

15. FIRST-TIME ADOPTION OF IFRS (continued)

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

	January 1, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets			
Current assets:			
Cash and cash equivalents	$ 1,392,457	$ -	$ 1,392,457
Amounts receivable	1,813	-	1,813
Prepaid expenses	-	-	-
	1,394,270	-	1,394,270
Mineral interests	268,893	(138,143)	130,750
Equipment	-	-	-
	$ 1,663,163	$ (138,143)	$ 1,525,020
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 18,925	$ -	$ 18,925
Due to related parties	1,304	-	1,304
	20,229	-	20,229
Shareholders' Equity			
Share capital	2,007,873	-	2,007,873
Contributed surplus	322,808	(322,808)	-
Share option reserve	-	322,808	322,808
Share warrant reserve	-	-	-
Deficit	(687,747)	(138,143)	(825,890)
	1,642,934	(138,143)	1,504,791
	$ 1,663,163	$ (138,143)	$ 1,525,020

(Expressed in Canadian Dollars)

15. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP statement of financial position as at December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets			
Current assets:			
Cash and cash equivalents	$ 5,707,569	$ -	$ 5,707,569
Amounts receivable	18,475	-	18,475
Prepaid expenses	16,454	-	16,454
	5,742,498	-	5,742,498
Mineral interests	2,002,692	(990,942)	1,011,750
Equipment	-	-	-
	$ 7,745,190	$ (990,942)	$ 6,754,248
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 134,360	$ -	$ 134,360
Due to related parties	6,876	-	6,876
Flow-through share liability	-	32,862	32,862
	141,236	32,862	174,098
Future income tax liabilities	129,100	(129,100)	-
	270,336	(96,238)	174,098
Shareholders' Equity			
Share capital	6,682,433	96,238	6,778,671
Contributed surplus	2,289,505	(2,289,505)	-
Share option reserve	-	662,465	662,465
Share warrant reserve	-	1,627,040	1,627,040
Deficit	(1,497,084)	(990,942)	(2,488,026)
	7,474,854	(990,942)	6,580,150
	$ 7,745,190	$ (990,942)	$ 6,754,248

(Expressed in Canadian Dollars)

15. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP statement of loss and comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses			
Bank charges	$ 937	$ -	$ 937
Consulting	215,774	-	215,774
Exploration and project evaluation	12,897	852,799	865,696
Investor relations	79,893	-	79,893
Listing and filing fees	46,797	-	46,797
Office and administrative	79,931	-	79,931
Professional fees	47,016	-	47,016
Rent	21,150	-	21,150
Share-based compensation	291,505	-	291,505
Travel and expenses	22,671	-	22,671
Loss before the undernoted	(818,571)	(852,799)	(1,671,370)
Other income (expenses)			
Interest income	15,846	-	15,846
Foreign exchange loss	(6,612)	-	(6,612)
Net loss and comprehensive loss for the period	$ (809,337)	$ (852,799)	$ (1,662,136)
Basic and diluted loss per share	$ 0.05	$ 0.05	$ 0.10
Weighted average number of shares outstanding	17,481,282	-	17,481,282

On the conversion from GAAP to IFRS, there was no significant net impact on the statements of cash flows for the year ended December 31, 2010.

16. EVENTS AFTER THE REPORTING DATE

Effective April 3, 2012, the Company changed its name to Ethos Gold Corp., pursuant to the Articles of the Company and as approved by the board of directors on February 24, 2012.

Subsequent to December 31, 2011, 50,000 share purchase options issued at a price of $0.25 per common share were cancelled.

Subsequent to December 31, 2011, the Company acquired an additional 266 claims. 55 of the claims are Tie-In Claims and have been added to the Betty Agreement under the tie-in provisions. 165 of the claims are Tie-In Claims and have been added to the Bridget Agreement under the tie-in provisions. 46 newly staked claims are entirely owned by the Company.

The Company also amended the terms of the Bridget and Hen Option Agreements (note 4). 1,633 claims were removed from the Hen Agreement and added to the Bridget Agreement, and 476 former Hen claims were determined not to be required for the Company's exploration objectives, and were returned to Ryan and Wildwood. Consequently, the revised claim package is all covered under the Bridget Agreement and the Hen Agreement has been terminated.

ETHOS GOLD CORP.
Schedule of Exploration Expenditures
For the Years Ended December 31, 2011 and 2010
(Expressed in Canadian Dollars)

	2010								
	Santa Teresa Mexico	**Corrales Mexico**	**Betty Yukon**	**Wolf Yukon**	**Bridget Yukon**	**Hen Yukon**	**Hayes Yukon**	**Other**	**Total**
Environmental	$ 81,661	$ 237,413	$ -	$ -	$ -	$ -	$ -	$ -	$ 319,074
Field expenses	-	8,632	-	-	-	-	-	-	8,632
Geochemistry	3,232	14,581	-	-	-	-	-	-	17,813
Geophysical	6,255	94,320	-	-	-	-	-	-	100,575
Mapping	-	18,388	-	-	-	-	-	-	18,388
Personnel	7,218	5,438	-	-	-	-	-	-	12,656
Property rent	54,257	91,847	140	140	-	-	-	-	146,384
Staking	8,164	90,070	-	-	-	-	-	-	98,234
Travel	-	-	20,750	-	-	-	-	-	20,750
Vehicle rental	3,968	24,435	-	-	-	-	-	-	28,403
Investigation costs	-	-	-	-	-	-	-	12,897	12,897
Other	3,280	-	-	-	-	-	-	78,610	81,890
	$ 168,035	**$ 585,124**	**$ 20,890**	**$ 140**	**$ -**	**$ -**	**$ -**	**$ 91,507**	**$ 865,696**

ETHOS GOLD CORP.

Schedule of Exploration Expenditures
For the Years Ended December 31, 2011 and 2010
(Expressed in Canadian Dollars)

	2011								
	Santa Teresa Mexico	**Corrales Mexico**	**Betty Yukon**	**Wolf Yukon**	**Bridget Yukon**	**Hen Yukon**	**Hayes Yukon**	**Other**	**Total**
Assaying	$ -	$ -	$ 571,480	$ 99,779	$ 420,291	$ 93,686	$ 150,516	$ -	$ 1,335,752
Drilling	-	-	32,621	-	-	-	-	-	32,621
Field expenses	-	4,112	28,395	12	12	12	-	373	32,916
Fuel	-	-	127,793	5,972	59,913	12,249	22,375	7,001	235,303
Geophysical	-	60,514	145,389	38,260	298,429	76,520	206,605	-	825,717
Helicopter	-	-	582,762	35,940	359,032	77,949	129,889	-	1,185,572
Mapping	-	-	67,625	6,625	54,745	13,745	-	18	142,758
Mining rights	598	25,990	-	-	-	-	-	-	26,588
Personnel	30,723	28,907	107,271	8,284	44,139	6,827	4,367	7,109	237,627
Property rent	8,820	-	-	-	-	-	-	-	8,820
Prospecting	-	-	60,150	-	-	-	-	-	60,150
Regulatory	-	-	36,817	6,111	54,665	12,573	19,125	-	129,291
Staking	-	-	13,500	-	33,250	316,161	132,200	-	495,111
Storage	-	-	-	-	-	-	-	1,440	1,440
Supplies	-	-	9,758	6,745	3,603	1,868	-	1,599	23,573
Travel	-	-	11,156	1,098	365	1,252	-	63,491	77,362
Trenching	-	-	134,218	-	15,605	-	-	-	149,823
Vehicle rental	-	-	1,199	-	-	-	-	4,000	5,199
Other	-	-	164	-	-	-	-	14,588	14,752
	$ 40,141	**$ 119,523**	**$1,930,298**	**$ 208,826**	**$ 1,344,049**	**$ 612,842**	**$ 665,077**	**$ 99,619**	**$ 5,020,375**