MIDAS GOLD

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(expressed in US Dollars)

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Independent Auditor's Report

To the Shareholders of Midas Gold Corp.

We have audited the accompanying consolidated financial statements of Midas Gold Corp., which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2011, 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.

Auditor's 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 audit 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 Midas Gold Corp. as at December 31, 2011 and its financial performance and its cash flows for the year ended December 31, 2011 in accordance with International Financial Reporting Standards.

Other Matter

The consolidated statement of financial position as at December 31, 2010, and the consolidated statements of net loss and comprehensive income, changes in equity and cash flows for the year then ended were audited by another auditor who issued an unmodified opinion on May 11, 2011.

(Signed) "Deloitte & Touche LLP"

Chartered Accountants
March 13, 2012
Vancouver, Canada

Midas Gold Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2011 and 2010
(expressed in US dollars)

	Notes	2011	2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 36,954,210	$ 4,805,707
Trade and other receivables		276,599	19,975
Prepaid expenses		110,619	58,567
		$ 37,341,428	$ 4,884,249
NON-CURRENT ASSETS			
Buildings and equipment, net	4	$ 2,700,363	$ 309,622
Exploration and evaluation assets	5	116,407,379	7,668,981
Reclamation bond		18,000	18,000
		$ 119,125,742	$ 7,996,603
TOTAL ASSETS		$ 156,467,170	$ 12,880,852
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables		$ 3,460,697	$ 107,747
Current portion of note payable	6	180,712	172,521
Accrued interest payable		12,918	16,027
		$ 3,654,327	$ 296,295
NON-CURRENT LIABILITIES			
Long-term portion of note payable	6	$ 562,708	$ 743,421
TOTAL LIABILITIES		$ 4,217,035	$ 1,039,716
EQUITY			
Share capital	7	$ 155,548,706	$ 12,562,316
Equity reserve	7	10,989,830	129,500
Deficit		(14,288,401)	(850,680)
TOTAL EQUITY		$ 152,250,135	$ 11,841,136
TOTAL LIABILITIES AND EQUITY		$ 156,467,170	$ 12,880,852

Commitments - Note 5, 6 and 13

Events after reporting period - Note 14

Approved on behalf of the Board of Directors:

(Signed) "Stephen Quin"
Stephen Quin - Director

(Signed) "Donald Young"
Donald Young - Director

See accompanying notes to consolidated financial statements

Midas Gold Corp.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the years ended December 31, 2011 and 2010
(expressed in US dollars)

	2011	2010
EXPENSES		
Salaries and benefits	$ 936,786	$ 275,869
Professional fees	496,733	128,503
Travel and related costs	310,786	73,979
Consulting	103,664	-
Share based compensation	8,661,418	-
Shareholder and regulatory	366,165	4,425
Directors fees	104,224	-
Office and administrative	288,348	128,250
OPERATING LOSS	$ 11,268,124	$ 611,026
OTHER EXPENSES		
Foreign exchange loss	$ 2,446,057	$ -
Interest income	(276,460)	(22,832)
Total other expenses	$ 2,169,597	$ (22,832)
NET LOSS AND COMPREHENSIVE LOSS	$ 13,437,721	$ 588,194
NET LOSS PER SHARE, BASIC AND DILUTED	$ 0.16	$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	84,739,000	38,247,000

See accompanying notes to consolidated financial statements

Midas Gold Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2011 and 2010
(expressed in US dollars except for number of shares)

	Note	Issued Capital				
		Shares	Amount	Equity Reserve	Deficit	Total
BALANCE, January 1, 2010 (Note 1)		27,345,000	$ 3,654,000	$ 120,000	$ (262,486)	$ 3,511,514
Share based compensation		-	-	9,500	-	9,500
Shares issued in private placement	7	16,154,500	8,817,816	-	-	8,817,816
Shares issued for services	7	312,500	90,500	-	-	90,500
Net loss and comprehensive loss for the year		-	-	-	(588,194)	(588,194)
BALANCE, December 31, 2010		43,812,000	$ 12,562,316	$ 129,500	$ (850,680)	$11,841,136
Share based compensation	7	-	-	13,496,607	-	13,496,607
Exercise of options pre Transaction	1,7	4,600,000	1,930,500	(919,500)	-	1,011,000
Shares issued to Vista Gold Corp.	1,7	30,402,615	79,148,742	-	-	79,148,742
Shares issued in private placement	7	6,129,800	15,586,344	-	-	15,586,344
Exercise of options post Transaction	1,7	290,000	266,376	(120,111)	-	146,265
Exercise of warrants post Transaction	1,7	6,116,666	3,150,383	(1,596,666)	-	1,553,717
Shares issued pursuant to initial public offering, net of issue costs	7	13,930,855	42,904,045	-	-	42,904,045
Net loss and comprehensive loss for the year		-	-	-	(13,437,721)	(13,437,721)
BALANCE, December 31, 2011		105,281,936	$ 155,548,706	$ 10,989,830	$(14,288,401)	$ 152,250,135

See accompanying notes to consolidated financial statements

Midas Gold Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010
(expressed in US dollars)

	2011	2010
OPERATING ACTIVITIES:		
Net loss	$ (13,437,721)	$ (588,194)
Items not affecting cash:		
Share based compensation	8,661,418	-
Depreciation	10,229	-
Unrealised foreign exchange loss	1,762,504	-
Interest income	(276,460)	(19,236)
Changes in:		
Trade and other receivables	(136,430)	(19,975)
Prepaid expenses	(52,052)	(24,975)
Trade and other payables	533,719	33,258
Net cash used in operating activities	$ (2,934,793)	$ (619,122)
INVESTING ACTIVITIES:		
Purchase of exploration and evaluation assets	$ (21,656,964)	$ (4,440,502)
Restricted cash for drilling contract	-	(18,000)
Purchase of buildings and equipment	(2,739,360)	(308,469)
Interest received	156,266	19,236
Net cash used in investing activities	$ (24,240,058)	$ (4,747,735)
FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	$ 61,285,859	$ 8,817,816
Payment of note payable	(172,522)	(167,496)
Interest paid	(27,479)	(32,501)
Net cash provided by financing activities	$ 61,085,858	$ 8,617,819
Effect of foreign exchange on cash	(1,762,504)	-
Net increase in cash and cash equivalents	32,148,503	3,250,962
Cash and cash equivalents, beginning of year	4,805,707	1,554,745
Cash and cash equivalents, end of year	$ 36,954,210	$ 4,805,707
Cash	$ 6,383,309	$ 4,805,707
Guaranteed investment certificates and high interest savings	30,570,901	-
Total cash and cash equivalents	$ 36,954,210	$ 4,805,707

Supplemental cash flow information - Note 12

See accompanying notes to consolidated financial statements

(expressed in US dollars)

1. Nature of Operations

Midas Gold Corp. ("the Corporation" or "Midas Gold") was incorporated on February 22, 2011 under the Business Corporations Act of British Columbia. The Corporation was organized to locate, acquire and develop mineral properties located principally in the Stibnite – Yellow Pine mining district in Valley County, Idaho (the "District"). The Corporation currently operates in one segment, mineral exploration in the United States. The Corporation's common shares commenced trading on the Toronto Stock Exchange on July 14, 2011 after closing an initial public offering under a prospectus dated June 30, 2011. The corporate office of Midas Gold is located at 1250-999 West Hastings St, Vancouver, BC, V6C 2W2, Canada.

On April 6, 2011, the Corporation executed a transaction (the "Transaction") whereby Midas Gold, Inc. ("MGI") and Vista Gold Corp. ("Vista") contributed their respective Idaho gold assets through a contribution to Midas Gold to form the Golden Meadows Project ("Golden Meadows" or "Project"). Pursuant to the Plan of Share Exchange, on closing of the Transaction, Midas was owned, on a diluted basis, 65% by the shareholders of MGI and 35% by Vista, excluding any contemporaneous or subsequent financings. Midas Gold issued 30,402,615 shares to a subsidiary of Vista and 48,412,000 shares to the former shareholders of MGI.

The Transaction between Midas Gold and MGI did not result in a significant change in the ownership interests of those entities and the acquisition was accounted for as a continuity of interests maintaining the carrying amount of the entities. Accordingly, these financial statements have been prepared to reflect the financial position and results of operations as if these entities had been consolidated since their inception.

The Transaction between Midas Gold and Vista constituted an acquisition of the assets of Idaho Gold Resources, LLC ("IGR"). Midas Gold acquired 100% of the outstanding common shares of Idaho Gold Holding Corporation ("IGHC"), where IGHC is the inactive holding company which held the equity interest in IGR. Below is a summary of the purchase consideration and the allocation of the purchase consideration to the assets acquired and the liabilities assumed. The determination of fair value is based upon management's estimates and certain assumptions with respect to the fair value associated with the assets acquired.

Value attributed to the 30,402,615 common shares issued for the acquisition of IGR	$ 79,148,742
Value of the exploration and evaluation assets acquired	$ 79,148,742

2. Basis of Preparation

a. *Statement of Compliance*

These consolidated financial statements have been prepared in accordance with and are in full compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee.

b. *Basis of Presentation*

These consolidated financial statements have been prepared on the historic cost basis except for certain financial instruments, which are measured at fair value as explained in the Summary of Significant Accounting Policies set out in Note 3.

These consolidated financial statements for the years ended December 31, 2011 and 2010 were approved and authorized for issue by the board of directors on March 13, 2012.

3. Summary of Significant Accounting Policies

a. Basis of Consolidation

These consolidated financial statements include the financial statements of Midas Gold and its wholly owned legal subsidiary companies:

Midas Gold, Inc. ("MGI");
Idaho Gold Holding Corporation ("IGHC");
Idaho Gold Resource, LLC ("IGR"); and
MGI Acquisition Corporation ("MGIAC").

All intercompany transactions and balances income and expenses, have been eliminated.

b. Functional and Presentation Currency

The Corporation's functional and presentation currency is the US Dollar ("USD"). All amounts in these consolidated financial statements are in USD, unless otherwise stated.

c. Cash and Cash Equivalents

For the purpose of the statement of financial position and statement of cash flows, the Corporation considers all highly liquid investments readily convertible to a known amount of cash with an original maturity of three months or less and subject to an insignificant risk of changes in value to be cash equivalents.

During the year the Corporation maintained a significant portion of its cash balance in Canadian Dollars. There is a risk that the Corporation's cash balance be reduced on a fluctuation in the relevant exchange rate. The Corporation has a policy that all board approved expenditures be held in the currency they expect to be made in. Cash held in excess of board approved expenditures has been and will be actively managed by the Corporation's management with consideration to the expected currency needs of the Corporation based on approved expenditures.

d. Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Corporation's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If the Corporation's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately. The interest of non-controlling shareholders in the acquiree is measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

3. Summary of Significant Accounting Policies (continued)

e. Financial Assets

Financial assets are classified into one of four categories, fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available for sale ("AFS") and loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Corporation manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Corporation does not have any assets classified as FVTPL financial assets.

(ii) HTM financial assets

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Corporation does not have any assets classified as HTM investments.

(iii) AFS financial assets

Short-term investments and other assets held by the Corporation are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity into accumulated other comprehensive income. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency are translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity.

3. Summary of Significant Accounting Policies (continued)

e. Financial Assets (continued)

(iv) Loans and receivables

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

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost using the effective interest rate method less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would not be material.

(v) Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL and AFS.

(vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:
- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3. Summary of Significant Accounting Policies (continued)

e. *Financial Assets (continued)*

(vi) Impairment of financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(vii) *Derecognition of financial assets*

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Corporation transfers the financial asset and substantially all risks and rewards of ownership to another entity.

f. *Financial Liabilities and Equity*

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

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

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

(i) Other financial liabilities

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

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

The Corporation has classified trade and other payables, short-term financial liabilities and long-term financial liabilities as other financial liabilities.

(ii) Derecognition of financial liabilities

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

3. Summary of Significant Accounting Policies (continued)

g. Exploration and Evaluation Assets

Exploration and evaluation assets are recorded at cost less accumulated impairment losses, if any. All direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are made to establish ore reserves within the rights to explore, the Corporation will consider those costs as capital in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the capital asset.

Management reviews the facts and circumstances to determine whether there is an indication that the carrying amount of the exploration and evaluation assets exceeds their carrying value on a regular basis. Indication includes but is not limited to, the expiration of the right explore, substantive expenditure in the specific area is neither budgeted nor planned and if the entity has decided to discontinue exploration activity in the specific area. If the facts and circumstances suggest the carrying value exceeds the recovery value, the Corporation will impair the property.

h. Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share purchase options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share purchase options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. All share purchase options and warrants were anti-dilutive for the periods presented.

i. Foreign Currency Translation

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated Statement of Net Loss and Comprehensive Loss.

j. Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the Statement of Net Loss and Comprehensive Loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. Summary of Significant Accounting Policies (continued)

j. *Income Taxes (continued)*

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Corporation does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

k. *Share Based Compensation*

The Corporation grants share purchase options to directors, officers, and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing price on the date the options were granted.

The fair value of the options granted to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, which is the period over which all of the specific vesting conditions are satisfied. Forfeitures are estimated at the grant date. For awards with graded vesting, the fair value of each tranche is measured separately and recognized over its respective vesting period. The fair value is recognized as an expense or capitalized to exploration and evaluation assets, depending on the recipient of the option, with a corresponding increase in equity reserve. The amount recognized as expense is adjusted to reflect the number of share options which actually vest.

When the Corporation grants share purchase options, which only vest upon satisfaction of a contingent event, the fair value of the option is measured on the date of grant using the same valuation model and assumptions used for options without performance conditions. The Corporation will recognize compensation expense based on a estimate of performance condition that will be satisfied.

l. *Reclamation and Remediation*

The Corporation recognizes liabilities for statutory, contractual, constructive or legal obligations associated with buildings and equipment and exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning and site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value of such costs. The Corporation's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Corporation's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

3. Summary of Significant Accounting Policies (continued)

m. *Buildings and Equipment*

Buildings and equipment are recorded at cost less amortization, depletion and accumulated impairment losses, if any.

Where significant components of buildings and equipment have different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate portion of normal overhead. The costs of day-to-day servicing are recognized in expenses as incurred, as "maintenance and repairs."

Financing costs associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose. Capitalization of borrowing costs ceases when the asset is ready for its intended use.

The Corporation depreciates its assets, less their estimated residual values, as follows:

Category	Method	Useful life
Equipment and Vehicles	Straight-line	3 to 7 years
Buildings	Straight-line	5 to 10 years

The depreciation method, useful life and residual values are assessed annually.

o. *Impairment*

The Corporation's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated to determine extent of impairment, if any. Where the asset does not generate independent cash flows, the Corporation estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

3. Summary of Significant Accounting Policies (continued)

p. *Leases*

Operating lease payments are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

q. *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 statement of financial position 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.

r. *Significant Accounting Estimates and Judgments*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Economic recoverability and probability of future economic benefits of exploration evaluation and development costs
Management has determined that exploratory drilling, evaluation, development and related costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

ii) Functional currency
The functional currency for each of the Corporation's subsidiaries is the currency of the primary economic environment in which the entity operates. The Corporation has determined that the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

3. Summary of Significant Accounting Policies (continued)

r. Significant Accounting Estimates and Judgments (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

i) Impairment of building and equipment and exploration and evaluation assets
Management considers both external and internal sources of information in assessing whether there are any indications that the Corporation's building and equipment and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Corporation operates that are not within its control and affect the recoverable amount of its building and equipment and exploration and evaluation assets. Internal sources of information management consider include the manner in which mining properties and building and equipment are being used or are expected to be used and indications of economic performance of the assets.

ii) Depreciation and amortization rate for building and equipment
Depreciation and amortization expenses are allocated based on assumed asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of income.

iii) Mineral resource estimates
The figures for mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Corporation's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Corporation's financial position and results of operation.

iv) Valuation of share-based compensation
The Corporation uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Corporation's earnings and equity reserves.

3. Summary of Significant Accounting Policies (continued)

s. Standards Issued but not yet Effective

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee that are mandatory for accounting periods after December 31, 2011 or later periods. The Corporation does not expect the below standards to have a material impact on the financial statements, although additional disclosures may be required.

(i) The following five new Standards were issued by the IASB in May 2011, and are effective for annual periods beginning on or after January 1, 2013. Early application is permitted if all five Standards are adopted at the same time.

A. Consolidated Financial Statements

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") will replace IAS 27 *Consolidated and Separate Financial Statements,* and SIC 12 *Consolidation – Special Purpose Entities*. The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee based on changes in facts and circumstances.

B. Joint Arrangements

IFRS 11 Joint Arrangements ("IFRS 11") will replace IAS 31 Interests in Joint Ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures.

C. *Disclosure of Interests in Other Entities*

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") will replace the disclosure requirements currently found in IAS 28 *investment in Associates,* and is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities, including information about the significant judgments and assumptions that it has made in determining whether it has control, joint control or significant influence in another entity. IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11.

3. Summary of Significant Accounting Policies (continued)

s. Standards Issued but not yet Effective (continued)

(i) (continued)

D. *Separate Financial Statements*
The new IAS 27 *Separate Financial Statements* ("IAS 27") has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments.* The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 *Consolidated and Separate Financial Statements*, and is replaced by IFRS 10.

E. *Investments in Associates and Joint Ventures*
The new IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 *Investments in Associates* does not include joint ventures.

(ii) IFRS 13 Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

(iii) In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Corporation on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

(expressed in US dollars)

4. Buildings and Equipment

At December 31, 2011 and December 31, 2010, the Corporation's buildings and equipment were as follows:

		Buildings		Equipment and Vehicles		Total
Cost						
Balance, December 31, 2010	$	33,139	$	326,335	$	359,474
Additions		1,230,249		1,511,175		2,741,424
Disposals		-		(2,065)		(2,065)
Balance, December 31, 2011	$	1,263,388	$	1,835,445	$	3,098,833
Accumulated Depreciation						
Balance, December 31, 2010	$	6,637	$	43,215	$	49,852
Disposals		-		(723)		(723)
Depreciation charge for the period		107,033		242,308		349,341
Balance, December 31, 2011	$	113,670	$	284,800	$	398,470
Carrying Value						
Balance, December 31, 2010	$	26,502	$	283,120	$	309,622
Balance, December 31, 2011	$	1,149,718	$	1,550,645	$	2,700,363

		Buildings		Equipment and Vehicles		Total
Cost						
Balance, December 31, 2009	$	17,430	$	33,576	$	51,006
Additions		15,709		292,759		308,468
Balance, December 31, 2010	$	33,139	$	326,335	$	359,474
Accumulated Depreciation						
Balance, December 31, 2009	$	873	$	3,357	$	4,230
Depreciation charge for the period		5,764		39,858		45,622
Balance, December 31, 2010	$	6,637	$	43,215	$	49,852
Carrying Value						
Balance, December 31, 2009	$	16,557	$	30,219	$	46,776
Balance, December 31, 2010	$	26,502	$	283,120	$	309,622

Depreciation expense included in exploration and evaluation assets was $339,112 (2010 – $45,622) and depreciation expense in statement of loss was $10,229 (2010 –$nil) for the year ended December 31, 2011.

(expressed in US dollars)

5. Exploration and Evaluation Assets

At December 31, 2011 and December 31, 2010, the Corporation's exploration and evaluation assets at the Golden Meadows Project were as follows:

	As at 31-Dec-10	Additions	As at 31-Dec-11
Acquisition Costs			
Mineral claims	$ 607,665	$ 983,022	$ 1,590,687
Royalty interest	1,026,750	-	1,026,750
Interest on notes payable	48,528	24,370	72,898
Mineral claims acquired from Vista (Note 1)	-	79,148,742	79,148,742
Exploration and Evaluation Expenditures			
Consulting and labor cost	1,830,545	9,273,858	11,104,403
Geochemistry and geophysics	673,459	1,056,930	1,730,389
Environmental	191,280	1,565,907	1,757,187
Drilling	2,520,996	10,143,749	12,664,745
Road and excavating	136,428	403,298	539,726
Haulage and helicopter	167,869	752,933	920,802
Camp and field supplies	465,461	4,828,863	5,294,324
Prepaid exploration and evaluation	-	556,726	556,726
Balance	$ 7,668,981	$ 108,738,398	$ 116,407,379

	As at 31-Dec-09	Additions	As at 31-Dec-10
Acquisition Costs			
Mineral claims	$ 523,760	$ 83,905	$ 607,665
Royalty interest	1,026,750	-	1,026,750
Interest on notes payable	11,332	37,196	48,528
Exploration and Evaluation Expenditures			
Consulting and labor cost	597,609	1,232,936	1,830,545
Geochemistry and geophysics	262,852	410,607	673,459
Environmental	49,774	141,506	191,280
Drilling	464,426	2,056,570	2,520,996
Road and excavating	11,228	125,200	136,428
Haulage and helicopter	9,244	158,625	167,869
Camp and field supplies	88,687	376,774	465,461
Balance	$ 3,045,662	$ 4,623,319	$ 7,668,981

(expressed in US dollars)

5. Exploration and Evaluation Assets (continued)

Summary

The Corporation acquired title to the Golden Meadows Project through several transactions. All title is held at 100% through patented and unpatented claims, except for the Yellow Pine deposit and the Cinnabar claims. The right to the Yellow Pine deposit was acquired from Vista as part of the Transaction and it is subject to an Option to Purchase Agreement dated November 7, 2003, whereby on payment of $100,000 on signing and $100,000 per year for nine years paid on the anniversary of signing, the Corporation has the option to purchase 100% of the Yellow Pine deposit. On November 1, 2011, the Corporation made a payment of $100,000 in accordance with the Option to Purchase Agreement. As at December 31, 2011, one payment of $100,000 remains outstanding and $900,000 has been paid to date. At completion of the Option to Purchase Agreement, the Corporation would have paid $1,000,000. The Cinnabar claims are subject to an option agreement dated May 3, 2011, whereby on payment of $150,000 on signing and $100,000 per year for six years paid on the anniversary of signing, the Corporation has the option to purchase 100% of the Cinnabar claim group. As at December 31, 2011, six payments of $100,000 each remain outstanding and $150,000 has been paid to date. At completion of the option to agreement the Corporation would have paid $750,000.

Title

Although the Corporation has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

6. Notes Payable

The promissory notes have a fixed interest rate of 3% per annum, have a combined annual payment of $200,000 due annually on June 2 and mature on June 2, 2015.

Notes payable at December 31, 2011 and December 31, 2010, are as follows:

	Note Payable Estate of JJ Oberbillig	Note Payable Oberbillig Group	Total
Balance, December 31, 2009	$ 216,690	$ 866,750	$ 1,083,440
Repayments	(33,500)	(133,998)	(167,498)
Balance, December 31, 2010	$ 183,190	$ 732,752	$ 915,942
Repayments	(34,505)	(138,017)	(172,522)
Balance, December 31, 2011	$ 148,685	$ 594,735	$ 743,420
Current portion			$ 180,712
Long term portion			562,708
			$ 743,420

Interest expense for the year was $24,370 (2010 - $37,196) and the full amount was capitalized to exploration and evaluation expenditures.

7. Share Capital

a. *Authorized*

Unlimited number of common shares without par value.
Unlimited number of first preferred shares without par value.
Unlimited number of second preferred shares without par value.

b. *Issued during the Year Ended December 31, 2011*

(i) *Shares Issued for Cash*

In the period since December 31, 2010 and prior to the Transaction, the Corporation issued 4,600,000 of its common shares upon exercise of share purchase options at a weighted average price of $0.22 per share for proceeds of $1,011,000.

On April 6, 2011, the Corporation issued 6,129,800 common shares in a private placement at a price of $2.59 per share, for net proceeds of $15,586,344. The Corporation incurred share issue costs of $371,690 in connection with the placement.

Subsequent to the Transaction, the Corporation issued 250,000 and 40,000 of its common shares upon exercise of share purchase options at a price of $0.20 and $2.41 per share for proceeds of $146,265.

Subsequent to the Transaction, the Corporation issued 6,116,666 of its common shares upon exercise of share purchase warrants at a weighted average price of $0.25 per share for proceeds of $1,553,717.

On July 14, 2011 the Corporation issued 12,307,700 common shares in its initial public offering (the “Offering”) at a price of $3.39 per share for gross proceeds of $41,732,026. On August 14, 2011, related to the Offering, the Corporation issued 1,623,155 common shares at a price of $3.30 per share for gross proceeds of $5,362,295. The Corporation incurred share issue costs of $4,190,276 in connection with the Offering.

(ii) *Shares Issued for Mineral Properties*

As disclosed in Note 1, on April 6, 2011 the Corporation issued 30,402,615 common shares to Vista. The value of the shares issued to Vista were valued at $79,148,742 based on the value of assets received.

(expressed in US dollars)

7. Share Capital (continued)

b. *(continued)*

Issued during the Year Ended December 31, 2010

(i) *Shares Issued for Services*

In the year ended December 31, 2010, MGI issued 277,500 shares for services that were valued at $55,500 ($0.20 per share) and 35,000 shares for services that were valued at $35,000 ($1.00 per share).

(ii) *Shares Issued for Cash*

In the year ended December 31, 2010, MGI issued 8,500,000 and 7,654,500 common shares in two separate private placements at $0.20 and $1.00 per share, respectively. The private placement at $1.00 per share had finder's fees of $536,684. Net proceeds of each private placement were $1,700,000 and $7,117,816, respectively.

c. *Share purchase options*

Under the terms of the Corporation's Stock Option Plan, the maximum number of shares reserved for issuance under the Plan is 10% of the issued shares on a rolling basis. Options may be exercisable over periods of up to five years as determined by the Board of Directors of the Corporation and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options granted are subject to vesting with one third vesting upon issuance and one third vesting on each anniversary from the date of grant.

A summary of share purchase option activity within the Corporation's share based compensation plan for the year ended December 31, 2011 and 2010 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2009	10,600,000	$ 0.22
Options granted	50,000	0.20
Balance, December 31, 2010	10,650,000	$ 0.22
Options granted before Transaction	2,000,000	$ 0.50
Options exercised before Transaction	(4,600,000)	0.22
Options converted to Warrants in Transaction	(7,450,000)	0.30
Options exercised after Transaction	(290,000)	0.53
Options granted after Transaction	8,585,000	2.81
Balance, December 31, 2011	8,895,000	$ 2.70

The weighted average closing share price at date of exercise for the year ended December 31, 2011 was $1.02 (2010 - $nil).

(expressed in US dollars)

7. Share Capital (continued)

c. Share purchase options (continued)

The Corporation had previously granted options to purchase common shares contingent upon the Corporation establishing or acquiring 2.5 million ounces of gold resources. The fair value of these options was estimated on the date of grant using the same valuation model and assumptions used for all other share purchase options granted. On February 22, 2011, the Corporation reported a mineral resource which satisfied the contingency and the share purchase options vested fully and the estimated fair value of $2,000,000 was recorded in exploration and evaluation assets. In addition to this allocation, during the year ended December 31, 2011, the Corporation allocated $2,835,189 to exploration and evaluation assets on the vesting of share purchase options.

During the year ended December 31, 2011, the Corporation also recorded $8,661,418 (2010 - $ nil) as share based compensation expense on the vesting of share purchase options and warrants.

During the year ended December 31, 2011, the total amount of share based compensation recorded as exploration and evaluation assets and share based compensation expense was $13,496,607 (2010 - $100,000).

The fair value of options granted is estimated at the time of the grant using the Black-Scholes option pricing model, using the following weighted average assumptions:

	2011	2010
Fair value options granted	$1.80	$0.20
Risk-free interest rate	2.59%	1.05%
Expected term (in years)	5.0	2.0
Expected share price volatility [1]	83.0%	250.0%
Expected dividend yield	0.0%	0.0%
Expected forfeiture	5.0%	0.0%

[1] *Volatility is estimated using the historical stock price of the peer groups due to insufficient data using the Corporation's stock price history.*

An analysis of outstanding share purchase options as at December 31, 2011 is as follows:

Options Outstanding			Options Vested and Exercisable			
Number	Weighted Average Exercise Price	Remaining Contractual Life (Years)	Number	Weighted Average Exercise Price	Remaining Contractual Life (Years)	Expiry Date
350,000	$ 0.22	2.6	350,000	$ 0.22	2.6	Jul-31-2014
6,635,000	2.59	4.3	2,185,000	2.59	4.3	Apr-18-2016
910,000	3.32	4.4	303,333	3.32	4.4	Jun-06-2016
450,000	3.64	4.7	150,000	3.64	4.7	Sep-26-2016
200,000	3.83	4.9	66,667	3.83	4.9	Nov-21-2016
350,000	4.06	4.9	116,667	4.06	4.9	Dec-7-2016
8,895,000	$ 2.70	4.3	3,171,667	$ 2.53	4.2	

(expressed in US dollars)

7. Share Capital (continued)

d. Warrants

The Corporation issued 7,450,000 warrants on the conversion of certain share purchase options issued by MGI prior to April 6, 2011 which had been issued to employees and directors of the Corporation for services rendered. A summary of warrant activity for the year ended December 31, 2011:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2009 and 2010	-	$	-
Warrants converted from options in Transaction	7,450,000		0.30
Warrants exercised	(6,116,666)		0.25
Warrants forfeited	-		-
Balance, December 31, 2011	1,333,334	$	0.50

An analysis of outstanding share purchase warrants as at December 31, 2011 is as follows:

Warrants Outstanding		Exercise Price	Remaining Contractual Life (Years)	Expiry Date
1,333,334	$	0.50	4.13	Feb-14-2016
1,333,334	$	0.50	4.13	

On February 14, 2012, the remaining one third share purchase warrants became exercisable.

8. Risk Management and Financial Instruments

The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern in order to support the Corporation's normal operating requirements, continue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

At December 31, 2011, the Corporation's capital structure consists of equity of the Corporation. The Corporation is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Corporation does not pay dividends.

In the year ended December 31, 2011, there were no significant changes in the processes used by the Corporation's or in the Corporation's objectives and policies for managing its capital. As at December 31, 2011, the Corporation's available capital resources, consisting of cash and cash equivalents total $36,954,210. As at December 31, 2011, the Corporation's total liabilities are $4,217,035. The Corporation believes that sufficient capital resources are available to support further expansion and development of its mining assets.

8. Risk Management and Financial Instruments (continued)

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, notes payable, and accrued interest payable. Cash and cash equivalents and trade and other receivables are designated as loans and receivables, which are measured at amortized cost. The trade and other payables, notes payable and accrued interest payable are designated as other financial liabilities, which are measured at amortized cost. The cash and cash equivalents, trade and other receivables, trade and other payables and accrued interest payable approximate their fair value due to their short-term nature.

The Corporation classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

The three levels of the fair value hierarchy are:

Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

Risk management is carried out by the Corporation's management team with guidance from the Board of Directors. The Corporation's risk exposures and their impact on the Corporation's financial instruments are summarized below:

a) *Credit Risk*

The Corporation has no significant credit risk arising from operations. The Corporation's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. The Corporation holds its cash with a Canadian chartered bank and the risk of default is considered to be remote. The Corporation has minimal accounts receivable exposure, and its refundable credits are due from the Canadian government.

b) *Liquidity Risk*

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. The Corporation's trade and other payables are generally due within 30 to 90 days. As at December 31, 2011 all trade and other payables were due within 30 to 90 days.

c) *Interest Rate Risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a loss is limited because at present the Corporation holds all of its surplus cash in an interest bearing account and investment-grade short-term deposit certificates issued by its banking institutions. The Corporation monitors its investments it makes and satisfied with the credit worthiness of its banks. The Corporation's other financial liabilities include the notes payable, which bear interest at a fixed rate as described in Note 6 until June 2, 2015.

8. Risk Management and Financial Instruments (continued)

d) Foreign Currency Risk

The Corporation's functional and reporting currency is the USD and major purchases are transacted in USD. The Corporation is exposed to the risk of changes in USD relative to the Canadian Dollar. A portion of the Corporation's financial assets and liabilities are denominated in Canadian dollars. The Corporation monitors this exposure, but has no contractual hedge positions.

	2011	2010
Cash and cash equivalents	$ 30,313,427	$ -
Trade and other receivables	276,599	-
Trade and other payables	(541,902)	-
	$ 30,048,124	$ -

A five percent change in the US dollar exchange rate to the Canadian dollar would impact the Corporation's earnings by $1,502,406.

9. Segmented Information

The Corporation operates in one reportable operating segment, being the exploration and development of the resource property. Details on a geographic basis are as follows:

	2011	2010
Assets by geographic segment, at cost		
Canada		
Current assets	$ 37,199,942	$ -
Non-current assets	119,981	-
	37,319,923	-
United States		
Current assets	141,486	4,884,249
Non-current assets	119,005,761	7,996,603
	119,147,247	12,880,852
	$ 156,467,170	$ 12,880,852

10. Compensation of Key Management Personnel

During the year ended December 31, 2011, compensation of directors and officers and other key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Corporation was:

	December 31, 2011	December 31, 2010
Salaries and consulting fees	$ 639,106	$ 339,835
Share based compensation	5,884,583	59,500
	$ 6,523,689	$ 399,335

No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the year ended December 31, 2011 and 2010.

(expressed in US dollars)

11. Income taxes

a. Income Tax Expense

The provision for income taxes reported differs from the amount computed by applying the applicable income tax rates to the loss before the tax provision due to the following:

		2011		2010
Net income (loss)	$	(13,437,722)	$	(588,194)
Statutory tax rate		39.94%		39.94%
Recovery of income taxes computed at statutory rates	$	(5,367,026)	$	(234,900)
Difference in foreign tax rates		-		(15,400)
Tax losses not recognized in the period that the benefit arose		2,132,468		247,200
Share based compensation and other permanent differences		3,234,558		3,100
Income tax recovery	$	-	$	-

b. The significant component of the Corporation's deferred tax assets and liabilities are as follows:

		2011		2010
Net operating loss carry-forward	$	3,548,048	$	179,700
Buildings and equipment		(738,662)		-
Exploration and evaluation assets		(2,809,386)		(179,700)
Total	$	-	$	-

c. Deferred tax assets have not been recognized in respect of the following items:

		2011		2010
Net operating loss carry-forward	$	2,200,116	$	314,700
Other future deductions		5,318,751		-
	$	7,518,867	$	314,700

As at December 31, 2011, the Corporation had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Group can utilize the benefits.

As of December 31, 2011, the Corporation has US loss carry forwards of approximately $13,076,000 (2010 - $1,325,000) and Canadian loss carry forwards of approximately $2,107,000 (2010 - $nil) available to reduce future years' income for tax purposes. The Corporation recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The tax loss carry forwards expire as follows:

Expiry of Tax Losses:		**US**		**Canada**
December 31, 2029	$	342,000	$	-
December 31, 2030		983,000		-
December 31, 2031		11,751,000		2,107,000
	$	13,076,000	$	2,107,000

d. Unrecognized deferred tax liabilities

At December 31, 2011, there are no material taxable temporary differences associated with investments in subsidiaries.

(expressed in US dollars)

12. Supplemental Cash flow Information

Non-cash financing and investing activities		**December 31, 2011**		**December 31, 2010**
Share based compensation included in exploration and evaluation assets	$	4,835,189	$	100,000
Shares issued for mining interests included in exploration and evaluation assets	$	79,148,742	$	-
Depreciation capitalized in exploration and evaluation assets	$	268,980	$	45,622
Transfer of equity reserve upon exercise of options and warrants	$	2,636,277	$	-

13. Commitments

Other material commitments are disclosed in Note 5 and 6.

a. *Office Rent*
The Corporation entered into a various lease agreements for office space. The total rent obligation over the next five years is as follows:

	December 31, 2011		
	Within 1 year	Between 2 and 5 years	Total
Minimum rental payments	$ 460,222	$ 904,292	$ 1,364,514

b. *Mining Claim Assessments*
The Corporation currently holds mining claims on which it has an annual assessment obligation of $194,600 in order to maintain the claims in good standing. The Corporation is committed to these payments indefinitely.

14. Events After Reporting Period

a. *Stock option grants*
On January 4, 2012, the Corporation granted 450,000 stock options with an exercise price of $3.90 and expire on January 4, 2017.

b. *Private Placement*
On February 14, 2012 the Corporation closed a bought deal private placement, through a syndicate of underwriters, of 7,900,000 special warrants at a price of C$4.45 per special warrant, for gross proceeds of C$35,155,000 ($35,471,395). The underwriters also exercised their over-allotment option to acquire an additional 1,185,000 special warrants for additional proceeds of C$5,273,250 ($5,320,709).

Each special warrant will be exercisable into one common share of the Corporation for no additional consideration on March 14, 2012. On March 9, 2012, the Corporation received the receipt from the relevant securities commission for a final prospectus qualifying the common shares to be issued upon the exercise of the special warrants. Accordingly, a total of 9,085,000 common shares are issuable on March 14, 2012 upon the deemed exercise of the total of 9,085,000 special warrants.

The underwriters received a cash fee equal to 5% of the total gross proceeds from the sale of special warrants under the offering and the over-allotment option.