BISON GOLD RESOURCES INC.

FINANCIAL STATEMENTS

December 31, 2011 and 2010

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the financial statements prior to submitting the financial statements to the Board for approval.

The Company's auditors, MSCM LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed: ***"Lucas Ewart"***
Chief Executive Officer

Signed: ***"Amir Mousavi"***
Chief Financial Officer

Toronto, Ontario
April 26, 2012

Independent Auditors' Report

To the Shareholders of
Bison Gold Resources Inc.

Report on the Financial Statements

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

Management's Responsibility for the 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.

Auditors' 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 Bison Gold Resources Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which describes uncertainty upon Bison Gold Resources Inc.'s ability to continue as a going concern.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 26, 2012

BISON GOLD RESOURCES INC.

BALANCE SHEETS

		December 31 2011		December 31 2010		January 1 2010
Assets						
Current assets						
Cash and short term deposits	$	3,571,106	$	3,025,326	$	1,414,497
Accounts receivable		-		-		68,945
Share subscriptions receivable		236,600		-		-
HST/GST receivable		262,118		61,826		66,237
Prepaid expenses and sundry receivables		14,210		20,384		38,270
		4,084,034		3,107,536		1,587,949
Equipment (Note 5)		12,197		9,286		11,086
Exploration advance		100,000		86,413		-
Mineral properties and deferred exploration costs (Note 6)		7,192,829		4,029,191		2,968,928
	$	11,389,060	$	7,232,426	$	4,567,963
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	$	247,443	$	252,266	$	506,274
Accrued interest payable		-		3,945		2,548
Premium paid on flow through shares		870,727		471,418		-
Convertible loans (Note 7)		-		350,000		250,000
		1,118,170		1,077,629		758,822
Deferred income tax liability (Note 10)		692,600		223,900		229,500
		1,810,770		1,301,529		988,322
Equity						
Share capital (Note 8(a))		12,426,455		7,613,923		4,016,047
Units to be issued		-		-		900,000
Contributed surplus		2,820,069		2,052,040		1,493,586
Deficit		(5,668,234)		(3,735,066)		(2,829,992)
		9,578,290		5,930,897		3,579,641
	$	11,389,060	$	7,232,426	$	4,567,963

The accompanying notes are an integral part of these financial statements.

Going Concern (Note 1)

Approved by the Board of Directors

Signed: *"Lucas Ewart"*
Director

Signed: "Robert Power"
Director

BISON GOLD RESOURCES INC.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31	2011	2010
Expenses		
Audit and legal fees	$ 41,305	$ 44,303
Consulting fees (note 11)	561,464	394,636
Flow-through interest expense	10,173	251
Insurance	7,688	7,171
Interest and bank charges (note 11)	74,587	41,118
Investor relations	300	27,000
Office and general	157,545	64,491
Rent (note 11)	24,000	24,000
Salaries	13,993	28,466
Stock-based compensation (Note 8(b))	715,427	134,438
Transfer agent, listing and filing fees	63,145	39,735
Travel and promotion	342,859	119,522
Depreciation	4,615	3,665
	2,017,101	928,796
Other income and expenses		
Interest income	(17,294)	-
Premium paid on flow through shares	(535,340)	(18,123)
Loss for the year before income tax (provision) recovery	(1,464,467)	(910,673)
Deferred income tax (provision) recovery (note 10)	(468,700)	5,600
Net loss and comprehensive loss for the year	$ (1,933,167)	$ (905,073)
Weighted average number of common shares outstanding – basic and diluted	61,670,631	39,016,604
Basic and fully diluted loss per share (Note 9)	$ (0.03)	$ (0.02)

The accompanying notes are an integral part of these financial statements.

BISON GOLD RESOURCES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2011 and 2010	2011	2010
Share capital		
Balance, beginning of year	$ 7,613,923	$ 4,016,047
Shares issued on private placements	4,878,520	4,511,200
Value of warrants issued	(257,744)	(413,203)
Shares issued on exercise of stock options	53,541	18,547
Shares issued on exercise of warrants	1,500,896	170,319
Shares issued on conversion of loan	-	250,000
Premium paid on flow through shares	(934,648)	(489,540)
Costs of shares issued	(428,033)	(449,447)
Balance, end of year	12,426,455	7,613,923
Shares to be issued		
Balance, beginning of year	-	900,000
Shares to be issued on private placements	-	(900,000)
Balance, end of year	-	-
Contributed surplus		
Balance, beginning of year	2,052,040	1,493,586
Stock-based compensation	715,427	134,438
Warrants issued on conversion of loan	-	79,335
Exercise of stock options	(16,521)	(5,214)
Exercise of common share purchase warrants	(252,396)	(27,819)
Warrants issued as cost of shares issued	63,775	43,846
Warrants issued on private placements	257,744	333,868
Balance, end of year	2,820,069	2,052,040
Deficit		
Balance, beginning of year	(3,735,067)	(2,829,993)
Net loss for the year	(1,933,167)	(905,073)
Balance, end of year	(5,668,234)	(3,735,066)
Total shareholders' equity, end of year	$ 9,578,290	$ 5,930,897

The accompanying notes are an integral part of these financial statements.

BISON GOLD RESOURCES INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2011 and 2010	2011	2010
Cash flow from operating activities		
Net loss for the year	$ (1,933,167)	$ (905,073)
Items not affecting cash:		
Depreciation	4,615	3,665
Deferred income tax provision (recovery)	468,700	(5,600)
Stock-based compensation	715,427	134,438
Premium paid on flow through shares	(535,339)	(18,122)
Changes in non-cash working capital:		
Accounts and share subscription receivable	(236,600)	68,945
HST/GST receivable	(200,292)	4,411
Prepaid expenses and sundry receivables	6,174	17,866
Accounts and interest payable and accrued liabilities	(22,355)	(361,496)
	(1,732,837)	(1,060,966)
Cash flow from investing activities		
Mineral property and deferred exploration expenditures	(3,259,467)	(1,078,615)
Government grant relating to mining expenditures	95,829	40,843
Purchase of equipment	(7,526)	(1,865)
	(3,171,164)	(1,039,637)
Cash flow from financing activities		
Proceeds from issue of common shares and warrants	6,127,020	3,767,033
Costs associated with issuance of common shares	(327,239)	(405,601)
Repayment of convertible loans	(750,000)	-
Proceeds of convertible loan	400,000	350,000
	5,449,781	3,711,432
Increase in cash and short-term deposits	545,780	1,610,829
Cash and short-term deposits, beginning of year	3,025,326	1,414,497
Cash and short-term deposits, end of year	$ 3,571,106	$ 3,025,326
Interest received	$ 17,294	$ -
Non-cash transactions:		
Settlement of liabilities with common shares	$ -	$ 250,000
Warrants issued as cost of shares issued	$ 63,775	$ 43,846

The accompanying notes are an integral part of these financial statements.

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of Business

Bison Gold Resources Inc. (the "Company" or "Bison") was incorporated on April 18, 2005 in Ontario and carries on business in one segment, being the acquisition, exploration and development of properties for mining of precious and base metals. The Company has not earned any revenue to date from its operations and is therefore considered to be in the development stage. The amounts shown as mineral properties and deferred exploration costs do not necessarily represent present or future values.

Bison Gold Resources Inc. is a publicly traded company incorporated and domiciled in Canada. The Company's registered office is as follows: 1400-55 York Street, Toronto, ON M5J 1R7. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol BGE.

The policies applied in these financial statements are based on IFRS policies effective as of April 26, 2012, the date the Board of Directors approved the financial statements. Note 14 discloses IFRS information for the year ended December 31, 2010 that is material to an understanding of these financial statements.

Going Concern

These financial statements have been prepared on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The recoverability of the costs incurred to date on mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the mineral properties and deferred exploration costs. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the mineral properties and deferred exploration costs.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Conversion to International Financial Reporting Standards ("IFRS")

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

IFRS replaced Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

These are the Company's first IFRS annual financial statements to be presented in accordance with IFRS. IFRS 1 First-Time Adoption of IFRS ("IFRS 1") has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in note 14.

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 (note 14) for the purposes of the transition to IFRS, as required by IFRS 1.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. In the preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Financial instruments

Financial assets

The Company's accounting policy for each category of financial asset is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each financial position reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities
The Company's accounting policy for each category of financial liability is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of loss.

Other financial liabilities - This category includes accounts payables and accrued liabilities and convertible loans, all of which are recognized at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - continued

Bison's financial instruments include cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities, accrued interest payable and convertible loans. Cash and short-term deposits are classified as fair value through profit or loss. The carrying value of these instruments approximates their fair values due to their short-term nature. Accounts receivable are classified as loans and receivables, accounts payable and accrued liabilities and the convertible loan are classified as other financial liabilities, all of which are measured at amortized cost.

Mineral properties and deferred exploration costs

Mineral property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are abandoned or sold. The cost of mineral properties includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The recoverability of amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Impairment of mineral properties and deferred exploration costs

Assets that have an indefinite useful life that are not subject to depreciation or are not available for use are evaluated for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

The Company makes periodic applications for financial assistance under available government incentive programs and tax credits related to the mineral property expenditures. The Company recognizes government assistance on an accrual basis when all requirements to earn the assistance have been completed and receipt is reasonably assured. Government grants relating to mineral expenditures are reflected as a reduction of the cost of the property.

Equipment

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Where an item of equipment comprises major components having different useful lives, they are accounted for as separate items of equipment.

The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of loss.

Expenditure to replace a component of an item of equipment that is accounted for separately is capitalized with the existing carrying amount of the component written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of loss as incurred.

Depreciation is provided over an asset's expected useful life using the following methods and annual rates:

Computers and equipment	-	30 % declining balance
Furniture and fixtures	-	30 % declining balance
Computer software	-	100 % straight-line

Impairment of equipment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the property and equipment at the date the impairment is reversed does not exceed what the cost less accumulated depreciation would have been had the impairment not been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
(ii) temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
(iii) temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. On the date of issuance of the flow-through shares, the premium (the proceeds received for the flow through shares in excess of the closing market price of the Company's common shares) is allocated to liabilities.

Under the terms of the flow-through common shares, the tax attributes of the related expenditures are renounced to investors. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced and spent in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss as other income.

Upon renunciation of the related expenditures, the Company would normally recognize a deferred tax liability and expense with respect to the tax value of the costs renounced. Where the Company has unrecognized tax benefits from loss carry forwards and tax pools available for deduction, the Company will recognize these assets to offset the deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at December 31, 2011, December 31, 2010 and January 1, 2010.

Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each balance sheet reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site restoration work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates

The preparation of these audited financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These audited financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of exploration and evaluation expenditures incurred on the Company's properties.
- the inputs used in the Black-Scholes option-pricing model for valuing share based payment transactions and share purchase warrants.

Critical accounting judgments

How financial assets and liabilities are categorized is an accounting policy that requires management to make judgments or assessments.

<u>Future Accounting Pronouncements</u>

Standards issued but not yet effective up to the date of issuance of the Company's financial statements, but which may affect the financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

3. CAPITAL DISCLOSURES

Bison's capital is composed of shareholders' equity. Bison manages its capital structure and makes adjustments to it, based on the funds available to Bison, in order to support the acquisition, exploration and development of mineral properties. The properties in which Bison currently has an interest are in the exploration stage; as such Bison is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, Bison will spend its existing working capital and raise additional amounts as needed. Bison will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Bison is not subject to any externally imposed capital requirements other than its requirement to meet certain flow-through share expenditures, as explained in note 12.

4. FINANCIAL RISK FACTORS

Bison's risk exposure and the impact on its financial instruments are summarized below:

Credit Risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment/contractual obligations. Bison is exposed to credit risk on its cash and short-term deposits, share subscription receivable and HST/GST receivables. As at December 31, 2011 the Company held short-term investments valued at $1,367,294 (December 31, 2010 - $NIL). Bison has deposited the cash and short-term deposits with reputable Canadian financial institutions, from which management believes the risk of loss is minimized. Management believes that the credit risk concentration with respect to share subscription receivable and HST/GST receivables is remote.

Liquidity Risk
Bison's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at December 31, 2011, Bison has current assets of $4,084,034 (December 31, 2010 - $3,107,536) to settle current financial liabilities of $247,443 (December 31, 2010 - $606,211).

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Interest Rate Risk
Bison has cash balances and short-term deposits. Bison's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. Bison monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk the Company will realize a loss as a result of a decline in the fair value of short-term deposits is limited due to the short-term nature of these investments. The convertible loan had a fixed interest rate and therefore did not result in significant interest rate risk.

Commodity Price Risk
The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals.

5. EQUIPMENT

December 31, 2011		Cost		Accumulated Depreciation		Net Book Value
Computers and equipment	$	16,541	$	(8,117)	$	8,424
Furniture and fixtures		8,060		(4,550)		3,510
Computer software		1,060		(797)		263
	$	25,661	$	(13,464)	$	12,197

December 31, 2010		Cost		Accumulated Depreciation		Net Book Value
Computers and equipment	$	9,805	$	(4,627)	$	5,178
Furniture and fixtures		7,271		(3,558)		3,713
Computer software		1,060		(665)		395
	$	18,136	$	(8,850)	$	9,286

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	2011	2010	Cumulative since inception on April 18, 2005
Central Manitoba Bissett			
Balance, beginning of period	$ 3,702,724	$ 2,883,406	$ -
Acquisition costs	-	-	481,010
Consulting and other	410,067	338,517	1,188,916
Drilling	2,169,279	191,186	4,211,805
Laboratory analysis	382,612	196,851	641,372
Reports	-	2,042	104,581
Transportation and accommodation	214,542	90,722	345,550
Government grants	(52,135)	-	(146,145)
Total expenditures during the period	3,124,365	819,318	6,827,089
Balance, end of period	6,827,089	3,072,724	6,827,089
Apex			
Balance, beginning of period	322,108	81,163	-
Consulting and other	64,800	131,645	196,445
Government grants	(43,695)	(40,823)	(84,518)
Transportation and accommodation	13,168	59,895	73,063
Reports	5,000	90,228	176,391
Total expenditures during the period	39,273	240,945	361,381
Balance, end of period	361,381	322,108	361,381
Cryderman			
Balance, beginning of period	4,359	4,359	-
Reports	-	-	3,600
Transportation and accommodation	-	-	759
Balance, end of period	4,359	4,359	4,359
Total mineral properties and deferred exploration costs	$ 7,192,829	$ 4,029,191	$ 7,192,829

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

Central Manitoba Bissett (Gold Property)
The Company owns a 100% interest in 23 claims located approximately 160 kilometres northeast of Winnipeg, Manitoba. In 2009 the Company began follow-up drilling on its 2007-2008 drill program. During 2011, the Company's drill program continued, the results of which are detailed in the Company's MD&A for the year ended December 31, 2011.

Apex/Miner (Gold Property)
The Company owns a total of 40 claims (Apex - 17, Miner - 23) in the Snow Lake area of Manitoba. W. Bruce Dunlop Ltd. (a shareholder) and Bart Kobar hold 2 separate net smelter royalties of 1.25% with an option for the Company to buy the royalties down to 0.5% for payments of $200,000 for each area.

Cryderman (Gold Property)
The Company owns a 100% interest in 5 claims located approximately 145 kilometres northeast of Winnipeg, Manitoba.

7. CONVERTIBLE LOANS

On September 9, 2010, Bison completed a 12-month, $350,000 secured convertible loan (the "2010 Loan") financing with GC-Global Capital Corp. "GC". The 2010 Loan bore interest of 12% per annum and was convertible into units at a price of $0.20 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitled the holder thereof to purchase an additional common share of the Company at $0.25 per share for a period of 12 months. The proceeds of the 2010 Loan were used for general working capital purposes. The Loan was secured by a general security agreement on all present and future movable property of Bison. The loan was repaid in September 2011. As at the date of issue the Company determined that the conversion factor had no significant value.

On January 17, 2011, Bison completed a 12-month, $400,000 secured convertible loan (the "2011 Loan") financing with GC. The 2011 Loan bore interest of 12% per annum. The 2011 Loan was convertible into units at a price of $0.235 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitled GC to purchase an additional common share of the Company at $0.30 per share for a period of 12 months. The proceeds of the 2011 Loan were used for general working capital purposes. The 2011 Loan was secured by a general security agreement on all present and future movable property of Bison. The loan was repaid in December 2011. As at the date of issue the Company determined that the conversion factor had no significant value.

8. SHARE CAPITAL

(a) Capital

Authorized: unlimited common shares

Issued:

Common Shares	Number of Shares		Value
Balance at January 1, 2010	32,623,201	$	4,016,047
Private placements (i to iv)	18,127,495		4,511,200
Value of warrants (i to iv)	-		(333,868)
Share issue costs (xiii)	-		(449,447)
Premium paid on issuance of flow-through shares (iii and iv)	-		(489,540)
Exercise of warrants	1,425,000		170,319
Exercise of stock options	133,333		18,547
Conversion of loan (v)	2,500,000		250,000
Value of warrants	-		(79,335)
Balance at December 31, 2010	54,809,029		7,613,923
Exercise of stock options (vi)	354,166		53,541
Exercise of common share purchase warrants (vii)	11,151,665		1,500,896
Private placement (viii to xi)	19,382,263		4,878,520
Value of warrants (viii to xi)	-		(257,744)
Premium paid on issuance of flow through shares (viii, x and xi)	-		(934,648)
Share issue costs (xi)	-		(428,033)
Balance at December 31, 2011	85,697,123	$	12,426,455

(i) On January 7, 2010 the Company issued 2,727,272 units at $0.33 per unit for gross proceeds of $900,000. Each unit consisted of one flow-through common share and one half of one common share purchase warrant. Each full share purchase warrant entitled the holder to purchase one common share of the Company at a price of $0.50 until December 31, 2011. The warrants were valued at $172,889 using the Black-Scholes model. The securities issued were subject to a four-month hold period that expired on April 30, 2010. The Company issued 80,000 compensation warrants to the brokers. Each compensation warrant is exercisable into one common share at a price of $0.50 until December 31, 2011. The compensation warrants were valued at $12,554 using the Black-Scholes model. The premium paid by the purchaser on the flow through shares was $NIL.

(ii) On September 21, 2010 the Company issued 3,412,223 units at $0.18 per unit for gross proceeds of $614,200. Each unit consisted of one common share and one half of one common share purchase warrant. Each full share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.25, and has an expiry period of two years. The warrants were valued at $160,979 using the Black-Scholes model. The securities issued were subject to a four-month hold period that expired on January 20, 2011.

(iii) Between October 7, 2010 and November 16, 2010 investors subscribed for 8,688,000 flow-through common shares at $0.25 per flow-through common share for gross proceeds of $2,172,000. The securities issued were subject to a four-month hold period that expired between February 7, 2011 and March 16, 2011. The premium paid by the purchaser for the flow-through shares issued was $484,540.

8. SHARE CAPITAL (CONTINUED)

(a) Capital (continued)

(iv) Between December 21, 2010 and December 31, 2010 investors subscribed for 3,300,000 flow-through common shares at $0.25 per flow-through common share for gross proceeds of $825,000. The securities issued were subject to a four-month hold period that expired between April 21, 2011 and April 30, 2011. The Company issued 192,514 compensation warrants to the brokers. 10,714 compensation warrants are exercisable into common shares at a price of $0.35 per share until December 31, 2012. 182,000 compensation warrants are exercisable into common shares at a price of $0.25 per share until December 31, 2012. The compensation warrants were valued at $31,292 using the Black-Scholes model. The premium paid by the purchaser on the flow through shares was $5,000.

(v) Between November 29, 2010 and December 10, 2010 $250,000 of the convertible loan (Note 7) was converted into 2,500,000 units with each unit consisting of one common share and one common share purchase warrant. Each purchase warrant entitled the holder to purchase one common share at a price of $0.15 per common share, and expiring on September 3, 2011. The warrants were valued at $79,335 using the Black-Scholes model.

(vi) During the year ended December 31, 2011 325,000 options and 29,166 options were exercised at $0.10 and $0.155 respectively (December 31, 2010 133,333 options were exercised at $0.10). The fair value of the options exercised, being $16,521 (December 31, 2010 - $5,214) was transferred from contributed surplus to share capital on the exercise.

(vii) During the year ended December 31, 2011 8,596,110, 2,500,000 and 55,555 common share purchase warrants were exercised at $0.10, $0.15 and $0.25, respectively (December 31, 2010 – 1,425,000 warrants exercised at $0.10). The fair value of the share purchase warrants exercised, being $252,356 (December 31, 2010 - $27,819) was transferred from contributed surplus to share capital on the exercise.

(viii) On April 27, 2011, the Company issued 3,502,400 flow-through common shares at a price of $0.45 (for gross proceeds of $1,576,080 and the Company issued 1,142,400 units at a price of $0.35 per unit for gross proceeds of $399,840. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.50, and has an expiry period of two years from issuance. The warrants were valued at $77,533 using the Black-Scholes model. The premium paid by the purchaser on the flow through shares totaled $595,408.

(ix) On June 20, 2011, the Company issued 485,713 Units at a price of $0.35 per Unit for gross proceeds of $170,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.50, and has an expiry period of two years from issuance. The warrants were valued at $43,534 using the Black-Scholes model.

(x) On December 23 2011, the Company closed a non-brokered private placement with MineralFields Group of 7,500,000 flow-through common shares at $0.20 per share for gross proceeds of $1,500,000. In connection with the financing, agents received broker warrants in the amount of 600,000 warrants, exercisable into common shares of the Company at a price of $0.25 per share until December 23, 2013. The broker warrants were valued at $45,544 using the Black-Scholes model. The Company also raised an additional $667,600 through the issuance of 1,258,000 flow-through shares and 2,600,000 units at $0.16 per unit. Each unit consists of common shares and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.25 per share until December 23, 2013. The warrants were valued at $120,705 using the Black-Scholes model. All common shares issued will be subject to a four-month hold period. Agents received broker compensation warrants equal to 8 per cent of the number of securities sold by it in the financing. The broker compensation warrants were valued at $18,395 using the Black-Scholes model. The premium paid by the purchaser on the flow-through shares issued in December totaled $262,740.

8. SHARE CAPITAL (CONTINUED)

(a) Capital (continued)

(xi) On December 29, 2011 the Company issued 2,000,000 common shares on a flow-through basis at $0.20 per share to subscribers for gross proceeds of $400,000 with D&D Securities Inc. acting as agent pursuant to an agency agreement entered into with the Company on December 23, 2011. The Company also raised an additional $165,000 through the issuance of 550,000 flow-through shares and 343,750 units at $0.16 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.25 until December 29, 2013. The warrants were valued at $15,961 using the Black-Scholes model. The premium paid by the purchaser on the flow-through shares issued in December totaled $76,500.

(xii) In addition to the broker warrants issued, the Company incurred share issue costs in 2011 in the amount of $364,258 (2010 - $405,601).

(b) Stock option plan

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to qualified directors, officers and consultants of the Company. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. One sixth of the options will vest every three months over an eighteen month period. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued and outstanding shares.

A summary of the Company's stock option activity for the years ended December 31, 2011 and 2010 is as follows:

	Number Of Options	Weighted-Average Exercise Price
Outstanding, January 1, 2010	2,203,333	$ 0.20
Issued (i)	1,950,000	0.16
Exercised (iv)	(133,333)	0.10
Expired/cancelled	(1,103,333)	0.32
Outstanding, December 31, 2010	2,916,667	0.13
Issued (ii and iii)	3,040,000	0.31
Exercised (iv)	(354,166)	0.10
Expired/cancelled	(133,334)	0.16
Outstanding, December 31, 2011	5,469,167	$ 0.23

(i) On July 26, 2010, 1,500,000 stock options exercisable at $0.155 with an expiry date of July 26, 2015 were granted to directors and consultants of the Company and 450,000 stock options were granted to an investor relations firm. The 450,000 options granted to an investor relations firm were cancelled on August 31, 2010.

(ii) On February 28, 2011, the Company issued 2,090,000 options at a price of $0.36 per share expiring February 28, 2016.

(iii) On September 6, 2011, the Company issued 950,000 options at a price of $0.20 per share expiring September 6, 2016.

(iv) During the period 325,000 options and 29,166 options were exercised at $0.10 and $0.155 respectively. (2010 – 133,333 options were exercised at $0.10)

8. SHARE CAPITAL (CONTINUED)

(b) Stock option plan (continued)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2011 are as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted-Average Exercise Price	Average Remaining Contractual Life (years)	Number Exercisable	Weighted-Average Exercise Price
$0.36	50,000	$0.36	0.62	50,000	$0.36
$0.10	1,041,667	$0.10	2.68	1,041,667	$0.10
$0.155	1,337,500	$0.155	3.57	1,112,500	$0.155
$0.36	2,090,000	$0.36	4.17	1,045,000	$0.36
$0.20	950,000	$0.20	4.69	158,333	$0.20
Total	5,469,167	$0.23	3.54	3,407,500	$0.20

In fiscal 2011 $715,427 (2010 - $134,438) was recorded as stock-based compensation expense for the stock options vested during the period.

The fair value of the 3,040,000 (2010 – 1,950,000) stock options granted during the period has been estimated at $807,905 (2010 - $196,066) using the Black-Scholes model for pricing options. The following assumptions were used:

	2011	2010
Risk free interest rate	2.44%	2.44%
Dividend	Nil	Nil
Expected stock volatility	124%	124%
Weighted-average expected life (years)	5	5

8. SHARE CAPITAL (CONTINUED)

(c) Warrants

Details of warrants outstanding are as follows:

	Number of Warrants		Exercise Price/ Warrant	Expiry Date
Balance, January 1, 2010	10,855,553	$	0.12	
Issued (note 8(a)(i))	1,443,636		0.50	December 31, 2011
Issued (note 8(a)(ii))	1,706,111		0.25	September 20, 2012
Issued (note 8(a)(iv))	182,000		0.25	December 31, 2012
Issued (note 8(a)(iv))	10,714		0.35	December 31, 2012
Issued (note 8(a)(v))	2,500,000		0.15	September 3, 2011
Exercised	(1,425,000)		0.10	September 3, 2011
Expired	(344,444)		0.75	
Balance, December 31, 2010	14,928,570		0.17	
Issued (note 8(a)(viii))	571,200		0.50	April 27, 2013
Issued (note 8(a)(ix))	242,856		0.50	June 20, 2013
Issued (note 8(a)(x))	1,900,000		0.25	December 23, 2013
Issued (note 8(a)(x))	208,000		0.25	December 23, 2013
Issued (note 8(a)(xi))	171,875		0.25	December 29, 2013
Exercised (i)	(11,151,665)		0.11	
Expired (ii)	(1,933,636)		0.40	
Balance, December 31, 2011	4,937,200	$	0.29	

(i) During fiscal 2011 8,596,110, 2,500,000 and 55,555 common share purchase warrants were exercised at $0.10, $0.15 and $0.25, respectively.

(ii) On September 17, 2011 490,000 common share purchase warrants with an exercise price of $0.10 expired. On December 31, 2011, an additional 1,443,636 common share purchase warrants with an exercise price of $0.50 expired.

The fair value of the warrants issued in 2011 has been determined to be $257,744 (2010 - $413,203) using the Black-Scholes model based on the following assumptions:

	2011	2010
Risk free interest rate	0.93% - 2.44%	1.45% - 1.72%
Dividend yield	Nil	Nil
Expected stock volatility	124%	124%
Weighted-average expected life (years)	2.0	2.0

9. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Stock options outstanding are not included in the computation of diluted earnings (loss) per share if their inclusion would be anti-dilutive.

10. INCOME TAX INFORMATION

The following table shows the components of the current and deferred income tax expense:

		2011		2010
Current tax provision (recovery)				
Current expense	$	-	$	-
Deferred tax expense				
Origination of temporary differences		408,300		(49,100)
Change in unrecognized deductible temporary differences		60,400		43,500
	$	468,700	$	(5,600)

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 28.25% (2010 – 31%) to the amount recognized in the statement of loss:

		2011		2010
Loss before recovery of income taxes	$	(1,464,467)	$	(910,673)
Expected income tax recovery	$	(413,700)	$	(282,300)
Permanent differences		837,900		208,200
Tax rate changes and other adjustments		(15,900)		25,000
Effects of changes in temporary differences not recognized		60,400		43,500
Income tax provision (recovery) reflected in the statement of loss	$	468,700	$	(5,600)

Deferred Income Tax

The following table summarizes the components of deferred income tax:

		2011		2010
Deferred tax assets				
Non-capital losses	$	1,063,600	$	721,600
		1,063,600		721,600
Deferred tax liabilities				
Mineral properties		1,756,200		945,500
Deferred tax liabilities – net	$	692,600	$	223,900

10. INCOME TAX INFORMATION (CONTINUED)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	2011	2010
Balance, beginning of year	$ 223,900	$ 229,500
Recognized in profit/loss	468,700	(5,600)
Balance, end of year	$ 692,600	$ 223,900

Unrecognized Deferred Tax Assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

	2011	2010
Deferred income tax assets		
Non-capital losses	$ 420,000	$ 420,000
Deductible temporary differences	641,500	395,000

The non-capital losses not recognized expire in 2014 and 2015. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize benefits therefrom.

The Company's non-capital income tax losses expire as follows:

2014	$ 134,000
2015	286,000
2026	376,200
2027	439,200
2028	594,300
2029	562,900
2030	923,500
2031	1,358,300
	$ 4,674,000

11. RELATED PARTY TRANSACTIONS

(a) In August 2007, as amended on September 3, 2009, Bison completed a 6-month, $250,000 secured convertible loan (the "Loan") financing with GC-Global Capital Corp. ("GC"). The Company was related to GC by virtue of a common officer and director up to August 27, 2010. During the year ended December 31, 2011, interest expense of $nil (2010 - $27,830) was incurred with respect to this Loan. The loan was converted into 2,500,000 common shares and common share purchase warrants in 2010.

(b) On September 9, 2010, Bison completed a 12-month $350,000 secured convertible loan with GC as further detailed in note 7. During the year ended December 31, 2011, interest expense of $30,263 (2010 - $11,852) was incurred with respect to this loan. The loan was repaid in September 2011.

(c) On January 17, 2011, Bison completed a 12-month, $400,000 secured convertible loan with GC as further detailed in note 7. During the year ended December 31, 2011, interest expense of $42,740 (2010 - $nil) was incurred with respect to this loan. The loan was repaid in December, 2011.

(d) During the year ended December 31, 2011 the Company was charged consulting fees of $nil (2010 - $37,000) by companies controlled by common directors and officers of Bison.

(e) The Company paid $24,000 (2010 - $24,000) in rent to GC.

The transactions above are in the normal course of operations and are measured at the exchange value (the amounts established and agreed to by the related parties), which approximates the arm's length equivalent value.

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the year was as follows:

		2011		2010
Salaries, consulting and benefits	$	488,776	$	319,485
Stock-based compensation		674,488		120,765
	$	1,163,264	$	440,250

12. COMMITMENTS AND CONTINGENCIES

(a) The Company's mineral and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing. 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 has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Pursuant to the common share flow-through financings completed in 2011, the Company is required to spend $3,575,213 in Canadian Exploration Expenditures by December 31, 2012. As of December 31, 2011, the Company has spent its required Canadian Exploration Expenditures for 2011.

13. SUBSEQUENT EVENTS

On January 31, 2012, under the Company's stock option plan, the Board of Directors of Bison Gold granted to a director of the Company incentive stock options to purchase a total of 100,000 common shares of the Company at an exercise price of $0.17 per share expiring January 25, 2017. The incentive stock options are subject to acceptance by the TSX Venture Exchange. The number of shares reserved for issuance under the plan is 8,569,712, of which 5,902,501 have been granted.

14. CONVERSION TO IFRS

(i) Overview

IFRS replaced Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011.These are the Company's first annual financial statements prepared in accordance with IFRS.

(ii) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS balance sheet as at January 1, 2010, the Company's "Transition Date".

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after April 18, 2005 and had not vested by the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS balance sheet as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS annual balance sheet is included as comparative information in the annual balance sheets in these financial statements.

14. CONVERSION TO IFRS (CONTINUED)

(iii) Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires the Company to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the balance sheets and statements of comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows from operating investing and financing activities, no reconciliations have been presented.

Reconciliation of equity		Jan 1 2010		Dec 31 2010
Shareholders' equity under Canadian GAAP	$	3,579,641	$	6,402,314
IFRS Adjustments		-		(471,418)
Total equity under IFRS	$	3,579,641	$	5,930,986

Reconciliation of operations and comprehensive loss		Year ended Dec 31 2010
Net loss and comprehensive loss under Canadian GAAP	$	(698,196)
IFRS adjustments		(206,878)
Net loss and comprehensive loss under IFRS	$	(905,074)

(iv) Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the financial statements.

(b) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only required the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the financial statements.

14. CONVERSION TO IFRS (CONTINUED)

(c) Exploration and evaluation

On transition to IFRS, the Company elected to continue to capitalize exploration and evaluation expenditures as incurred, which is consistent with its Canadian GAAP policy. There is no impact on the financial statements.

(d) Flow-through shares

On transition to IFRS, the Company elected to apply a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced and spent in comparison to renunciations and expenditures required under the terms of the flow-through share agreement. The reduction to the premium liability is recognized through profit or loss as other income. If flow-through shares are sold at a discount, this policy does not apply and the flow-through shares issued follow applicable IFRS guidance. Previously, the Company's Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow through shares. This resulted in the Company reducing the net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow through share subscribers. This future income tax liability was calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting value available for deduction.

Impact on Balance Sheets

	As at December 31, 2010	As at January 1, 2010
Adjustment to share capital	$ (17,781)	$ 246,759
Adjustment to premium paid on flow through shares	$ 471,478	$ -
Adjustment to deficit	$ (453,637)	$ (246,759)

Impact on Statement of Loss and Comprehensive Loss

	Year ended December 31, 2010
Adjustment to future income tax recovery	$ (225,000)
Adjustment to premium paid on flow through shares	$ (18,123)
Adjustment to net loss and comprehensive loss	$ (206,877)

(v) Presentation

Certain amounts in the balance sheets, statements of loss and comprehensive loss and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS.

14. CONVERSION TO IFRS (CONTINUED)

(vi) Reconciliation between IFRS and Canadian GAAP
The January 1, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets			
Current assets			
Cash and short term deposits	$ 1,414,497	$ -	$ 1,414,497
Accounts receivable	68,945	-	68,945
HST/GST receivable	66,237	-	66,237
Prepaid expenses and sundry receivables	38,270	-	38,270
	1,587,949	-	1,587,949
Equipment	11,086	-	11,086
Exploration advance	-	-	-
Mineral properties and deferred exploration costs	2,968,928	-	2,968,928
	$ 4,567,963	$ -	$ 4,567,963
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 506,274	$ -	$ 506,274
Accrued interest payable	2,548	-	2,548
Premium paid on flow through shares	-	-	-
Convertible loan	250,000	-	250,000
	758,822	-	758,822
Future income tax liability	229,500	-	229,500
	988,322	-	988,322
Equity			
Share capital	3,769,288	246,759	4,016,047
Units to be issued	900,000	-	900,000
Contributed surplus	1,493,586	-	1,493,586
Deficit	(2,583,233)	(246,759)	(2,829,992)
	3,579,641	-	3,579,641
	$ 4,567,963	$ -	$ 4,567,963

14. CONVERSION TO IFRS (CONTINUED)

(vi) Reconciliation between IFRS and Canadian GAAP (continued)

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

	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets			
Current assets			
Cash and short term deposits	$ 3,025,326	$ -	$ 3,025,326
HST/GST receivable	61,826	-	61,826
Prepaid expenses and sundry receivables	20,384	-	20,384
	3,107,536	-	3,107,536
Equipment	9,286	-	9,286
Exploration advance	86,413	-	86,413
Mineral properties and deferred exploration costs	4,029,191	-	4,029,191
	$ 7,232,426	$ -	$ 7,232,426
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 252,266	$ -	$ 252,266
Accrued interest payable	3,945	-	3,945
Premium paid on flow through shares	-	471,418	471,418
Convertible loan	350,000	-	350,000
	606,211	471,418	1,077,629
Future income tax liability	223,900	-	223,900
	830,111	471,418	1,301,529
Equity			
Share capital	7,631,704	(17,781)	7,613,923
Units to be issued	-	-	-
Contributed surplus	2,052,040	-	2,052,040
Deficit	(3,281,429)	(453,637)	(3,735,066)
	6,402,315	(471,418)	5,930,897
	$ 7,232,426	$ -	$ 7,232,426

14. CONVERSION TO IFRS (CONTINUED)

(vi) Reconciliation between IFRS and Canadian GAAP (continued)

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

Expenses	Canadian GAAP	Effect of Transition to IFRS	IFRS
Audit and legal	$ 44,303	$ -	$ 44,303
Consulting fees	394,636	-	394,636
Flow-through interest expense	251	-	251
Insurance	7,171	-	7,171
Interest and bank charges	41,118	-	41,118
Investor relations	27,000	-	27,000
Office and general	64,491	-	64,491
Rent	24,000	-	24,000
Salaries	28,466	-	28,466
Stock-based compensation	134,438	-	134,438
Transfer agent, listing and filing fees	39,735	-	39,735
Travel and promotion	119,522	-	119,522
Depreciation	3,665	-	3,665
	928,796	-	928,796
Other income and expenses			
Premium paid on flow through shares	-	(18,123)	(18,123)
Loss for the period before recovery of income taxes	(928,796)	18,123	(910,673)
Recovery of future income taxes	230,600	(225,000)	5,600
Net loss and comprehensive loss for the period	$ (698,196)	$ (206,877)	$ (905,073)
Basic and fully diluted loss per share	$ (0.02)	$ (0.00)	(0.02)