HARTE GOLD CORP

Financial Statements

For the 12 Months Ended December 31, 2011
and
the 13 Months Ended December 31, 2010
(Expressed in Canadian dollars)

Collins Barrow
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Harte Gold Corp.

We have audited the accompanying financial statements of Harte Gold Corp**.,** which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and December 1, 2009 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2011 and the 13 month period ended December 31, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 Harte Gold Corp. as at December 31, 2011, December 31, 2010 and December 1, 2009, and its financial performance and its cash flows for the year ended December 31, 2011 and the 13 month period ended December 31, 2010 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

March 28, 2012
Toronto, Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited financial statements of Harte Gold Corp. for the year ended December 31, 2011 were prepared by management in accordance with International Financial Reporting Standards. The most significant of these accounting principles are disclosed in these audited financial statements. Management acknowledges responsibility for the preparation and presentation of the year end audited financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the year end audited financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the year end audited financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the year end audited financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial statements, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

In accordance with National Instrument 52-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying financial statements have been audited by an independent auditor.

Harte Gold Corp.

(An Exploration Stage Company)

Statements of Financial Position as at

Canadian dollars		**December 31, 2011**		December 31, 2010		December 1, 2009
Assets				(Note 23)		(Note 23)
Current Assets						
Cash and cash equivalents (note 7)	**$**	**4,320,645**	$	4,108,856	$	29,166
Receivables (note 8)		**86,171**		243,932		981
Subscription receivable		**184,500**		304,500		-
Prepaids		**44,636**		6,323		-
		4,635,952		4,663,611		30,147
Property and Equipment (note 9)		**89,875**		83,140		-
Exploration and Evaluation Expenditures (note 10)		**12,114,761**		8,183,187		2,109,768
	$	**16,840,588**	$	12,929,938	$	2,139,915
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities (note 11)		**186,577**		754,412		145,286
Contingency provisions (note 21)		**427,425**		427,425		429,800
Flow-through share premium (note 12)		**101,625**		547,571		-
	$	**715,627**	$	1,729,408	$	575,086
Shareholder's Equity						
Capital stock (notes 13, 14 & 15)		**25,222,430**		20,523,610		10,363,116
Other reserves (note 16)		**2,635,482**		2,077,029		839,275
Deficit		**(11,732,951)**		(11,400,109)		(9,637,562)
		16,124,961		11,200,530		1,564,829
	$	**16,840,588**	$	12,929,938	$	2,139,915

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Statements of Operations and Comprehensive Loss

For the Year Ended December 31, 2011 and the 13 Months Ended December 31, 2010

Canadian dollars		**2011**		2010
Revenue				(Note 23)
Interest and other income	**$**	**22,129**	$	389
Expenses				
Management and consulting fees (note 18)	**$**	**242,850**	$	237,500
Promotion and travel		**4,099**		8,512
Office and general		**145,532**		98,808
Professional fees		**84,721**		59,648
Stock-based compensation (note 14)		**189,006**		1,305,715
Shareholders' information		**233,943**		181,503
Amortization		**568**		202
Flow-through share premium (note 12)		**(547,571)**		(128,952)
Part XII.6 interest and penalties (note 21)		**1,823**		-
		354,971		1,762,936
Net Loss and Comprehensive Loss	**$**	**(332,842)**	$	(1,762,547)
Net loss per share - basic and fully diluted (note 17)	**$**	**(0.002)**	$	(0.017)
Weighted average number of shares outstanding				
- Basic and diluted		**145,149,699**		100,913,414

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Statements of Cash Flows

For the Year Ended December 31, 2011 and the 13 Months Ended December 31, 2010

Canadian dollars	**December 31, 2011**	**December 31, 2010**
Operations		(Note 23)
Net loss	**$ (332,842)**	(1,762,547)
Adjustments to reconcile net loss to cash flow from operating activities:		
Amortization	**568**	202
Stock-based compensation	**189,006**	1,305,715
Flow-through share premium	**(547,571)**	(128,952)
Interest income	**(21,081)**	(389)
	(711,920)	(585,971)
Net changes in non-cash working capital items:		
Prepaids	**(38,312)**	(6,323)
Subscription receivables	**120,000**	(304,500)
Receivables	**157,761**	(242,952)
Accounts payable and accrued liabilities	**(567,836)**	606,751
	(1,040,307)	(532,995)
Financing		
Cost of share issuances	**(57,402)**	(308,889)
Issuance of units	**1,595,000**	8,447,784
Exercise of options	**15,000**	315,000
Exercise of warrants	**3,235,689**	954,998
	4,788,287	9,408,893
Investing		-
Property and equipment	**(26,590)**	(89,438)
Additions to exploration and evaluation expenditures	**(3,530,682)**	(4,707,160)
Interest income	**21,081** [1]	389
	(3,536,191)	(4,796,209)
Net increase in cash and cash equivalents	**211,789**	4,079,690
Cash and cash equivalents, beginning of period	**4,108,856**	29,166
Cash and cash equivalents, end of period (note 7)	**$ 4,320,645**	$ 4,108,856

[1] The Company presents cash interest income in investing activities.

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Statements of Changes in Shareholders' Equity

For the Year Ended December 31, 2011 and the 13 Months Ended December 31, 2010

Canadian dollars	(Note 13) Common Shares #	$	(Note 15) Warrants #	$	Subtotal	(Note 16) Other Reserves	Deficit	Total Shareholders' Equity
December 1, 2009 (note 23)	**53,892,768**	**10,161,956**	**4,023,499**	**201,160**	**10,363,116**	**839,275**	**(9,637,562)**	**1,564,829**
Issued as a result of:								
Private placements	65,485,957	7,456,008	21,371,000	991,776	8,447,784			8,447,784
Flow-through premium		(676,523)			(676,523)			(676,523)
Share issuance costs		(506,887)	2,461,132	197,998	(308,889)			(308,889)
Issued to Corona (note 20)	11,511,638	1,352,913			1,352,913			1,352,913
Issued to Halverson (note 20)	50,000	7,250			7,250			7,250
Exercise of warrants	6,706,055	1,333,178	(6,706,055)	(378,180)	954,998			954,998
Exercise of options	2,100,000	434,082			434,082	(119,082)		315,000
Expiration of warrants			(779,500)	(51,121)	(51,121)	51,121		-
Stock options granted					-	1,305,715		1,305,715
Opening balance adjustment	(103)				-			-
Net loss for the period							(1,762,547)	(1,762,547)
December 31, 2010 (note 23)	**139,746,315**	**19,561,977**	**20,370,076**	**961,633**	**20,523,610**	**2,077,029**	**(11,400,109)**	**11,200,530**
Issued as a result of:								
Private placements	4,737,500	1,595,000			1,595,000			1,595,000
Flow-through premium		(101,625)			(101,625)			(101,625)
Exercise of warrants	20,254,299	4,181,332	(20,254,299)	(945,643)	3,235,689			3,235,689
Share issuance costs		(69,727)	93,000	12,325	(57,402)			(57,402)
Warrants expired			(115,777)	(15,990)	(15,990)	15,990		-
Exercise of options	100,000	24,148			24,148	(9,148)		15,000
Issued to Halverson (note 20)	50,000	19,000			19,000			19,000
Stock options granted					-	551,611		551,611
Net loss for the period							(332,842)	(332,842)
December 31, 2011	**164,888,114**	**25,210,105**	**93,000**	**12,325**	**25,222,430**	**2,635,482**	**(11,732,951)**	**16,124,961**

1. CORPORATE INFORMATION

Harte Gold Corp. (The "Company" or "Harte") was incorporated in Ontario on January 22, 1982 and is a reporting issuer in the Provinces of Ontario, Alberta and British Columbia. The common shares of the Company trade on the Toronto Stock Exchange under the symbol "HRT" and on the Frankfurt Stock Exchange under the symbol "H4O". The head office and principal address of the Company is 8 King Street East, Suite 1700, Toronto, Ontario, M5C 1B5

The Company is engaged in the acquisition, exploration and development of mineral resource properties with a focus on gold properties located in the Province of Ontario, Canada, and currently owns interests in two advanced exploration projects: the Sugar Zone Property, 60 km east of the Hemlo area gold mines, located on the north shore of Lake Superior and the Stoughton-Abitibi Property (formerly Stoughton-Porcupine), 110 km east of Timmins and 50 km north east of Kirkland Lake. On the basis of information to date, the Company has not yet determined whether these mineral properties contain economically recoverable reserves.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). In 2010, the Handbook of the Canadian Institute of Chartered Accountants was revised to incorporate IFRS and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are Harte's first annual financial statements prepared in accordance with IFRS as issued by the IASB.

The financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in Note 23, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at December 1, 2009 throughout all periods presented as if these policies had always been in effect. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Harte is provided in Note 23.

The financial statements were approved by the Board of Directors on March 28, 2012.

(b) Basis of Measurement

These financial statements have been prepared on a historic cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. BASIS OF PRESENTATION cont'd

The accompanying audited financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation.

Information regarding significant areas of estimation, uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

Note 5	valuation of financial assets at fair value through operations
Note 10	measurement of the recoverable amounts of exploration and evaluation projects
Note 12	measurement of flow-through share premium
Note 13-15	measurement of share-based payments
Note 19	utilization of tax losses and application of the initial recognition exemption
Note 21	provisions and contingencies

(c) Continuance of Operations

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interests in mineral properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and noncompliance with regulatory and environmental requirements.

(d) Change of Year End

In 2010, the Company changed its year end from November 30th to December 31st. Accordingly, the statements of operations and comprehensive loss, statements of changes of shareholders' equity and the statements of cash flows showed a 13 month period ended December 31, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

Fair value through profit or loss – This category comprises derivatives, or assets acquired or costs incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss or income.

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

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 statements of comprehensive loss or income.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in accumulated other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of comprehensive loss or income. For classification of the Company's financial assets into the above categories, refer to note 5.

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

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was assumed, as follows:

Fair value through profit and loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss or income.

Other financial liabilities – This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term fixed income deposits, including money market instruments, which are readily convertible into cash with original maturity dates of less than ninety days.

(c) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and include costs related to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling, and; evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures, including costs of acquiring licenses, are capitalized as exploration and evaluation assets on an "area of interest basis" which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favorable or has been proven to exist and, in most cases, comprises a single mine or deposit.

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits. The Company expenses all costs incurred prior to obtaining legal rights to a mineral property.

Exploration and evaluation assets are recognized if the rights to the project are current and either (1) the expenditures are expected to be recouped through successful development and exploitation of the project, or alternatively by its sale, and (2) active and significant operations in, or in relation to, the project are continuing.

Exploration and evaluation expenditures are initially capitalized as intangible exploration and evaluation assets. Such exploration and evaluation expenditures may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, materials and fuels used, rentals and payments made to contractors and consultants. To the extent that a tangible assets is consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, exploration and evaluation assets attributable to that project are first tested for impairment and then reclassified to *Mine Property and Development Projects*. Currently, Harte does not hold any assets classified as Mine Property and Development Projects.

(d) Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately are capitalized. Amortization of corporate property and equipment, and property and equipment used in the exploration and evaluation phase is recorded using the declining balance method, with management reviewing the useful lives of property and equipment at each statement of financial position reporting date to verify the asset is being amortized over a period equivalent to the useful life of the asset.

The assets are amortized at the following rates:

Vehicles	20%
Office equipment	30%

(e) Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the (1) asset's fair value less costs to sell and (2) 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

(f) Reversal of Impairment

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. An impairment loss with respect to goodwill is never reversed.

(g) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. 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.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 Company intends to settle its current tax assets and liabilities on a net basis.

(h) Share Capital

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

(i) Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. Upon expenses being renounced for income tax purposes, which generally occurs when the paperwork to renounce is filed, the Company recognizes the flow-through share premium previously recorded in respect of the qualifying resource expenditures as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's fiscal period is disclosed separately as flow-through share proceeds in Note 12.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

At the time of initial recognition, a taxable temporary difference exists and neither accounting profit nor taxable profit is affected, therefore the initial recognition exemption for deferred income taxes applies.

(j) Stock-based Compensation Transactions

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-marketing vesting conditions. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment. Otherwise, the stock-based compensations are measured at the fair value of goods or services received.

The fair value of options granted to directors, officers, employees and consultants who work directly on the mineral properties are capitalized to exploration and evaluation expenditures.

(k) Income/Loss Per Share

The Company presents basic and diluted income/loss per share data for its common shares, calculated by dividing the income/loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income/ per share does not adjust the income/loss attributed to the common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(l) Provision for Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates from decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. At December 31, 2011, the Company does not have any provision for environmental rehabilitation.

(m) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation,

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

provided that a reasonable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards or amendments or determined whether it will early adopt them.

(a) IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. Where equity instruments are recognized at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of the investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(b) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

(c) IFRS 11, *Joint Arrangements*, requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venture will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31*, Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

(d) IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities.

(e) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is 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. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED cont'd

(f) There have been amendments to existing standards, including IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(g) IAS 19, *Employee Benefits*, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income (OCI) as they arise, without subsequent recycling to net income. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on risk/cost-sharing features, and expanded disclosures.

(h) IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

(i) IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. Stripping activity mat create two types of benefits: i) inventory produced and ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, *Inventories.* The latter should be accounted for as an addition to or enhancement of an existing asset.

(j) IFRS 7, *Financial Instruments: Disclosures*, has been amended to include disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

(k) IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been amended for two changes. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs'. This eliminates the need for entities adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when an entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011 with earlier application permitted.

(l) IAS 12*, Income Taxes*, was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner or recovery or settlement. SIC 21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier adoption permitted.

5. FINANCIAL INSTRUMENTS AND RISK

The Company has designated cash and cash equivalents as assets at fair value through profit and loss. Receivables and subscription receivable are designated as loans and receivables and accounts payable and accrued liabilities are designated as other liabilities. These financial instruments are initially measured at fair value. Receivables, subscription receivable and accounts payable and accrued liabilities are subsequently measured on the basis of amortized cost using the effective interest rate method. Assets at fair value through profit and loss are revalued on the reporting date based on relevant market information about the financial instrument. These valuations are estimates and changes in assumptions could significantly affect the estimates.

(a) Fair Value

The fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at December 31, 2011 and 2010 and December 1, 2009, the Company's financial instruments are comprised of cash and cash equivalents, receivables, subscription receivable, accounts payable and accrued liabilities. The carrying value of receivables, subscription receivable, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value, level 1, on the statement of financial position consists of cash and cash equivalents.

Cash and cash equivalents comprise of cash in bank and money market fund investment. The latter can be redeemed at any time without penalty.

(b) Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and cash equivalents and receivables.

The Company's cash and cash equivalents (note 7) are held through a Canadian chartered bank and a brokerage firm, which are high-credit quality financial institutions. The Company's receivables (note 8) include receivables due from related companies.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquid assets available to settle liabilities as such liability obligations are entered into. All of the Company's financial liabilities, have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

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

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in a money market fund administered by the brokerage subsidiary of a Canadian chartered bank.

5. FINANCIAL INSTRUMENTS AND RISK cont'd

The Company is domiciled in Canada, its capital is raised in Canadian dollars and its expenditures are made in Canadian dollars. As a result, there is no foreign exchange exposure.

The Company is an exploration stage company actively exploring for gold. The price of gold varies from day to day and upon development of an operating gold mine, the Company would be exposed to gold price changes. Until then, there are no financial instruments of the Company that are exposed to gold prices.

(c) Sensitivity analysis

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments. Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

6. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are (1) to safeguard the Company's ability to continue operations in order to pursue the development of its mineral properties and provide returns for shareholders and (2) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company includes the components of shareholders' equity, cash and cash equivalents and short-term investments, if any, in the management of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use of capital. In order to maximize ongoing development efforts, the Company does not pay out dividends at this time.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments with maturities of less than a year from the original date of acquisition, selected with regard to the expected timing of expenditures from operations.

The Company expects its current capital resources will be sufficient to carry out its exploration and development plans and operations for 2012. However, significant additional capital will be required to complete the exploration and development of the Company's projects.

7. CASH AND CASH EQUIVALENTS

Assets	December 31, 2011	December 31, 2010	December 1, 2009
Cash	$ 344,654	$ 4,108,856	29,166
Liquid short term investment	3,975,991	-	-
	$ 4,320,645	**$ 4,108,856**	**$ 29,166**

8. RECEIVABLES

	December 31, 2011	December 31, 2010	December 1, 2009
GST/HST receivable	$ 86,171	$ 242,355	$ 981
Miscellaneous receivables	-	1,577	-
Total accounts receivable	**$ 86,171**	$ 243,932	$ 981

9. PROPERTY AND EQUIPMENT

	Office Equipment			Site Vehicles (1)			TOTAL
	Cost	Amortization	NBV	Cost	Amortization	NBV	NBV
December 1, 2009	-	-	-	-	-	-	-
Additions	2,102	202	1,900	95,531	6,096	89,435	91,335
Dispositions	-	-	-	(8,195)	-	(8,195)	(8,195)
December 31, 2010	**2,102**	**202**	**1,900**	**87,336**	**6,096**	**81,240**	**83,140**
Additions	5,467	1,390	4,077	20,075	18,465	1,610	5,687
Dispositions	-	-	-	254	(794)	1,048	1,048
December 31, 2011	**7,569**	**1,592**	**5,977**	**107,665**	**23,767**	**83,898**	**89,875**

1) Amortization on these site vehicles is capitalized to exploration and evaluation expenditures.

10. EXPLORATION AND EVALUATION EXPENDITURES

Sugar Zone Property, Hemlo Gold Area

The Sugar Zone Property consists of 412 contiguous claims within the Sault Ste. Marie Mining Division located in Ontario, approximately 60 km east of the Hemlo area gold mines, 25 km northeast of White River off the Trans-Canada Highway (#17).

The Company presently owns a 49% interest in 326 of the claims (51% of these are owned by Corona Gold Corporation) subject to an option in favour of Harte to acquire the balance (see note 20). Of these, 288 claims are subject to a 3.5% net smelter royalty ("NSR") in favour of the original vendors of the property which can be reduced to 2% through the payment of $1.5 million.

The Company also holds another option on 3 claims (the "Halverson Options") that are subject to a 3% NSR that can be reduced to 1.5% upon payment of $1.5 million (see note 20).

10. EXPLORATION AND EVALUATION EXPENDITURES cont'd

The following costs have been capitalized to exploration and evaluation expenditures in respect of the Sugar Zone Property.

	December 31, 2011	December 31, 2010
Opening Balance	**8,183,187**	**2,109,768**
Expenditures incurred during the period		
Acquisition costs	**244,111**	3,591,122
Drilling	**1,597,411**	1,296,434
Geophysics	**355,479**	138,332
Sampling	**3,274**	35,400
Assays	**80,234**	57,509
Camp costs	**386,318**	104,296
Direct management/employees	**376,377**	382,675
Site access	**146,719**	218,922
Consultants	**324,826**	201,796
Stock-based compensation	**362,605**	-
Amortization of vehicles	**19,287**	6,096
Other costs	**34,933**	40,837
Total for this period	**3,931,574**	**6,073,419**
Closing Balance	**12,114,761**	**8,183,187**

Stoughton-Abitibi Property, Timmins Porcupine Gold Area

The Stoughton-Abitibi Property (formerly known as Stoughton-Porcupine property), is located along the Destor-Porcupine Fault, 110 km east of the Timmins, 50 km north-east of Kirkland Lake, Ontario and 10 km due east of the Holloway-Holt gold mine and mill and consists of a 90% interest in 9 claims and a 100% interest in 25 claims in the Larder Lake Mining Division of Ontario.

In 2009, the Company concluded that it should prioritize the Sugar Zone Property and has not funded any exploration expenses on the Stoughton-Abitibi Property since then. Accordingly, the Company recorded an impairment provision of $2,756,133 against the Stoughton-Abitibi Property at November 30, 2009.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011	December 31, 2010	December 1, 2009
Accounts Payable	152,744	676,730	15,786
Accrued Liabilities			
Audit	30,000	32,500	22,000
Payroll liabilities	3,833	2,880	-
Management fees	-	-	90,000
Rent	-	-	10,000
Shareholder information	-	-	7,500
Share issue expense	-	42,302	-
Total accounts payable and accrued liabilities	**186,577**	**754,412**	**145,286**

12. FLOW-THROUGH LIABILITIES

Flow-through liabilities include the deferred premium portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through issues.

Balance on December 1, 2009	**$ -**
Liability incurred on flow-through shares issued	
December 23, 2009	128,952
Settlement of liability through renouncement in	
Q1 2010	(128,952)
Liability incurred on flow-through shares issued	
June 10, 2010	381,321
December 23, 2010	134,720
December 30, 2010	31,530
Balance on December 31, 2010	**$ 547,571**
Settlement of liability through renouncement in	
Q1 2011	(547,571)
Liability incurred on flow-through shares issued	
July 5, 2011	67,500
July 15, 2011	34,125
Balance on December 31, 2011	**$ 101,625**

As at December 1, 2009, the Company had fulfilled its commitments to incur exploration expenditures in relation to flow-through financings in fiscal 2009 (see note 21 in respect of prior flow-through financings).

On December 23, 2009, the Company completed a non-brokered private placement financing of 6,447,624 flow-through shares at a price of $0.07 per share for gross proceeds of $451,334. A flow-through share premium of $128,952 was recorded on this financing. The full amount of the funding was spent prior to December 31, 2010.

On June 10, 2010, the Company completed a non-brokered private placement financing of 8,000,000 flow-through shares at a price of $0.125 per share for gross proceeds of $1,000,000. A flow-through share premium of $381,321 was recorded on this financing. The full amount of the funding was spent prior to December 31, 2010.

On December 23, 2010, the Company completed an initial closing of a non-brokered private placement financing of 2,245,333 flow-through shares at a price of $0.75 per share for gross proceeds of $1,684,000. A flow-through share premium of $134,720 was recorded on this financing. None of this funding had been spent prior to December 31, 2010 and, as of December 31, 2011, the full amount had been spent.

On December 30, 2010, the Company completed a final closing of a non-brokered private placement financing of 1,051,000 flow-through shares at a price of $0.75 per share for gross proceeds of $788,250. A flow-through share premium of $31,530 was recorded on this financing. None of this funding had been spent prior to December 31, 2010 and, as of December 31, 2011, the full amount had been spent.

On July 5, 2011, the Company completed an initial closing of a non-brokered private placement financing of 2,250,000 flow-through shares at a price of $0.40 per share for gross proceeds of $900,000. A flow-through share premium of $67,500 was recorded on this financing. As of December 31, 2011, $833,321 had been spent.

On July 15, 2011, the Company completed the final closing of a non-brokered private placement financing of 487,500 flow-through shares at a price of $0.40 per share for gross proceeds of $195,000. A flow-through share premium of $34,125 was recorded on this financing. As of December 31, 2011, the $195,000 remains to be spent.

12. FLOW-THROUGH LIABILITIES cont'd

On December 23, 2011, the Company completed a non-brokered private placement financing of 2,000,000 flow-through shares at a price of $0.25 per share for gross proceeds of $500,000. There was no flow-through share premium for this financing. As of December 31, 2011, none of this amount had been spent.

13. CAPITAL STOCK

The Company is authorized to issue an unlimited number of common shares without par value.

Number of shares issued and outstanding.

The issued and outstanding common shares are as follows :

	December 31, 2011	December 31, 2010
Balance at beginning of period	**139,746,315**	**53,892,768**
Opening balance adjustment		(103)
Private placement of common shares		47,742,000
Private placement of flow-through shares (note 12)	**4,737,500**	17,743,957
Issuance of shares to Corona (note 20)		11,511,638
Issuance of shares to Halverson (note 20)	**50,000**	50,000
Exercise of warrants (note 15)	**20,254,299**	6,706,055
Exercise of stock options (note 14)	**100,000**	2,100,000
Balance end of period	**164,888,114**	**139,746,315**

14. STOCK OPTION PLAN

The Company has established a stock option plan to provide additional incentives to officers, directors, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The terms of the stock option plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. The number of shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares from time-to-time. At December 31, 2011, the Company had 3,208,811 (December 31, 2010 – 1,824,631) common shares available for granting of future options.

Under the terms of the plan, options vest immediately unless otherwise determined by the Board, and expire on the fifth anniversary from the date of issue unless otherwise specified. As at December 31, 2011, a total of 13,280,000 options (2010 - 12,150,000) were outstanding under the stock option plan.

14. STOCK OPTION PLAN cont'd

	December 31, 2011			13 months ended December 31, 2010		
	Weighted Average Exercise Price		Number of Options	Weighted Average Exercise Price		Number of Options
Outstanding beginning of period	**$**	**0.19**	**12,150,000**	$	0.15	4,700,000
Transactions during the period:						
Granted	**$**	**0.47**	**1,200,000**	$	0.15	7,950,000
Granted	**$**	**0.40**	**400,000**	$	0.20	800,000
Granted	**$**	**0.50**	**400,000**	$	0.45	500,000
Granted				$	0.70	500,000
Exercised [1]	**$**	**0.15**	**(100,000)**	$	0.15	(2,100,000)
Forfeited	**$**	**0.46**	**(770,000)**	$	0.15	(200,000)
Outstanding at end of period	**$**	**0.20**	**13,280,000**	$	0.19	12,150,000
Exercisable at end of period	**$**	**0.20**	**12,892,500**	$	0.19	12,150,000

[1] The weighted average share price at the date of exercise is $0.38 (2010 - $0.67).

The following table provides additional information regarding stock options outstanding at December 31, 2011.

Expiry Date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
January 26, 2012	$0.15	0.07	150,000	150,000
February 14, 2012	$0.47	0.12	50,000	37,500
February 17, 2014	$0.15	2.13	3,050,000	3,050,000
May 25, 2014	$0.15	2.40	250,000	250,000
June 22, 2015	$0.15	3.48	6,800,000	6,800,000
July 26, 2015	$0.20	3.57	800,000	800,000
November 9, 2015	$0.70	3.86	500,000	500,000
February 14, 2016	$0.47	4.13	880,000	505,000
July 14, 2016	$0.40	4.54	400,000	400,000
October 21, 2016	$0.50	4.81	400,000	400,000
	$0.21	**3.23**	**13,280,000**	**12,892,500**

14. STOCK OPTION PLAN cont'd

Stock-based Compensation

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of stock-based compensation costs for stock options issued during the period ended December 31, 2011 and the 13 months ended December 31, 2010:

Grant date	25-Jan-10	24-Jun-10	27-Jul-10	28-Sep-10	10-Nov-10
Number of options	150,000	7,800,000	800,000	500,000	500,000
Exercise price	$ 0.15	$ 0.15	$ 0.20	$ 0.45	$ 0.70
Expected life in years	2	5	5	5	5
Volatility(3)	135.69%	108.64%	110.18%	112.27%	112.85%
Risk-free interest rate	1.22%	2.20%	2.29%	1.79%	2.24%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value of options granted	$ 0.052	$ 0.092	$ 0.159	$ 0.360	$ 0.554
Stock-based compensation expense	$ 7,785	$ 713,700	$ 127,280	$ 179,950	$ 277,000

Grant date	14-Feb-11	14-Feb-11	15-Jul-11	21-Oct-11
Number of options	1,150,000 (1)	50,000 (2)	400,000	400,000
Exercise price	$ 0.47	$ 0.47	$ 0.40	$ 0.50
Expected life in years	5	1	5	5
Volatility(3)	114.00%	118.86%	112.19%	111.28%
Risk-free interest rate	2.36%	1.69%	1.92%	1.46%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Fair value of options granted	$ 0.380	$ 0.213	$ 0.257	$ 0.221
Stock-based compensation expense	$ 437,460	$ 10,630	$ 102,960	$ 88,400

1 An aggregate of 775,000 stock options were vested as of December 31, 2011
2 37,500 of these options were vested as of December 31, 2011
3 Volatility is determined based on historical share prices

15. WARRANTS

As at December 31, 2011 there were 93,000 warrants to purchase common shares outstanding. Warrants expire as follows:

	Exercise Price		Warrants	Expiry date
Balance at November 30, 2009			**4,023,499**	
Expired			(779,500)	
Issued for finder's fee	$	0.10	84,405	June 22, 2011
Issued for finder's fee	$	0.10	10,000	July 19, 2011
Issued for finder's fee	$	0.10	1,709,336	November 25, 2011
Issued for finder's fee	$	0.10	250,264	December 9, 2011
Issued for finder's fee	$	0.125	124,800	December 9, 2011
Issued for finder's fee	$	0.75	39,920	December 30, 2011
Issued	$	0.15	19,398,500	November 25, 2011
Issued	$	0.15	1,972,500	December 9, 2011
Issued for broker warrants exercised	$	0.24	242,407	April 30, 2011
Exercised	$	0.10	(1,987,232)	
Exercised	$	0.12	(331,433)	
Exercised	$	0.125	(110,400)	
Exercised	$	0.15	(3,597,500)	
Exercised	$	0.24	(679,490)	
Balance at December 31, 2010			**20,370,076**	
Expired			(115,777)	
Issued for finder's fee	$	0.40	71,125	July 5, 2012
Issued for finder's fee	$	0.40	21,875	July 15, 2012
Exercised	$	0.15	(17,698,500)	
Exercised	$	0.24	(2,321,248)	
Exercised	$	0.10	(220,151)	
Exercised	$	0.125	(14,400)	
Balance at December 31, 2011			**93,000**	

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of the value allocated to the warrants issued as part of the unit financings during the 13 month period ended December 31, 2010 and year ended December 31, 2011:

Issue date	**23-Dec-09**	**18-Jan-10**	**26-May-10**	**26-May-10**	**10-Jun-10**	**10-Jun-10**
Number of warrants	84,405	10,000	19,398,500	1,709,336 [1]	1,972,500	250,264 [1]
Exercise price	$ 0.10	$ 0.10	$ 0.15	$ 0.10	$ 0.15	$ 0.10
Expected life in years	1.5	1.5	1.5	1.5	1.5	1.5
Volatility[2]	146.76%	147.31%	145.89%	145.89%	140.54%	140.54%
Risk-free interest rate	1.37%	1.20%	1.44%	1.44%	1.45%	1.45%
Dividend yield	0%	0%	0%	0%	0%	0%
Fair value of warrants issued	$ 0.025	$ 0.055	$ 0.047	0.088	$ 0.045	0.087
Fair value assigned to warrants	$ 2,118	$ 554	$ 902,362	$ 151,105	$ 89,414	$ 21,673

15. WARRANTS cont'd

Issue date	10-Jun-10	23-Dec-10	30-Dec-10	5-Jul-11	15-Jul-11
Number of warrants	124,800 [1]	8,900	31,020	71,125 [1]	21,875
Exercise price	$ 0.125	$ 0.75	$ 0.75	$ 0.400	$ 0.400
Expected life in years	1.5	1.0	1.0	1.0	1.0
Volatility[2]	140.54%	116.56%	116.56%	104.26%	99.25%
Risk-free interest rate	1.45%	1.68%	1.68%	1.47%	1.47%
Dividend yield	0%	0%	0%	0%	0%
Fair value of warrants issued	0.081	0.312	0.312	0.140	0.108
Fair value assigned to warrants	$ 10,096	$ 2,776	$ 9,675	$ 9,972	$ 2,354

[1] Finder's warrants
[2] Volatility is determined based on historical share prices

The expiry dates of warrants outstanding as of December 31, 2011 are as follows:

Expiry date	Number of warrants outstanding	Exercise price
July 5, 2012	71,125	$ 0.40
July 15, 2012	21,875	$ 0.40
	93,000	**$ 0.40**

16. OTHER RESERVES

	Year ended 31-Dec-11	13 months ended 31-Dec-10
Balance beginning of period	**2,077,029**	839,275
Stock-based compensation expense (note 14)	551,611	1,305,715
Fair value assigned to options exercised (note 14)	(9,148)	(119,082)
Fair value assigned to expired warrants	15,990	51,121
Balance end of period	**2,635,482**	2,077,029

17. LOSS PER SHARE

The calculation of the basic loss per share for the year ended December 31, 2011 was based on the loss attributable to common shareholders of $332,842 (loss for the 13 month period ended December 31, 2010 - $1,762,547) and a weighted average number of common shares outstanding of 145,149,699 (December 31, 2010 – 100,913,414).

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on loss per share.

The Company excluded the effect of the stock options and warrants in the determination of diluted loss per share as their impact would have been anti-dilutive.

18. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties as at and in the 13 months period ended December 31, 2010 and year ended December 31, 2011 were as follows:

For 13 months period ended December 31, 2010		Amount charged		Outstanding balance
Silvermet Inc.	$	37,000	$	15,000
Global Atomic Fuels Corp.		45,177		21,812

For year ended December 31, 2011		Amount charged		Outstanding balance
Silvermet Inc.	$	52,559	$	-
Global Atomic Fuels Corp.		57,197		-

Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. These are settled on a regular basis. Transactions with related parties are measured at the exchange amount.

These companies are related parties since one or more directors, officers and consultant are associated with these companies in the same capacity.

For the year ended December 31, 2011, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

		Year ended December 31, 2011		13 months ended December 31, 2010
Management and consulting	**$**	**240,000**	$	227,500
Consulting fees included in exploration and evaluation expenditures		**90,000**		77,500
Stock based compensation		**102,960**		898,015

19. INCOME TAXES

(a) Provision for Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	December 31, 2011	December 31, 2010
Loss before income taxes	**$ (332,842)**	$ (1,762,547)
Combined Federal and Provincial tax rate	**26.50%**	29.15%
Expected recovery at statutory rates	**(88,203)**	(513,782)
Non-deductible expenses	**50,137**	381,700
Flow-through share premium	**(145,106)**	(37,590)
Change in unrecognized portion of deferred tax asset	**(676,085)**	5,721
Expired losses	**-**	61,226
Share issue costs	**(14,351)**	(126,722)
Change in tax rate and other	**5,545**	116,613
CEE renounced in the year	**868,063**	112,834
Deferred income tax recovery	**$ (0)**	$ (0)

(b) Deferred Tax Balances

The deferred income tax balances comprise the following temporary differences:

	December 31,2011	December 31, 2010
Resource properties	**$ (1,033,762)**	$ (165,699)
Non-capital loss carry forwards	**1,364,165**	1,143,628
Share issue costs and other	**113,812**	142,371
	444,215	1,120,300
Less: unrecognized portion	**(444,215)**	(1,120,300)
Deferred tax asset	**$ -**	$ -

19. INCOME TAXES cont'd

(c) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of $5,458,000 which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

2014	$	670,000
2015		341,000
2025		623,000
2026		535,000
2027		496,000
2028		1,070,000
2029		732,000
2030		108,000
2031		882,000
	$	**5,457,000**

20. COMMITMENTS

On May 28, 2010, the Company finalized the Corona Option (note 10), entitling the Company to acquire Corona's 51% interest in the Sugar Zone joint venture on completion of certain conditions, including:

1) An initial payment of $10,000 made on March 5, 2010.

2) The issuance of that number of common shares equal to 9.9% of the issued and outstanding common shares of Harte as at the date of the Corona Option and after giving effect to the issuance of such shares. Accordingly, the Company issued a total of 11,511,638 common shares during the period ended December 31, 2010 to Corona under this condition.

3) A $2 million cash payment on the execution of the Option Agreement which was paid May 27, 2010.

4) A $90,000 cash payment on or before each sixth month anniversary of the Option Agreement until a final option payment of $2,500,000 is made on or before the second anniversary or a final option payment of $3,000,000 is made on or before the third anniversary. To date the Company has made three $90,000 cash payments.

Effective March 10, 2010 the Company became the Operator of the joint venture for as long as the Corona Option is in good standing.

On June 28, 2010, the Company entered into an Option Agreement to acquire 3 mining claims contiguous to the 326 claims previously held. To earn a 10% interest in the claims, the Company must make cash payments of $225,000 and incur work commitments of $300,000 over 4 years plus issue 200,000 common shares over 3 years. The claims interest is subject to a 3% net smelter return that can be reduced to 1.5% upon payment of $1,500,000. Additionally, if an economically viable deposit is found, the Company must make advance royalty payments of $20,000 per year over 5 years or alternatively, may make annual payments of $20,000 to extend the Option for a further 5 years and complete the purchase of the claims. As of December 31, 2011, cash payments of $160,000 and work commitments of $300,000 remain through June 28, 2014, and a further 100,000 shares must be issued on June 28, 2012.

20. COMMITMENTS cont'd

In addition to the above commitments, the Company has minimum lease payments to make for site access and a building rental over the next 4 years as follows:

< 1 year	$ 29,500
1 – 5 years	$ 30,000

21. CONTINGENCY PROVISIONS

Mr. John Ternowesky, a former director of the Company, has filed a Statement of Claim in the amount of $3,000,000 against the Company in the Ontario Superior Court of Justice. The claim alleges that Mr Ternowesky had provided services as a director and consultant to the Company during the period November 1993 through June 2001. The Company has filed a Statement of Defence and Counterclaim. Management is of the position that the claim by Mr. Ternowesky is without merit as there are no corporate records of any such services or agreements. The Company's Counterclaim is in respect of Mr. Ternowesky's breach of his duties as a director in respect of flow-through share issuances (see below) and seeks damages in the amount of $750,000 relating to CRA liabilities and indemnity of $750,000 for any amounts that may be needed to be reimbursed to investors, plus a discharge of any royalties owing to Mr. Ternowesky. (Mr. Ternowesky holds a portion of the royalties on Sugar Zone Property – see note 10). Mr. Ternowesky has made an offer to settle his claim at a significantly reduced amount but the Company has rejected this. At present, the Company believes it will prevail in this matter and no liability will result. Since any such liability is remote, no provision is included.

Pursuant to a 2009 audit by the Canada Revenue Agency ("CRA") of 2003 exploration expenses, current management conducted a review of expenditures incurred and filings made in respect of flow-through share issuances during the period 2003 – 2008. This review uncovered issues related to the use of flow-through funds, timing of expenditures and other related compliance matters. The Company has filed the required documents with CRA related to the issuance of flow-through common shares during this period and estimates it may incur interest charges and penalties associated with the foregoing and may incur other costs. These financial statements contain a provision of $144,125 (2010 - $144,125) to reflect the interest charges and penalties that are probable under the Part XII.6 provisions in the Income Tax Act. In addition, it is probable that the Company will be obligated to reimburse investors for an estimated amount of $283,300 (2010 - $283,300), which has been accrued, in tax liabilities and interest due to CRA re-assessments which re-assessments are a result of flow through funds not spent within prescribed time limits. The Company has approached CRA with a proposal to minimize payments associated with the above. While some relief may be obtained, any such amount is uncertain and may not be material and so has been excluded from the provision.

In addition to the claim against Mr. Ternowesky as noted above, the Company also filed a claim against the other former directors and officers of the Company that were retained, employed or otherwise engaged by the Company during the relevant period, for damages of $750,000 relating to CRA liabilities and indemnity of $750,000 for any amounts that may need to be reimbursed to investors. A number of such directors have in turn filed a claim against Mr. Ternowesky for any such damages or indemnity liability. Any recovery by the Company is very uncertain so no amount has been included in the financial statements for any such potential recovery.

22. OPERATING SEGMENT

The Company is engaged in the exploration and evaluation of properties for the mining of precious metals in Canada. The present focus of the Company is entirely on its Sugar Zone Property. The corporate office operates to support the field work being carried out on the Sugar Zone Property. As a result, the Company operates in one reportable operating segment.

23. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted International Financial Reporting Standards ("IFRS") beginning December 1, 2009 and as a result, the 2010 comparative information has been adjusted and presented in accordance with IFRS.

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The accounting policies described in note 3 have been applied in preparing the comparative financial statements for the 13 months ended December 31, 2010 and in preparation of the opening IFRS statement of financial position at December 1, 2009.

(a) First time adoption of IFRS

Under IFRS 1, IFRS has been applied retrospectively at the transition statement of financial position date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings, except where certain exemptions and elections were applied. The primary exemptions and elections that were applied by the Company are:

IFRS 2, (share-based payment) – The Company has elected not to apply IFRS 2 retrospectively in respect of options granted and vested prior to December 1, 2009.

In addition below are the changes in accounting policies.

Expenditures on exploration and evaluation projects

The Company has elected to continue to capitalize exploration costs. Furthermore, the Company believes that the value of exploration and evaluation costs does not contain any material costs which were incurred prior to securing the legal right to explore the properties.

Impairment of exploration and evaluation projects

In the year ended November 30, 2009, the Company recorded a write down of its Stoughton-Abitibi Property in the amount of $2,756,133 due to a change in recoverable value at that time. Under IFRS, reversals of write downs are permitted and required where the recoverable value of the project is supported. As of December 31, 2011, the Company has no information that would lead it to reverse part or all of the previous write down on the Stoughton-Abitibi Property.

Flow-through shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity, less the tax effects of renunciation. Under IFRS, on the issuance of flow-through shares, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any,

23. INTERNATIONAL FINANCIAL REPORTING STANDARDS cont'd

investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. Upon expenses being renounced, which generally occurs when the paperwork to renounce is filed the Company derecognizes the liability. The premium is recognized as other income.

At the time of initial recognition, a taxable temporary difference exists and neither accounting profit nor taxable profit is affected, therefore the initial recognition exemption for deferred income taxes applies.

Estimates

In accordance with IFRS 1, estimates made under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's estimates as of December 1, 2009 under IFRS are consistent with its Canadian GAAP estimates for the same date.

(b) The reconciliation between Canadian GAAP and IFRS statements

Reconciliation of Equity – Comparative and Transition Balance Sheets

Canadian dollars	**December 31, 2010**			**December 01, 2009**		
	Pre-transition Canadian GAAP	Effect of Transition	IFRS	Pre-transition Canadian GAAP	Effect of Transition	IFRS
Assets						
Current Assets						
Cash	$ 4,108,856		$ 4,108,856	$ 29,166		$ 29,166
Receivables	243,932		243,932	981		981
Subscription receivable	304,500		304,500	-		-
Prepaids	6,323		6,323	-		-
	4,663,611		4,663,611	30,147		30,147
Property and Equipment	83,140		83,140	-		-
Exploration and Evaluation Expenditures	8,183,187		8,183,187	2,109,768		2,109,768
	$ 12,929,938		$ 12,929,938	$ 2,139,915		$ 2,139,915
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	1,181,837		1,181,837	575,086		575,086
Flow-through share premium	-	547,571 [1]	547,571			
	$ 1,181,837	$ 547,571	$ 1,729,408	$ 575,086		$ 575,086
Shareholder's Equity						
Capital stock	20,125,666	397,944 [1,2,3]	20,523,610	10,161,956	201,160 [2]	10,363,116
Other reserves	3,038,662	(961,633) [2]	2,077,029	1,040,435	(201,160) [2]	839,275
Deficit	(11,416,227)	16,118 [3]	(11,400,109)	(9,637,562)		(9,637,562)
	11,748,101	(547,571)	11,200,530	1,564,829		1,564,829
	$ 12,929,938	$ -	$ 12,929,938	$ 2,139,915	$ -	$ 2,139,915

[1] Flow-through share premium of $547,571 as of December 31, 2010 was recognized with a corresponding adjustment to capital stock.

[2] The value assigned to warrants outstanding was previously included in contributed surplus. On transition to IFRS, these balances were transferred to capital stock in the amount of $961,333 as at December 31, 2010 and $201,160 as at December 1, 2009.

[3] The net impact of flow-through share premium under IFRS and the related future tax impact under Canadian GAAP of $16,118 was recorded in capital stock with a corresponding adjustment to deficit as at December 31, 2010.

Reconciliation of Profit and Loss for the Year ended December 31, 2010

Canadian dollars	Year ended December 31, 2010		
	Pre-transition Canadian GAAP	Effect of Transition	IFRS
Revenue			
Interest Income	$ 389		$ 389
Expenses			
Management and consulting fees	237,500		237,500
Promotion and travel	8,512		8,512
Office and general	98,808		98,808
Professional fees	59,648		59,648
Stock-based compensation	1,305,715		1,305,715
Shareholders' information	181,503		181,503
Amortization	202		202
Flow-through share premium	-	(128,952) [1]	(128,952)
	1,891,888	(128,952)	1,762,936
Income (Loss) and comprehensive loss before income taxes	(1,891,499)	128,952 [1]	(1,762,547)
Future income tax recovery	112,834	(112,834) [1,2]	-
Net Income (Loss) and Comprehensive Loss	$ (1,778,665)	$ 16,118	$ (1,762,547)
Deficit beginning of period	(9,637,562)		(9,637,562)
Deficit end of period	$ (11,416,227)	$ 16,118	$ (11,400,109)
Net Income (loss) per share - basic and fully diluted	$ (0.018)		$ (0.017)
Weighted average number of shares outstanding - Basic	100,913,414		100,913,414

[1] This is the reversal under IFRS of the flow-through share premium liability upon renunciation to net loss.

[2] This is the reversal of the future income tax recovery previously recorded under Canadian GAAP related to previously unrecognized future tax assets that were recognized on the renunciation of flow-through expenditures.

The IFRS transition adjustments detailed in the note did not have a material impact on the Company's Statement of Cash Flows for the year ended December 31, 2010.