TRI-RIVER VENTURES INC.

Consolidated Financial Statements

Year Ended December 31, 2011

Expressed in Canadian Dollars

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tri-River Ventures Inc..

We have audited the accompanying consolidated financial statements of Tri-River Ventures Inc., which comprise the consolidated statements of financial position as at December 31, 2011, 2010 and January 1, 2010, and the consolidated statements of 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 Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tri-River Ventures Inc. as at December 31, 2011, 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 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Tri-River Ventures Inc.'s ability to continue as a going concern.

"DMCL"
DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, B.C.
April 30, 2012

PARTNERSHIP OF:
VANCOUVER Robert J. Burkart, Inc. James F. Carr-Hilton Ltd. Kenneth P. Chong Inc. Alvin F. Dale Ltd. David J. Goertz, Inc. Barry S. Hartley, Inc. Reginald J. LaBonte Ltd. Robert J. Matheson, Inc. Rakesh I. Patel Inc. F.M. Yada FCA Inc. WHITE ROCK Michael K. Braun Inc. Peter J. Donaldson, Inc. TRI-CITIES G.D. Lee Inc. Fraser G. Ross, Ltd. Brian A. Shaw Inc.

TRI-RIVER VENTURES INC.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes	December 31, 2011	December 31, 2010 (Note 14)	January 1, 2010 (Note 14)
ASSETS				
Current assets				
Cash and cash equivalents	4	$ 1,402,363	$ 6,408,279	$ 2,237,893
Sales tax receivable		27,080	30,079	17,622
Prepaids		194	453	-
		1,429,637	**6,438,811**	**2,255,515**
Non-current assets				
Acquisition advances	6	4,599,805	-	-
Equipment	5	14,774	21,543	31,630
Exploration and evaluation assets	6	2,881,399	3,833,462	3,762,920
		7,495,978	3,855,005	3,794,550
TOTAL ASSETS		**$ 8,925,615**	**$ 10,293,816**	**$ 6,050,065**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 15,000	$ 52,181	$ 21,000
Due to related parties	8	2,522	2,522	17,888
TOTAL LIABILIITES		**17,522**	**54,703**	**38,888**
SHAREHOLDERS' EQUITY				
Share capital	7	15,710,584	15,710,584	11,123,786
Share-based payment reserve	7	164,339	164,339	79,885
Deficit		(6,915,826)	(5,633,850)	(5,192,494)
		8,959,097	10,241,073	6,011,177
Non-controlling interest	12	(51,004)	(1,960)	-
TOTAL EQUITY		**8,908,093**	**10,239,113**	**6,011,177**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 8,925,615**	**$ 10,293,816**	**$ 6,050,065**

Nature of Business and Continuance of Operations (Note 1)
Subsequent event (Note 13)

TRI-RIVER VENTURES INC.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	Notes	Years ended December 31, 2011	December 31, 2010 (Note 14)
Expenses			
Amortization	5	$ 6,769	$ 10,087
Consulting and director fees	8	26,286	26,025
Foreign exchange loss (gain)		(15,300)	5,494
Management fees	8	120,000	120,000
Office and miscellaneous		56,889	68,727
Professional fees	8	85,371	48,900
Salaries and wages		38,806	40,580
Share-based payments	7	-	84,454
Travel		85,243	69,846
		(404,064)	(474,113)
Other items			
Interest income		33,510	30,797
Impairment on exploration and evaluation assets	6	(960,466)	-
		(926,956)	30,797
Loss before non-controlling interest		(1,331,020)	(443,316)
Non-controlling interest	12	49,044	1,960
Comprehensive loss		**$ (1,281,976)**	**$ (441,356)**
Loss per share – basic and diluted		**$ (0.04)**	**$ (0.02)**
Weighted average number of common shares outstanding – basic and diluted		**32,695,431**	**22,207,760**

See accompanying notes to the consolidated financial statements

TRI-RIVER VENTURES INC.
Consolidated statement of changes in equity
(Expressed in Canadian dollars)

	Notes	Share capital		Share-based payment reserve	Non-controlling interest	Deficit	Total
		Number of shares	Amount				
Restated balance at January 1, 2010	14	**20,695,431**	**$ 11,123,786**	**$ 79,885**	**$ -**	**$ (5,192,494)**	**$ 6,011,177**
Shares issued for cash – private placement		12,000,000	4,800,000	-	-	-	4,800,000
Share issue costs (net of tax)		-	(213,202)	-	-	-	(213,202)
Share-based payments		-	-	84,454	-	-	84,454
Non-controlling interest		-	-	-	(1,960)	-	(1,960)
Comprehensive loss		-	-	-	-	(441,356)	(441,356)
Restated balance at December 31, 2010	14	**32,695,431**	**15,710,584**	**164,339**	**(1,960)**	**(5,633,850)**	**10,239,113**
Non-controlling interest		-	-	-	(49,044)	-	(49,044)
Comprehensive loss		-	-	-		(1,281,976)	(1,281,976)
Restated balance at December 31, 2011		**32,695,431**	**$ 15,710,584**	**$ 164,339**	**(51,004)**	**$ (6,915,826)**	**$ 8,908,093**

TRI-RIVER VENTURES INC.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended	
	December 31, 2011	**December 31, 2010 (Note 14)**
Operating activities		
Loss for the year	$ (1,281,976)	$ (441,356)
Adjustments for:		
Amortization	6,769	10,087
Share-based payments	-	84,454
Impairment on exploration and evaluation assets	960,466	-
Non-controlling interest	(49,044)	(1,960)
Deduct interest income related to investing activities	(33,510)	(30,797)
Changes in non-cash working capital items:		
Sales tax receivable	2,999	(12,457)
Prepaids	259	(453)
Accounts payables and accrued liabilities	(37,181)	31,181
Due to related parties	-	(15,366)
Net cash flows used in operating activities	(431,218)	(376,667)
Investing activities		
Expenditures on exploration and evaluation assets	(8,403)	(70,542)
Advances and deposit on acquisition	(4,599,805)	-
Interest income	33,510	30,797
Net cash flows used in investing activities	(4,574,698)	(39,745)
Financing activities		
Proceeds on issuance of common shares - net of share issue costs	-	4,586,798
Net cash flows from financing activities	-	4,586,798
Increase (decrease) in cash and cash equivalents	(5,005,916)	4,170,386
Cash and cash equivalents, beginning	6,408,279	2,237,893
Cash and cash equivalents, ending	**$ 1,402,363**	**$ 6,408,279**

1. Nature and continuance of operations

Tri-River Ventures Inc. (the "Company") was incorporated on March 9, 1992, under the laws of the province of Alberta, Canada, was continued under the laws of British Columbia ("BC"), Canada on July 12, 2005, and its principal activity is the acquisition and exploration of exploration and evaluation assets. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "TVR".

The head office and principal address of the Company are located at Suite 2300, 1066 West Hastings Street, Vancouver, BC, Canada. The records office of the Company is located at 2110 28th Street, West Vancouver, BC. The Company's registered address is at 3993 Michener Court, North Vancouver, BC.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2011 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on April 30, 2012 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first set of annual financial statements prepared in accordance with IFRS. The disclosures concerning the transition from pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 14.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. Significant accounting policies and basis of preparation (continued)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**December 31, 2011**	**December 31, 2010**
Red Sun Group Holdings Limited ("Red Sun")	British Virgin Islands	100%	100%
Sichuan Longbao Mining Corp. ("Longbao")	China	95%	95%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. Significant accounting policies and basis of preparation (continued)

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The Company and its subsidiaries' functional currency is the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2. Significant accounting policies and basis of preparation (continued)

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment of assets

The carrying amount of the Company’s assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset’s fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Significant accounting policies and basis of preparation (continued)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. Significant accounting policies and basis of preparation (continued)

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of Equipment	Depreciation rate
Computer equipment	50% declining balance
Vehicle	30% declining balance
Office equipment and furniture	20% declining balance
Mining equipment	20% declining balance

2. Significant accounting policies and basis of preparation (continued)

Restoration and environmental obligations

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

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration 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 or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

3. Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position:

a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
f) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
g) IAS 19 Employee Benefits (Amended in 2011);
h) IAS 27 Separate Financial Statements (Amended in 2011);
i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash in bank	$ 302,363	$ 309,186	$ 461,975
Guaranteed investment certificates	1,100,000	6,099,093	1,775,918
	$ 1,402,363	$ 6,408,279	$ 2,237,893

5. Equipment

	Motor vehicles	Computer equipment	Mining equipment	Office equipment and furniture	Total
Cost:					
At December 31, 2011, 2010, January 1, 2010	$ 32,909	$ 3,754	$ 5,545	$ 2,690	$ 44,898
Acc. Amortization:					
At January 1, 2010	$ (9,722)	$ (1,621)	$ (1,386)	$ (539)	$ (13,268)
Amortization	(6,740)	(1,877)	(1,040)	(430)	(10,087)
At December 31, 2010	(16,462)	(3,498)	(2,426)	(969)	(23,355)
Amortization	(5,061)	(256)	(936)	(516)	(6,769)
At December 31, 2011	$ (21,523)	$ (3,754)	$ (3,362)	$ (1,485)	$ (30,124)
Net book value:					
At January 1, 2010	$ 23,187	$ 2,133	$ 4,159	$ 2,151	$ 31,630
At December 31, 2010	$ 16,447	$ 256	$ 3,119	$ 1,721	21,543
At December 31, 2011	$ 11,386	$ -	$ 2,183	$ 1,205	$ 14,774

6. Exploration and evaluation assets

Lianlong Property, Sichuan, China

The Company owns the mineral exploration license for the Lianlong Property in Changtai District, Baiyu County, Sichuan Province of China through its 95% owned subsidiary Longbao.

	December 31, 2010	Additions	Write Down	December 31, 2011
Acquisition costs	$ 3,279,791	$ -	$ (398,392)	$ 2,881,399
Mining license	2,350	-	(2,350)	-
Infrastructure	461,685	-	(461,685)	-
Geological survey	89,636	8,403	(98,039)	-
	$ 3,833,462	$ 8,403	$ (960,466)	$ 2,881,399

6. Exploration and evaluation assets (continued)

Lianlong Property, Sichuan, China (continued)

	January 1, 2010	Additions	Write Down	December 31, 2010
Acquisition costs	$ 3,279,791	$ -	$ -	$ 3,279,791
Mining license	2,350	-	-	2,350
Infrastructure	411,174	50,511	-	461,685
Geological survey	69,605	20,031	-	89,636
	$ 3,762,920	$ 70,542	$ -	$ 3,833,462

During the year ended December 31, 2011, the Company recorded an impairment of $2,617,492 to write down the property to management's estimated fair value.

Potash Property, Saskatchewan, Canada

On March 22, 2011, the Company entered into a Share Exchange Agreement ("Share Exchange Agreement") with Strong Rising International Limited ("Strong Rising") to acquire Strong Rising's wholly owned subsidiary, Taiji Resources Ltd. ("Taiji"), a private company incorporated in the province of Saskatchewan. Taiji owns potash properties in Saskatchewan. The Company has agreed to acquire all of the 10,000,000 issued and outstanding shares of Taiji in exchange for 11,360,000 shares of the Company.

The closing of the Agreement is subject to several conditions including obtaining the approvals from shareholders and the TSX-V, completion of a National Instrument 43-101 technical report on Taiji's potash properties, completion of an audit of Taiji's financial statements for its most recent fiscal year, sufficient evidence of value and completion of due diligence satisfactory to Company management. At December 31, 2011, the Share Exchange Agreement has not closed.

During the year ended December 31, 2011, the Company advanced a loan of $156,545 to Taiji to cover its operating expenses. The following table summarized the expenses paid by the Company:

	Amount
Professional fees	$ 44,177
Wages	5,885
Exploration expenditures	106,483
	$ 156,545

6. Exploration and evaluation assets (continued)

Lenghu Potash, Qinghai, China

On March 31, 2011, the Company entered into a Purchase and Sale Option Agreement ("Option Agreement") with Sino Spirit Capital Investment Holding Limited ("Sino Investment") to acquire Sino's 100% equity interest in Sino Spirit Group Limited ("Sino Group") which owns a 60% equity interest in Qinghai Lenghu Kunhu Potash Company Ltd. ("Lenghu Potash"). Lenghu Potash owns a mining permit in Qinghai Province of the People's Republic of China. Potash is currently produced from this property. Consideration consists of cash payments of $12,605,000 (RMB78,000,000) in three installments and share issuances having an aggregate value of up to $4,848,000 (RMB30 million). The first refundable installment of $4,443,260 (RMB30,000,000) was made during the year ended December 31, 2011. This transaction is subject to approval from shareholders and the TSX-V, audited financial statements, a National Instrument 43-101 technical report on the key property, and a business plan (Note 13). At December 31, 2011, the Option Agreement has not closed.

On April 20, 2012, the Option Agreement was amended to include the following: completion of a financing to pay for the second installment of $4,848,000 (RMB30,000,000) ; extension of the due date of the second installment until the later of the closing of the financing or the date of the definitive agreement is signed; and signing of a profit sharing agreement between the Company and Lenghu Potash. In consideration of the use of the first refundable deposit, Lenghu Potash agreed to allocate 16.67% of its profits to the Company starting from 2011 until the date the definitive agreement is signed. The Company's share of profits will be recognized upon receipt as the amount cannot be reasonable estimated at December 31, 2011 (Note 13).

7. Share capital

Authorized share capital

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

Issued share capital

At December 31, 2011 there were 32,695,431 issued and fully paid common shares (December 31, 2010 – 32,695,431).

Private placements

On November 16, 2010, the Company completed a non-brokered private placement of 12,000,000 units at $0.40 per unit for gross proceeds of $4,800,000. Each unit consists of one common share of the Company and one-half of a share purchase warrant. For every warrant held, the holder is entitled to purchase one additional common share in the capital of the Company at $0.60 per share for a two-year period. No fair value was attributed to these warrants.

Escrow Shares

At December 31, 2011, the Company has 4,357,405 shares in escrow which will be subject to time release.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed ten percent (10%) of the issued and outstanding common shares. Options granted typically vest immediately unless the Board of Directors determines otherwise.

7. Share capital (continued)

Stock options (continued)

The changes in options during the year ended December 30, 2011 and the year ended December 31, 2010 are as follows:

	December 31, 2011		December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,280,000	$ 0.340	400,000	$ 0.205
Options granted	-	-	880,000	0.40
Options expired	(400,000)	0.205	-	
Options outstanding, ending	880,000	$ 0.40	1,280,000	$ 0.340
Options exercisable, ending	880,000	$ 0.40	1,280,000	$ 0.340

During the year ended December 31, 2010, the Company granted options to acquire up to 880,000 shares at $0.40 per share for a period of five years resulting in a stock-based compensation expense totalling $84,454. Compensation costs have been determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model. The following assumptions were used for the Black-Scholes valuation of these stock options granted during 2010: Expected dividend yield – 0; Expected stock price volatility – 100%; Risk-free interest rate – 2.37%; Expected life – 5 years.

Details of options outstanding as at December 31, 2011 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$0.40	3.95 years	880,000

Share purchase warrants

	Number of Warrants Outstanding	Weighted Average Exercise Price	Expiry Date
Balance, December 31, 2009	6,830,000	$ 0.50	January 9, 2014
Issued November 16, 2010	6,000,000	0.60	November 16, 2012
Balance, December 31, 2011 and 2010	12,830,000	$ 0.55	

The average life of warrants outstanding as at December 31, 2011 is 1.49 years.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

8. Related party transactions

The Company incurred the following transactions with companies that are controlled by directors of the Company.

	Year ended	
	December 31, 2011	December 31, 2010
Professional fees	$ 21,700	$ 19,826
Management fees	120,000	120,000
Consulting and director's fees	14,205	-
	$ 155,905	$ 139,826

Key management personnel compensation

	Year ended	
	December 31, 2011	December 31, 2010
Short-term employee benefits – management fees	$ 120,000	$ 120,000
Short-term employee benefits – consulting and director's fees	14,205	-
Short-term employee benefits – share-based payments	-	61,420
	$ 134,205	$ 181,420

As at December 31, 2011, the Company had amounts owed to directors of the Company. Amounts due are unsecured, non-interest bearing and have no specific terms of repayment.

9. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts and its acquisition advances. The majority of cash and cash equivalent is deposited in bank accounts held with major banks in Canada and China. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. During the year ended December 31, 2011, the Company paid a deposit of $4,443,260 to Lenghu Potash as the first installment of the acquisition price. Although the deposit is refundable to the Company if the acquisition does not complete, it is uncertain whether Lenghu Potash has the ability to repay the deposit to the Company. The Company's secondary exposure to risk is on its sales tax receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

9. Financial risk and capital management (continued)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Chinese subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Chinese Renminbi ("RMB"). The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in RMB:

	December 31, 2011	December 31, 2010
Cash	$ 227,845	$ 285,933

Based on the above exposure, as at December 31, 2011, a 1% change in the RMB to Canadian dollar exchange rate would impact the Company's net loss by $2,279.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $11,000.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share capital and cash and cash equivalents.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	$ 1,402,363	$ 6,408,279	$ 2,237,893

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ -	$ 30,180	$ -
Due to related parties	2,522	2,522	17,888
	$ 2,522	$ 32,702	$ 17,888

9. Financial risk and capital management (continued)

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

10. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of exploration and evaluation assets.

At December 31, 2011 and 2010, the Company's exploration and evaluation assets are located in China.

11. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

		December 31, 2011		December 31, 2010
Loss before income taxes and non-controlling interest	$	(1,331,020)	$	(443,316)
Statutory tax rate		26.5%		28.5%
Expected tax recovery at the statutory tax rate		(352,720)		(126,344)
Non-deductible items and other		554		25,884
Expiring losses		-		11,896
Share issuance costs not credited to share capital		-		(53,297)
Impact of tax rate change		19,934		10,876
Change in valuation allowance		332,232		130,985
Deferred income tax recovery	$	-	$	-

The Company has the following deferred income tax assets and liabilities:

		December 31, 2011		December 31, 2010		January 1, 2010
Non-capital losses	$	412,245	$	298,393	$	199,374
Exploration and evaluation assets		351,867		111,750		111,750
Equipment		967		903		434
Share issuance costs		53,182		74,983		43,486
Valuation allowance		(818,261)		(486,029)		(355,044)
	$	-	$	-	$	-

11. Income tax expense and deferred tax assets and liabilities (continued)

The tax pools relating to the deferred income tax assets expire as follows:

	Canadian non-capital losses	Canadian resource pools	Chinese losses	Chinese resource pools	Share issue costs
2012	$ -	$ -	$ -	$ -	$ 87,203
2013	-	-	-	-	82,888
2014	28,700	-	35,698	-	42,636
2015	83,370	-	32,829	-	-
2016	-	-	18,281	-	-
2026	116,222	-	-	-	-
2027	181,290	-	-	-	-
2028	73,310	-	-	-	-
2039	237,161	-	-	-	-
2030	404,993	-	-	-	-
2031	437,089	-	-	-	-
No expiry	-	447,000	-	1,632,498	-
	$ 1,562,135	$ 447,000	$ 86,808	$ 1,632,498	$ 212,727

12. Non-controlling interest

The non-controlling interest represents a 5% interest in Longbao held by minority shareholders.

13. Subsequent Event

Subsequent to December 31, 2011, the Company amended the Option Agreement with Lenghu Potash (Note 6).

14. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first annual financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.
- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

Notes to reconciliations

a) Interest income

Under Canadian GAAP, the Company classified interest income as operating activities. Under IFRS, interest income has been reclassified as an investing activity.

b) Deferred income tax liabilities

The Company has previously purchased assets where the carrying value of the asset on initial recognition differs from the tax value of the asset on initial recognition. Under Canadian GAAP, a deferred tax liability is recognized for the resulting temporary difference, with a corresponding increase to the value of the asset recorded. IAS 12 "Income Taxes" does not permit the recognition of a deferred income tax asset or liability resulting from differences between the carrying value and tax value of an asset or liability on initial recognition, unless acquired as part of a business combination.

The Company recognized deferred income tax liability of $736,456 upon the acquisition of the Lianlong property. The acquisition was treated as an asset acquisition instead of a business combination. As a result, on January 1, 2010, deferred income tax liability was reduced by $727,531, net of deferred tax recovery of $8,925, and exploration and evaluation assets were reduced by $736,456. On December 31, 2010, the deferred income tax liability was reduced by $619,650, net of deferred tax recovery $8,207 and foreign exchange of $99,674.

c) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted were recorded to contributed surplus. Under IFRS, these amounts have been reclassified to share-based payment reserve.

d) Non-controlling interest

Under Canadian GAAP, non-controlling interest is not recorded if it results in a deficit balance. Under IFRS, total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. This requirement is applied prospectively for first time adopter of IFRS. As a result, an adjustment of $1,960 was made to non-controlling interest as at December 31, 2010.

14. Transition to IFRS (continued)

Reconciliation of assets		**As at December 31, 2010**			**As at January 1, 2010**		
Assets	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Current Assets:							
Cash and cash equivalents		$ 6,408,279	$ -	$ 6,408,279	$ 2,237,893	$ -	$ 2,237,893
Other receivables		30,079	-	30,079	17,622	-	17,622
Prepaids		453	-	453	-	-	-
		6,438,811	-	6,438,811	2,255,515	-	2,255,515
Non-current assets:							
Equipment		21,543	-	21,543	31,630	-	31,630
Exploration and evaluation assets	13(b)	4,569,918	(736,456)	3,833,462	4,499,376	(736,456)	3,762,920
		4,591,461	(736,456)	3,855,005	4,531,006	(736,456)	3,794,550
Total Assets		**$11,030,272**	**$(736,456)**	**$10,293,816**	**$6,786,521**	**$(736,456)**	**$6,050,065**

Reconciliation of Liabilities and equity

		As at December 31, 2010			**As at January 1, 2010**		
Liabilities	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Current liabilities							
Accounts payable		$ 52,181	$ -	$ 52,181	$ 21,000	$ -	$ 21,000
Due to related parties		2,522	-	2,522	17,888	-	17,888
		54,703	-	54,703	38,888	-	38,888
Deferred income tax liability	13(b)	619,650	(619,650)	-	727,531	(727,531)	-
Total Liabilities		674,353	(619,650)	54,703	766,419	(727,531)	38,888
Equity							
Share Capital		15,710,584	-	15,710,584	11,123,786	-	11,123,786
Contributed surplus	13(c)	164,339	(164,339)	-	79,885	(79,885)	
Share based payment reserve	13(c)	-	164,339	164,339	-	79,885	79,855
Non-controlling interest	13(d)	-	(1,960)	(1,960)			
Deficit		(5,519,004)	(114,846)	(5,633,850)	(5,183,569)	(8,925)	(5,192,494)
Total Equity		10,355,919	(116,806)	10,293,113	6,020,102	(8,925)	6,011,177
Total Equity and Liabilities		**$11,030,272**	**$(736,456)**	**$10,293,816**	**$6,786,521**	**$(736,456)**	**$6,050,065**

14. Transition to IFRS (continued)

Reconciliation of comprehensive loss

		Year ended December 31, 2010		
Expenses	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Amortization		$ 10,087	$ -	$ 10,087
Consulting		26,025	-	26,025
Foreign exchange	13(b)	(94,180)	99,674	5,494
Interest		-	-	-
Management fees		120,000	-	120,000
Office and administrative		68,727	-	68,727
Professional fees		48,900	-	48,900
Salaries and wages		40,580	-	40,580
Stock based compensation		84,454	-	84,454
Travel expenses		69,846	-	69,846
		374,439	99,674	474,113
Other items				
Interest income		30,797	-	30,797
Gain on debt settlement		-	-	-
Deferred income tax recovery	13(b)	8,207	(8,207)	-
Loss before non-controlling interest		(335,435)	(107,881)	(443,316)
Non-controlling interest	13(d)	-	1,960	1,960
Comprehensive loss		**$ (335,435)**	**$ (105,921)**	**$ (441,356)**

14. Transition to IFRS (continued)

Reconciliation of cash flows

		Year ended December 31, 2010		
Cash Flows from Operating Activities	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Net loss	13(b,d)	$ (335,435)	$ (105,921)	$ (441,356)
Non-cash items:				
Amortization		10,087		10,087
Unrealized foreign exchange (gain) loss	13(b)	(99,674)	99,674	-
Future income tax recovery	13(b)	(8,207)	8,207	-
Non-controlling interest	13(d)	-	(1,960)	(1,960)
Stock based compensation		84,454		84,454
Deduct interest income	13(a)	-	(30,797)	(30,797)
Change in non-cash working capital:				
Other receivables		(12,457)	-	(12,457)
Prepaid expenses		(453)	-	(453)
Accounts payable and accrued liabilities		31,181	-	31,181
Due to related parties		(15,366)	-	(15,366)
Cash used in operating activities		(345,870)	(30,797)	(376,667)
Cash Flows from Financing Activities				
Share issuance, net		4,586,798	-	4,586,798
Cash provided from financing activities		4,586,798	-	4,586,798
Cash Flows from Investing Activities				
Exploration and evaluation assets		(70,542)	-	(70,542)
Interest income	13(a)	-	30,797	30,797
Cash used in investing activities		(70,542)	30,797	(39,745)
Increase in cash and cash equivalents		4,170,386	-	4,170,386
Cash and cash equivalents, beginning		2,237,893	-	2,237,893
Cash and cash equivalents, ending		$ 6,408,279	$ -	$ 6,408,279