Adex Mining Inc.
Consolidated Financial Statements
December 31, 2011

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Adex Mining Inc. (the "Company" or "Adex") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated 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 consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The consolidated financial statements have been audited by PricewaterhouseCoopers LLC. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

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

DATED this 17 day of April, 2012.

ADEX MINING INC.

Per: *(signed) “Linda Kam Kwan”*
Name: Linda Lam Kwan
Title: Chief Executive Officer

Per: *(signed) “William C. Burton”*
Name: William C. Burton
Title: Chief Financial Officer

April 17, 2012

Independent Auditor's Report

To the Shareholders of
Adex Mining Inc.

We have audited the accompanying consolidated financial statements of Adex Mining Inc. and its subsidiary (the Company), which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended December 31, 2011 and December 31, 2010, and the related notes, which include a summary of significant accounting policies.

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 (IFRS), 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers LLP, Chartered Accountants
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with IFRS.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

ADEX Mining Inc.

Consolidated Statements of Financial Position

As at	**December 31 2011 $**	December 31 2010 $ (note 16)	January 01 2010 $ (note 16)
Assets			
Current			
Cash and cash equivalents (note 4)	**5,196,045**	3,698,193	2,767,123
HST & other receivables	**420,002**	241,271	66,979
Prepaid expenses	**222,043**	109,527	54,329
Interest receivable	**37,140**	34,162	32,392
	5,875,230	4,083,153	2,920,823
Non-current			
Exploration and evaluation (note 6)	**10,332,831**	7,724,715	5,891,903
Reclamation bonds (note 5)	**878,903**	829,506	780,103
Tailings impoundment facility (note 6)	**644,523**	641,077	629,777
Property, plant & equipment net (note 7)	**80,573**	45,951	3,061
Equipment under finance lease (note 8)	**9,193**	44,031	69,192
Total Assets	**17,821,253**	13,368,433	10,294,859
Liabilities			
Current			
Accounts payable & accruals (note 12)	**615,654**	461,377	295,880
Related party payable (note 11)	**186,830**	-	-
Income tax payable (note 15)	**111,653**	-	-
Finance lease obligation - current portion (note 12)	**17,400**	24,629	22,970
	931,537	486,006	318,850
Non-current			
Income tax payable (note 15)	**28,679**	-	-
Finance lease obligation - non-current portion (note 12)	**-**	17,400	42,028
Total Liabilities	**960,216**	503,406	360,878
Shareholders' equity (note 9)			
Share capital	**51,169,336**	43,983,287	40,262,492
Contributed surplus	**2,593,782**	1,971,162	1,779,255
Warrants	**-**	1,014,417	272,731
Compensation unit options	**-**	21,656	67,375
Deficit	**(36,902,080)**	(34,125,495)	(32,447,872)
	16,861,037	12,865,027	9,933,981
Total liabilities and shareholders' equity	**17,821,253**	13,368,433	10,294,859

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

Nature of operations and going concern - note 1
Commitments and contingencies - note 12

Approved on behalf of the board:

(signed) "Norm Betts"
Director

(signed) "Linda Lam Kwan"
Director

ADEX Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the year ended	December 31	
	2011	2010
	$	$
		(note 16)
Expenses		
Administrative and general (notes 10 and 11)	**2,086,525**	1,222,266
Stock-based compensation (note 9)	**229,846**	191,907
Depreciation (note 7)	**1,027**	2,773
Mineral property expenses	**430,244**	270,030
Total expenses	**2,747,642**	1,686,976
Interest earned on funds on deposit	**42,389**	9,353
Loss before income taxes	**(2,705,253)**	(1,677,623)
Income tax expense (note 15)	**71,332**	-
Net loss and comprehensive loss	**(2,776,585)**	(1,677,623)
Weighted average number of shares outstanding	**162,246,554**	128,367,557
Basic and diluted loss per share	**(0.02)**	(0.01)

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

ADEX Mining Inc.

Consolidated Statements of Cash Flows

For the year ended	December 31	
	2011	2010
	$	$
		(note 16)
Operating activities		
Net loss for the year	**(2,776,585)**	(1,677,623)
Items not affecting cash:		
Stock-based compensation	**229,846**	191,907
Depreciation of property, plant and equipment	**67,161**	30,220
Amortization of bond premium	**18,257**	14,659
Deferred income tax	**(69,000)**	-
	(2,530,321)	(1,440,837)
Change in non-cash working capital		
Accounts payable & accruals	**154,276**	165,498
Related parties payable	**186,830**	-
Income taxes payable	**140,332**	-
Interest receivable	**(2,978)**	(1,770)
Prepaid expenses	**(112,516)**	(174,292)
Other receivables	**(178,731)**	(55,198)
Cash used in operating activities	**(2,343,108)**	(1,506,599)
Investing activities		
Additions to property, plant & equipment	**(66,945)**	(47,949)
Additions to reclamation bonds	**(67,655)**	(64,062)
Additions to mineral properties	**(2,611,562)**	(1,844,113)
Cash used in investing activities	**(2,746,162)**	(1,956,124)
Financing activities		
Exercise of warrants	**7,200,000**	66,500
Exercise of compensation units	**15,750**	-
Issuance of units, net of issue costs	**-**	4,350,262
Finance lease payments	**(24,628)**	(22,969)
Financing expense (note 9(a) and 11)	**(604,000)**	-
Cash provided by financing activities	**6,587,122**	4,393,793
Change in cash and cash equivalents	**1,497,852**	931,070
Cash and cash equivalents, beginning of the year	**3,698,193**	2,767,123
Cash and cash equivalents, end of the year	**5,196,045**	3,698,193
Cash and cash equivalents comprises:		
Cash	**66,045**	168,193
Guaranteed investment certificate	**5,130,000**	3,530,000

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

ADEX Mining Inc.

Consolidated Statements of Changes of Equity

	Share capital	Contributed Surplus	Warrants	Compensation unit options	Deficit	Total
	$	$	$	$	$	$
Balance, January 1, 2010	40,262,492	1,779,255	272,731	67,375	(32,447,872)	9,933,981
Net income and comprehensive income	-	-	-	-	(1,677,623)	(1,677,623)
Stock based compensation expense	-	191,907	-	-	-	191,907
Issuance of common shares	4,800,000	-	-	-	-	4,800,000
Allocation to warrants	(680,000)	-	680,000	-	-	-
Compensation unit options exercised	98,133	-	14,086	(45,719)	-	66,500
Share issue expense	(497,338)	-	47,600	-	-	(449,738)
Balance, December 31, 2010	43,983,287	1,971,162	1,014,417	21,656	(34,125,495)	12,865,027
Net income and comprehensive income	-	-	-	-	(2,845,585)	(2,845,585)
Stock based compensation expense	-	229,846	-	-	-	229,846
Financing expense	(738,400)	-	134,400	-	-	(604,000)
Compensation unit options exercised	44,449	(34,892)	17,020	(10,828)	-	15,749
Compensation units expired unexercised net of tax	-	10,828	-	(10,828)	-	-
Warrants exercised	7,880,000	-	(680,000)	-	-	7,200,000
Warrants expired unexercised	-	416,837	(485,837)	-	69,000	-
Balance, December 31, 2011	51,169,336	2,593,782	-	-	(36,902,080)	16,861,037

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Adex Mining Inc. (the “Company”) holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the “Property” or “Mount Pleasant”) where the Company is developing a potential polymetalic mine focusing on tin, indium, zinc, molybendum and tungsten. Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine. The Company is incorporated and domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture exchange under the stock symbol “ADE”. The principal head office of the Company is located at Suite 1402, 67 Yonge Street, Toronto, Ontario, Canada M5E 1J8.

The Company has interests in resource properties which it is in the process of exploring and developing and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the year ended December 31, 2011, cash used in operations by the Company was approximately $2.3 million and the Company carried an accumulated deficit of approximately $37.8 million. Furthermore, the Company had not generated revenue from operations and with working capital of $5.1 million; additional financing will be required in the foreseeable future to fund the Company’s established business plan. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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

2011 is the first annual period the Company has presented it’s financial statements in accordance with International Financial Reporting Standards. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) as defined in the handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”) and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company’s first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.The disclosures required by the provisions of IFRS 1, “First-time adoption of International Financial Reporting Standards”, explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company, are presented in note 16.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 (note 16) for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1).

These consolidated financial statements have been approved by the Board of Directors on April 17, 2012.

Basis of presentation
These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The Company's presentation and functional currency is the Canadian dollar.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year.

Principles of consolidation
The consolidated financial statements include the accounts of the Company's wholly owned subsidiary Adex Minerals Corp. ("AMC"). All inter-company accounts and transactions have been eliminated on consolidation.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The Company is deemed to have one segment for reporting being the operations at the Company's Mt. Pleasant project.

Foreign currency translation
(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of loss and comprehensive loss.

Government assistance and investment tax credits
Government assistance and investment tax credits are recorded as either a reduction of the cost of the applicable assets, or credited against the related expense incurred in the statement of operations, as determined by the terms and conditions of the agreements under which the assistance is provided to the Corporation or the nature of the expenditures which gave rise to the credits. Government assistance and investment tax credit receivables are recorded when their receipt is reasonably assured.

Property, plant & equipment
Property, plant & equipment is carried at cost, less accumulated amortization and asset impairment losses. Computer equipment comprises computer hardware and is amortized on a straight-line basis over 24 months. Automobiles are amortized on a straight-line basis over 24 months. Facility refurbishments are amortized over the new estimated life span of the refurbished facility. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Leases
Leases that transfer substantially all of the benefits and risks of ownership to the Company are accounted for at the commencement of the lease term as finance leases and recorded as assets at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments, together with an offsetting liability. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Environmental expenditures and rehabilitation
The operations of the Company may, in the future, be occasionally affected by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation.

Provisions for environmental rehabilitation include decommissioning and restoration costs when the Company has an obligation to dismantle and remove infrastructure and residual materials as well as to restore the disturbed area. Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the disturbance occurs based on the net present value of estimated future costs. The provision for environmental rehabilitation is reviewed and adjusted each period to reflect developments which could include changes in closure dates, legislation, discount rate or estimated future costs.

The amount recognized as a liability for environmental rehabilitation is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of property, plant and equipment and is depreciated over the life of the corresponding asset. The impact of amortization or unwinding of the discount rate applied in establishing the net present value of the provision is recognized in financing expense. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, “Property, Plant and Equipment”. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying amount is taken immediately to the income statement.

If the change in estimate results in an increase in the rehabilitation provision and therefore an addition to the carrying amount of the asset, the entity is required to consider whether the new carrying amount is recoverable, and if this is an indication of impairment of the asset as a whole. If indication of impairment of the asset as a whole exists, the Company tests for impairment in accordance with IAS 36, “Impairment of Assets”. If the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to the income statement. For closed sites, changes to estimated costs are recognized immediately in the income statement. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated cost of outstanding rehabilitation work at each statement of financial position date and any increase in overall cost is expensed.

Impairment of non-financial assets
The Company assesses the carrying amount of non-financial assets including property, plant and equipment at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset. The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset. Where neither exists, fair value is based

on the best information available to estimate the amount the Company could obtain from the sale of the asset in an arm's length transaction. This is often accomplished by using a discounted cash flow technique.

Impairment is assessed at the cash-generating unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs. The carrying amounts of assets of the corporate head office that have not been allocated to a CGU are compared to their recoverable amounts to determine if there is any impairment loss.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

Exploration and evaluation expenditures
The Company capitalizes exploration and evaluation expenditures. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

The Company expenses mine site care and maintenance costs as incurred. Care and maintenance expenditures include site security, environmental monitoring and general repairs as required to ensure the property is safeguarded against loss and liability.

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

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at December 31, 2011, December 31, 2010 and January 1, 2010.

Stock based compensation
The Company uses the graded method of accounting for stock based compensation to employees, directors and non-employees. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Flow-through shares
Proceeds from the issuance of flow-through shares are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares.

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the deferred income tax liability related to the temporary difference arising at the earlier of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding recognition of the premium in the consolidated statements of loss and comprehensive loss.

Income taxes
The income tax expense or benefit for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are determined using the statement of financial position liability method based on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In calculating the deferred tax assets and liabilities, the tax rates used are those that have been enacted or substantively enacted by each reporting date in each of the jurisdictions and that are expected to apply when the assets are recovered or the liabilities are settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax liabilities are recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences with the exception of the following items:

- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the Company is able to control the timing of the reversal of temporary differences and such reversals are not probable in the foreseeable future;
- Temporary differences associated with goodwill;
- Temporary differences that arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and has no impact on either accounting profit or taxable profit; and
- Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits exist in future periods against which the deductible temporary differences can be utilized.

The probability that sufficient taxable profits exist in future periods against which the deferred tax assets can be utilized is reassessed at each reporting date. The amount of deferred tax assets recognized is adjusted accordingly.

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

Current and deferred taxes that relate to items recognized directly to equity are also recognized in equity. All other taxes are recognized in income tax expense in the consolidated statements of loss and comprehensive loss.

Loss per share
Basic loss per share amounts are calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury method, which assumes that all outstanding stock option grants and warrants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

Cash and cash equivalents
Cash and cash equivalents represent cash and short-term deposits with original maturity dates of less than three months or which are readily convertible into known amounts of cash. Cash and cash equivalents at December 31, 2011 consists of bank deposits and a short term guaranteed investment certificate. Cash and cash equivalents as at December 31, 2011 includes cash equivalents of $5,130,000 (December 31, 2010 $3,530,000).

Financial instruments
Financial instruments are measured at their fair values on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the effective interest rate method.

The Company has made the following classifications:

- Cash and cash equivalents and committed cash are classified as loans and receivables and are measured at fair value. Receivables are classified as loans and receivables and are recorded at their initial fair values. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

- Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

- The Province of New Brunswick Reclamation bonds (see note 5) are classified as held to maturity and are measured at their purchase price inclusive of any premium or discount applicable to the market rate versus the prescribed 8.5% interest rate. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the IASB and the IFRIC Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

International Accounting Standards		Effective Date
IFRS 9 - Financial Instruments	In November 2009, as part of the International Accounting Standards Board’s (IASB) project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.	January 1, 2015

IFRS 10 - Consolidation	IFRS 10 requires an entity to consolidate an investee when it 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 over the investee. Under existing IFRS, consolidation is required when an entity has the 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.	January 1, 2013
IFRS 12 - Disclosure of Interests in Other Entities	IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off statement of financial position vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.	January 1, 2013
IFRS 13 – Fair Value Measurement	IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.	January 1, 2013

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

Impairment of assets
When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairment indicators of non-financial assets have been noted for the years ended December 31, 2011, December 31, 2010 and as of January 1, 2010.

Stock-based compensation
The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. Option pricing models require the input of highly subjective assumptions including the expected price, volatility and expected life. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in the notes to the consolidated financial statements.

Income taxes and recovery of deferred tax assets
Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (“temporary differences”), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is “probable” that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Management did not recognize deferred tax assets in excess of deferred tax liabilities as future taxable profits are not expected until the Company reaches technical feasibility and commercial viability of the extraction of the mineral resources, the timing of which is uncertain as the Company is still in the exploration and evaluation stage.

Provision for environmental rehabilitation
Part of the the land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property and is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and provide the Ministry of Environment with monthly water quality monitoring reports and the results of water sampling and testing, and in perpetuity, to treat the water run-off. As the Company’s activities currently don’t affect the nature and amount of this run-off, the Company treats these costs as a period expense has made to provision for this obligation in the future.

4. COMMITTED CASH

On December 30, 2009, the Company completed a private placement of 8,408,665 flow-through units at a price of $0.12 per unit for gross proceeds of $1,009,040. The financing resulted in the issuance of 8,408,665 flow-through common shares and 4,204,332 non flow-through warrants. The proceeds of the common shares were renounced as flow-through eligible Canadian Exploration Expenses (“CEE”) valued at $1,008,199. These funds were committed to be expended on CEE and, as such, were not available for general working capital purposes. As at December 31, 2010, the Company had expended all of these committed funds.

5. RECLAMATION BONDS AND ASSET RETIREMENT OBLIGATIONS

The land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property. This obligation is secured by a form of lien titled “collateral mortgage” to the Province of New Brunswick for $2 million on 22 hectares of land on which the mine site and primary buildings are located.

Reclamation bonds consist of Province of New Brunswick, 8.5% bonds maturing June 28, 2013. The bonds are pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine shafts. The bonds are held for the benefit of the Company, and interest is paid bi-annually, as long as the Company continues to treat the acid water run-off appropriately. Interest is held on deposit by, and is disbursed at the discretion of the Ministry of Finance of the Province of New Brunswick. Upon maturity of the bonds at June 28, 2013 the funds will be redeployed as per the then current requirements of the Departmment of Environment.

The Company’s Mount Pleasant property is governed by an Approval to Operate, which was granted by the New Brunswick Ministry of Environment in November 2007 and is valid until September 2012. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a “Care and Maintenance” basis. However, the Company is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and the Company provides the Ministry of Environment with monthly water quality monitoring reports and the results of its monthly water sampling and testing.

Under the Approval to Operate, the Company is permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property. Consequently, the current security posted with the Province of New Brunswick is sufficient for the Company to continue exploration activities and metallurgical test work at the Property. However, the Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of its past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities may also trigger a provincial Environmental Impact Assessment ("EIA") and may require the Company to upgrade its current Mine Water Treatment Plant. The Company will, therefore, enter into direct consultations with the provincial Ministry of Environment prior to initiating feasibility or dewatering activities, in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under a EIA.

6. EXPLORATION AND EVALUATION

Mount Pleasant Property, New Brunswick	Exploration & development $	Tailings impoundment facility upgrade $	Total $
Balance, January 1, 2010	5,891,902	629,777	6,521,679
Additions	2,060,058	11,300	2,071,358
NRC-IRAP funding	(227,246)	-	(227,246)
Balance, December 31, 2010	7,724,715	641,077	8,365,792
Additions	2,648,388	3,446	2,651,835
NRC-IRAP funding	(40,274)	-	(40,274)
Balance, December 31, 2011	10,332,831	644,523	10,977,354

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land. Current year expenditures to December 31, 2011 are expenses related to the current mine development program. Tailings Impoundment Facility expenditures to date relate to the rehabilitation of the Mount Pleasant Tailings Impoundment Facility in order to comply with government regulations, and in anticipation of future production requirements.

The Company has received funding by The National Research Council of Canada – Industrial Research Assistance Program ("NRC-IRAP") related to its zinc-indium hydrometallurgical flowsheet pilot program (funding to a maximum of $248,000) and tin metal added value flowsheet (funding to a maximum of $39,500). The Company has recognized $40,274 in funding for the year ended December 31, 2011($227,246 in funding for the year ended December 31, 2010). Project funding of $19,520 remained as receivable to the Company as at December 31, 2011 and has been paid to the Company subsequent to December 31, 2011.

7. PROPERTY PLANT AND EQUIPMENT

Cost	Facility refurbishments $	Computer equipment $	Automobiles $	Total $
Balance as at January 1, 2010	-	8,154	16,654	24,808
Additions	-	47,949	-	47,949
Balance as at December 31, 2010	-	56,103	16,654	72,757
Additions	50,860	4,085	12,000	66,945
Balance as at December 31, 2011	50,860	60,188	28,654	139,702

Accumulated depreciation	Facility refurbishments $	Computer equipment $	Automobiles $	
Balance as at January 1, 2010	-	5,381	16,365	21,746
Depreciation for the year	-	4,771	289	5,060
Balance as at December 31, 2010	-	10,152	16,654	26,806
Depreciation for the year	848	25,476	6,000	32,324
Balance as at December 31, 2011	848	35,628	22,654	59,130

Carrying amounts	Facility refurbishments $	Computer equipment $	Automobiles $	Total $
As at January 1, 2010	-	2,772	289	3,061
As at December 31, 2010	-	45,951	-	45,951
As at December 31, 2011	50,013	24,560	6,000	80,573

For the year ended December 31, 2011, the amount of amortization charged to mineral property expense is $31,297 ($2,286 for the year ended December 31, 2010).

8. EQUIPMENT UNDER FINANCE LEASE

The following is an analysis of equipment under finance lease:

As at	**December 31 2011**	December 31 2010	January 1 2010
	$	$	$
Equipment (cost)	**75,482**	75,482	75,482
Accumulated amortization	**(66,289)**	(31,451)	(6,290)
	9,193	44,031	69,192

The equipment under the finance lease is amortized on a straight-line basis over its economic life of 3 years. For the year ended December 31, 2011, the amount of amortization charged to mineral property expense is $34,838 ($25,161 for the year year ended December 31, 2010).

9. SHAREHOLDERS' EQUITY

Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at December 31, 2011, the Company had 177,211,441 common shares issued and outstanding.

	Number of shares	Amount $
Balance, January 1, 2010	96,526,026	40,262,492
Issuance of common shares (note a)	40,000,000	4,800,000
Allocation to warrants	-	(680,000)
Share issue expense	-	(497,338)
Compensation unit options exercised (note b)	554,166	98,133
Balance, December 31, 2010	137,080,192	43,983,287
Compensation unit options exercised (note c)	131,249	44,449
Series A Warrants exercised (note d)	40,000,000	7,880,000
Financing expense (note (a), (d) and note 11)	-	(738,400)
Balance, December 31, 2011	177,211,441	51,169,336

(a) On October 19, 2010 the Company completed a private placement (the "Private Placement") transaction with Great Harvest Canadian Investment Company Limited ("Great Harvest") (see note 11 – Related party transactions) of 40,000,000 units (the "Units") at a price of $0.12 per unit, with each Unit consisting of one common share of Adex and one common share purchase warrant (a "Series A Warrant"), raising gross proceeds of $4.8 million. Each Series A Warrant entitled the holder thereof to acquire one common share at a price of $0.18 at any time prior to the earlier of (i) October 19, 2011, and (ii) the 30th day following the delivery a definitive feasibility study ("DFS") on the either or both of the North Zone or the Fire Tower Zone of the Property.

Other transactions contemplated in the Private Placement agreement with Great Harvest include requiring Great Harvest, subject to (i) the results of the DFS being satisfactory to Great Harvest and (ii) the then capital

requirements of the Company as determined at the relevant time by the board of directors of the Company, to provide or arrange for the provision to the Company of loan facilities (the “Facilities”) in an aggregate amount of up to $50,000,000 to be used for the commercial development of the Property, on such terms and conditions as may be agreed upon between the Company and the relevant financier(s). If an aggregate minimum of $10 million of the Facilities are made available to be drawn down by the Company within 180 days of the delivery to Great Harvest of the report of the results of the Feasibility Study, Great Harvest will have the right (the “Share Purchase Right”) to purchase, within 40 days of the Facilities being available to be drawn down by the Company, 1.2 common shares for each dollar of the facilities made available to be drawn down by the Company within one year of the completion of the Feasibility Study. The exercise price per common share pursuant to the Share Purchase Right will be equal to the volume weighted average trading price of the common shares on the TSX Venture Exchange (the “TSXV”) for the five trading days ending the day immediately prior to the Facilities being available to be drawn down by the Company less the maximum discount there from permitted by the TSXV. The maximum number of common shares issuable pursuant to the Share Purchase Right is 60,000,000. The issuance of common shares pursuant to the exercise of the Share Purchase Right will be subject to further approval of the TSXV to be obtained following the Share Purchase Right becoming exercisable.

In connection with the above Private Placement, the agent to the transaction, was (i) paid a cash finder’s fee of seven percent of the gross proceeds, (ii) issued by the Company as an additional finder’s fee 2,800,000 Series A Warrants (seven percent of the Series A Warrants comprising part of the Private Placement), and (iii) issued by the Company as an additional finder’s fee 2,800,000 common share purchase warrants (“Series B Warrants”) (seven percent of the number of Series A Warrants comprising part of the Private Placement). Each Series B Warrant entitled the holder to acquire one common share at an exercise price of $0.20 per common share until October 19, 2011, provided that (i) the Series B Warrants will only become exercisable when Series A Warrants are actually exercised, and (ii) the Series B Warrants will only be exercisable at any time to the extent of the number of Series B Warrants as is equal to 7% of the number of Series A Warrants comprising part of the Units which have been exercised at such time. In addition, the agent is entitled (i) to be paid by the Company a retainer of $144,000 payable in 12 equal monthly installments of $12,000, the first of which was paid on the closing of the Private Placement, (ii) to be paid an additional cash finder’s fee equal to 7% of the gross proceeds realized by the Company on the exercise, if any, of the Series A Warrants comprising part of the Units issued pursuant to the Private Placement (a maximum of $504,000), and (iii) to be paid by the Company an additional cash finder’s fee equal to 1.5% of the principal amount of each loan made available by Great Harvest or a third party financier arranged for by Great Harvest to be drawn down by the Company, to a maximum of $750,000.

(b) On December 14, 2010, 554,166 compensation unit options, with an assigned valuation of $31,633, were exercised, providing gross proceeds of $66,500. The compensation unit options exercised resulted in the issuance of 554,166 common shares and 554,166 half warrants. The total full warrants have an assigned valuation of $14,087 and each full warrant was exercisable to purchase a common share at a price of $0.20 per share until December 30, 2011.

(c) On February 25, 2011, 131,249 compensation unit options, with an assigned valuation of $ 17,871, were exercised, providing gross proceeds of $15,750. The compensation unit options exercised resulted in the issuance of 131,249 common shares and 65,624 warrants The total full warrants have an assigned valuation of $17,020 and each full warrant was exercisable to purchase a common share at a price of $0.20 per share until December 30, 2011.

(d) On May 17, 2011, 40,000,000 Series A warrants were exercised, providing gross proceeds of $7,200,000 and resulting in the 2,800,000 Series B Warrants, with a total valuation of $134,400, becoming exercisable to the agent to the Great Harvest financing, all as per the October 19, 2010 financing terms described above in “note a”.

Contributed Surplus

	Amount $
Balance, January 1, 2010	1,779,255
Common share options expense (Stock options (a) & (b))	191,907
Balance, December 31, 2010	1,971,162
Warrants issued per compensation unit exercise (see (c) above)	(34,892)
Common share options expense (Stock options (c), (d) & (e))	229,846
Warrants expired unexercised net of tax (see Warrants)	416,837
Compensation units expired unexercised (see Compensation unit options)	10,828
Balance, December 31, 2011	2,593,782

Stock options

(a) On February 4, 2010, the Company granted an aggregate of 1,750,000 common share options with an exercise price of $0.15 per common share to directors, officers and certain employees and consultants of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on February 3, 2015.

(b) On June 22, 2010, the Company granted 200,000 common share options with an exercise price of $0.12 per common share to a director of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on June 22, 2015.

The assigned Black-Scholes fair value of the total options granted for the year ended December 31, 2010 is $216,350.

(c) On August 16, 2011, the Company granted 2,350,000 common share options with an exercise price of $0.15 per common share to the directors of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on August 15, 2016.

(d) On September 19, 2011, the Company granted 250,000 common share options with an exercise price of $0.13 per common share to a senior officer of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on September 18, 2016.

(e) On October 18, 2011, the Company granted 250,000 common share options with an exercise price of $0.145 per common share to certain employees and consultants of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on October 17, 2016.

The assigned Black-Scholes fair value of the total options granted for the year ended December 31, 2011 is $356,700.

The following summary sets out the activity in outstanding common share stock options for the year ended December 31, 2011:

	Options #	Weighted-average exercise price $
Outstanding, January 1, 2010	6,910,000	0.270
Issued February 4, 2010	1,750,000	0.150
Issued June 22, 2010	200,000	0.120
Outstanding, December 31, 2010	8,860,000	0.240
Issued August 16, 2011	2,350,000	0.150
Issued September 19, 2011	250,000	0.130
Issued October 18, 2011	250,000	0.145
Outstanding, December 31, 2011	11,710,000	0.220
Options exercisable at December 31, 2011	9,510,000	0.240

The weighted average fair value of the options issued February 4, 2010, $197,750, has been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging of 2.43% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility of 169.35% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years of $0.12.

The weighted average fair value of the options issued June 22, 2010, $18,600, has been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging of 2.65% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility of 161.02% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years of $0.10.

The weighted average fair value of the options issued August 16, 2011, $298,450, has been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging of 1.57% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility of 126.83% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years of $0.15.

The weighted average fair value of the options issued September 19, 2011, $27,500, has been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging of 1.43% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility of 126.27% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years of $0.13.

The weighted average fair value of the options issued October 18, 2011, $30,750, has been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging of 1.53% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility of 125.66% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years of $0.145.

The details of stock options outstanding at December 31, 2011 are as follows:

Number of stock options	Number exercisable	Vesting term	Remaining contractual life	Exercise price per share	Expiry date
400,000	400,000	(1)	0.50 years	$0.300	June 15, 2012
1,180,000	1,180,000	(2)	0.50 years	$0.300	June 15, 2012
1,650,000	2,050,000	(1)	0.50 years	$0.300	June 29, 2012
1,090,000	1,370,000	(2)	0.50 years	$0.300	June 29, 2012
250,000	250,000	(2)	0.59 years	$0.400	August 2, 2012
140,000	140,000	(3)	0.64 years	$0.350	August 20, 2012
150,000	150,000	(2)	0.92 years	$0.450	November 28, 2012
50,000	50,000	(2)	1.08 years	$0.330	January 30, 2013
1,250,000	1,450,000	(2)	1.45 years	$0.300	June 11, 2013
1,100,000	1,450,000	(2)	2.32 years	$0.120	April 24, 2014
1,400,000	1,750,000	(2)	3.10 years	$0.150	February 3, 2015
200,000	200,000	(2)	3.47 years	$0.120	June 22, 2015
2,350,000	587,500	(2)	4.63 years	$0.150	August 15, 2016
250,000	62,500	(2)	4.72 years	$0.130	September 18, 2016
250,000	-	(2)	4.80 years	$0.145	October 17, 2016
11,710,000	9,510,000				

Options that have been issued and remain outstanding vest in one of three ways: (1) immediately on date of grant; (2) over one year from the date of grant, in equal quarterly installments commencing three months following the date

of grant; or (3) over a period of eighteen months in quarterly installments commencing three months following the date of grant of 12.5%, 12.5%, 25%, 25%, 12.5% and 12.5%.

The weighted average fair value of the options outstanding is $0.22 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 1.21% to 4.70% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility ranging from 69.47% to 169.35% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years. Under this method of calculation, the Company has recorded $229,846 as stock-based compensation, being the fair value of the options vested during the twelve month period ended December 31, 2011 ($191,907 for the twelve month period ended December 31, 2010).

Warrants

On October 19, 2011, 5,600,000 common share purchase warrants with an exercise price ranging from $0.18 to $0.20 per common share expired unexercised.

On December 31, 2011, 4,546,039 common share purchase warrants with an exercise price of $0.20 per common share expired unexercised.

The following summary sets out the activity in outstanding common share purchase warrants for the year ended December 31, 2011:

	Number of warrants	Exercise price per share
Outstanding, January 1, 2010	4,204,332	$0.175 to $0.200
Issued	40,000,000	$0.180
Compensation warrants issued – Series "A"	2,800,000	$0.180
Issued	277,083	$0.200
Outstanding, December 31, 2010	47,281,415	$0.18 to $0.200
Issued	64,624	$0.200
Exercised	(40,000,000)	$0.180
Compensation warrants issued – Series "B"	2,800,000	$0.200
Expired unexercised	(10,146,039)	$0.18 to $0.200
Outstanding, December 31, 2011	-	-

Compensation unit options

On December 30, 2009, the Company completed a private placement resulting in the issuance of a finder's fee of 816,665 compensation unit options. On December 31, 2011, 131,250 compensation unit options expired unexercised

The following summary sets out the activity in compensation unit options for the year ended December 31, 2011:

Outstanding, January 1, 2010	816,665	$0.12
Exercised	(554,166)	$0.12
Outstanding, December 31, 2010	262,499	$0.12
Exercised	(131,249)	$0.12
Expired unexercised	(131,250)	$0.12
Outstanding, December 31, 2011	-	-

10. ADMINISTRATIVE AND GENERAL EXPENSES

The following table illustrates spending activity related to administrative and general expenses for the year ended December 31, 2011:

	For the year ended December 31	
	2011	2010
	$	$
Wages, benefits and consulting (note 11)	**457,670**	515,200
Professional fees (legal & audit)	**293,561**	63,044
Travel	**192,014**	78,623
Directors fees (note 11)	**188,177**	109,567
Shareholder communications & promotion	**150,680**	148,230
Business development (note 11)	**119,500**	156,434
Office costs	**52,213**	46,625
Office rent	**50,054**	50,932
Regulatory and filing fees	**29,034**	23,814
Insurance	**28,622**	29,797
Retirement allowance (note 11)	**525,000**	-
	2,086,525	1,222,266

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT REMUNERATION

Key management remuneration

During the year ended December 31, 2011 the Company incurred related party expenses of $281,316. ($199,000 during the year ended December 31, 2010). These expenses related to the payment of management fees to the Company's senior officers.

During the year ended December 31, 2011, the Company created a retirement allowance accrual of $525,000 (nil for the year ended December 31, 2010) to be paid out to retiring senior personnel, pending the resolution of the terms of the retirement agreements. During the year ended December 31, 2011, the Company paid out $450,000 from this fund to a former member of senior management and $75,000 remains on hand for future settlement.

Included in stock-based compensation is $166,877 (2010 - $116,842) attributable to key management.

Related party transactions

During the year ended December 31, 2011 the Company incurred directors and committee fees of $188,177 (directors fees of $109,567 during the year ended December 31, 2010). These amounts were expensed in the period incurred as administrative and general expenses.

During the twelve month period ended December 31, 2011, the Company incurred and paid technical and consulting fees of $41,854 (nil for the twelve month period ended December 31, 2010) to independent directors.

During the twelve month period ended December 31, 2011, the Company incurred and paid business development fees of $108,000 ($36,000 for the twelve month period ended December 31, 2010) to a Company related to an independent director.

During the twelve month period ended December 31, 2011, the Company paid a finders fee of $100,000 (nil for the twelve month period ended December 31, 2010) to an independent director in relation to the Great Harvest financing (note 9(a)).

These amounts were expensed in the period incurred as administrative and general. The amounts paid and owing are in the normal course of business, are non-interest bearing and due on demand. There are no amounts payable to these related parties, excepting the balance of the retirement allowance,

Great Harvest, the Company's largest shareholder with 49% of the Company's common shares, is controlled by two of the Company's directors, one of whom also acts as the president and chief executive officer. During the year ended December 31, 2011, the Company incurred expenses of $227,891 (nil for the year ended December 31, 2010) to Great Harvest for travel, administrative and project costs. At December 31, 2011, $186,830 was owing and outstanding to Great Harvest.

12. COMMITMENTS, CONTINGENCIES AND ACCRUED LIABILITIES AND ACCOUNTS PAYABLE

At December 31, 2011, the Company had accounts payable of $577,899 (December 31, 2010 – $340,908) accrued liabilities of $195,487 (December 31, 2010 – $145,098), and related party payables of $186,830 (December 31, 2010 – nil).

As at	**December 31 2011**	December 31 2010	January 1 2010
	$	$	$
Accounts payable	**577,899**	340,908	245,069
Accrued liabilities	**195,487**	145,098	73,781
Related party payable	**186,830**	-	-
	902,858	486,006	318,850

The Company has a contractual lease obligation related to its corporate premises that requires minimum total lease payments of $38,854 until September 2012. The Company has the right to renew the lease for an additional three years and must provide written notice six months prior to the expiration of the current lease term if it intends to renew the lease agreement. The Company is relocating to a larger premises within the current office building location and has entered into negotiations with the landlord as regards facility upgrades and lease terms. The following table demonstrates the outstanding office lease commitment.

	$
2012	38,854
	38,854

The Company has a contractual lease obligation related to equipment at the Mount Pleasant property that requires a minimum total lease payment of $17,859 until September 2012.

The following is a schedule of future minimum lease payments under the finance lease expiring August 31, 2012 together with the balance of the obligation under finance lease.

	$
2012	17,859
Total minimum lease payments	17,859
Amount representing interest at 7%	(460)
Balance of the obligation	17,399

The Company has technical consulting contract obligations related to economic studies and process development at the Mount Pleasant property that will result in a total budgeted expenditure of $569,462. For the year ended December 31, 2011, the Company has incurred expenses related to these contracts of $473,114, with the remainder of the project spending expected to conclude during the second quarter of 2012.

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (note 11).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories: loans and receivables, held to maturity and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	December 31, 2011		December 31, 2010	
	Carrying value	**Fair Value**	Carrying value	Fair Value
	$	**$**	$	$
Loans and receivables (1)	**5,653,187**	**5,653,187**	3,973,626	3,973,626
Held to maturity (2)	**878,903**	**878,903**	829,506	829,506
Other financial liabilities (3)	**819,884**	**819,884**	503,406	503,406

(1) Consists of cash and cash equivalents, accounts receivable and interest receivable.

(2) Reclamation bond

(3) Includes accounts payable, accruals and finance leases.

The fair values of the Company's financial instruments are not materially different from their carrying value.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecast future sales of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time. A change in interest rates would have no effect on the value of, and/or the proceeds from, the Company's reclamation bond as it has a fixed interest rate.

(iii) Sensitivity analysis

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis discloses the effect on loss at December 31, 2011 assuming that a reasonably possible change in the relevant risk variable has occurred at December 31, 2011 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities (where available) or historical data.

The Company does not hold any investments subject to variable interest, therefore any changes in interest rates will not give rise to significant changes to the net loss.

The Company does not hold any assests in currency, nor has significant foreign currency liabilities, therefore any changes in foreign exchange rates will not give rise to significant changes to the net loss.

At December 31, 2011, a change in the value of tungsten, molybdenum, tin, indium or zinc would not change the recognized value of any of the Company's financial instruments.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents with major commercial banks with strong credit ratings.

The carrying amounts of financial assets recorded in the financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company's liabilities at December 31, 2011 are categorized as short term liabilities. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

14. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain adequate levels of funding to support evaluation and development projects, to expand regional exploration activities within the Property and to maintain corporate and administrative functions.

The Company manages its capital structure in a manner that provides sufficient funding for project evaluation and development and operational activities. Funds are primarily secured through the issue and sale of common shares. There can be no assurances that the Company will be able to continue to provide adequate funds in this manner.

The Company maintains minimal surplus capital and therefore does not have significant non-cash investments. All working capital for immediate needs is invested in liquid and highly rated financial instruments, such as money market funds with major Canadian financial institutions.

15. INCOME TAXES

The major components of income tax expense for the years ended December 2011 and 2010 are:

Consolidated statement of comprehensive income

The major components of the income tax expense are as follows:

	2011	2010
	$	$
Current income tax	**112,266**	-
Deferred income tax	**(40,934)**	-
Income tax expense	**71,332**	-

A reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2011 and December 31, 2010 is as follows:

	2011	2010
	$	$
Accounting profit (loss) before income tax	**2,705,254**	1,677,623
Canadian statutory income tax rate	**28.25%**	31%
	764,234	520,063
Stock based compensation	**(64,931)**	(59,491)
Transitional tax debit	**(140,332)**	-
Tax effect of unrecognized temporary differences	**(487,639)**	(460,572)
Total income tax expense (recovery)	**71,332**	-

The 2011 statutory tax rate of 28.25% differs from the 2010 statutory tax rate of 31% because of the reduction in both federal and Ontario substantively enacted tax rates.

Deferred income tax

The Company recognized the tax benefits of temporary differences related to tax losses up to the extent of deferred tax liabilities related to mineral properties.

	December 31, 2011	December 31, 2010	January 1,2010
	$	$	$
Deferred income tax asset			
Non-capital losses carried forward	**492,000**	493,000	495,000
Deferred income tax liability			
Mineral properties	**(492,000)**	(493,000)	(495,000)
	-	-	-

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the financial statements due to the unpredictability of future earnings.

The Company included in income tax an expense of $69,000 related to warrants expiry.

	December 31, 2011	December 31, 2010	January 1,2010
Deductible temporary differences	**$**	$	$
Non capital losses carried forward	**7,721,000**	5,165,000	3,474,000
Share issuance costs	**850,000**	641,000	480,000
	8,571,000	5,806,000	3,954,000

At December 31, 2011, the Company has share issuance expenses of approximately $850,000 (December 31, 2010 - $641,000, January 1, 2010 - $ 480,000) deductible from 2012 to 2015 and Canadian non-capital losses of approximately $9,688,000 (December 31, 2010 - $7,135,000, January 1, 2010 - $ 5,348,000) expiring as follows:

	$
2014	116,000
2015	160,000
2026	545,000
2027	1,793,000
2028	1,402,000
2029	1,332,000
2030	1,787,000
2031	2,553,000
	9,688,000

16. CONVERSION TO IFRS

(i) Overview

As stated in Summary of Significant Accounting Policies note 2, these are the Corporation's first financial statements prepared in accordance with IFRS as issued by the IASB.

The policies set out in the Summary of Significant Accounting Policies section have been applied in preparing the consolidated financial statements for the twelve months ended December 31, 2011 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's Transition Date).

(ii) First-time adoption of IFRS

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

IFRS 1 requires certain mandatory exceptions from full retrospective application of all accounting standards effective at the transition date. The following mandatory exceptions were applicable to the Company at the transition date.

In accordance with IFRS 1, an entity's estimates 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 estimated were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

The Corporation has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Corporation's Transition Date.

- To apply the transition provisions of IFRIC 4 Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date.

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

The Corporation's Transition Date IFRS statement of financial position is included as comparative information in the statements of financial position in these consolidated financial statements.

(iii) Changes to accounting policies on adoption of IFRS

The Corporation has changed certain accounting policies to be consistent with IFRS (see Note 2). The changes to its accounting policies as a result of adopting IFRS have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within these financial statements.

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

(a) Impairment of (non-financial) assets

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

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

(b) Decommissioning Liabilities (Asset Retirement Obligations)

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

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

(c) Flow-through shares

Proceeds from the issuance of flow-through shares are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the market value of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in operations in the period of renunciation. If flow-through shares are sold at a discount, this policy does not apply and the flow-through shares issued follow applicable IFRS guidance.

Previously, the Company Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow-through shares. This resulted in the Company reducing the net proceeds of the flow-through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow-through share subscribers.

(d) Stock-based compensation

Under IFRS, the Company moved from straight-line to graded vesting as well as to estimating forfeitures for the recognition of share-based compensation expense. The graded vesting requires a greater portion of expense to be recorded in the initial periods compared to distributing the expense equally over all vesting periods under the straight-line method.

(v) Reconciliation between IFRS and Canadian GAAP

The January 1, 2010 Canadian GAAP consolidated statement of equity has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP $	**Effect of Transition to IFRS $**	**IFRS $**
Assets			
Current			
Cash and cash equivalents	1,758,924	-	1,758,924
Committed cash	1,008,199	-	1,008,199
Accounts receivable	66,979	-	66,979
Prepaid expenses	54,329	-	54,329
Interest receivable	32,392	-	32,392
	2,920,823	-	2,920,823
Mineral properties	6,521,680	-	6,521,680
Reclamation bonds	780,103	-	780,103
Equipment under finance lease	69,192	-	69,192
Property, plant & equipment	3,061	-	3,061
	10,294,859	-	10,294,859
Liabilities			
Current			
Accounts payable & accruals	295,880	-	295,880
Current portion of finance lease	22,970	-	22,970
	318,850	-	318,850
Finance lease obligation	42,028	-	42,028
	360,878	-	360,878
Shareholders' equity			
Share capital (note d)	39,132,445	1,130,046	40,262,491
Contributed surplus (note e)	1,764,030	15,225	1,779,255
Warrants	272,731	-	272,731
Compensation unit options	67,375	-	67,375
Deficit (note d)	(31,302,601)	(1,145,271)	(32,447,872)
	9,933,981	-	9,933,981
	10,294,859	-	10,294,859

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

	December 31, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Assets			
Current			
Cash and cash equivalents	3,698,193	-	3,698,193
Committed cash	-	-	-
Accounts receivable	241,271	-	241,271
Prepaid expenses	109,527	-	109,527
Interest receivable	34,162	-	34,162
	4,083,153	-	4,083,153
Mineral properties	8,365,792	-	8,365,792
Reclamation bonds	829,506	-	829,506
Property, plant & equipment	45,951	-	45,951
Equipment under finance lease	44,031	-	44,031
	13,368,433	-	13,368,433
Liabilities			
Current			
Accounts payable & accruals	461,377	-	461,377
Current portion of finance lease	24,629	-	24,629
	486,006		486,006
Finance lease obligation	17,400	-	17,400
	503,406	-	503,406
Shareholders' equity			
Share capital (note d)	42,853,241	1,130,046	43,983,287
Contributed surplus (note e)	1,992,627	(21,465)	1,971,162
Warrants	1,014,417	-	1,014,417
Compensation unit options	21,656	-	21,656
Deficit (note d)	(33,016,914)	(1,108,581)	(34,125,495)
	12,865,027	-	12,865,027
	13,368,433	-	13,368,433

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

	Year ended December 31, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Expenses			
Administrative and general	1,222,266	-	1,222,266
Mineral property expenses	270,030	-	270,030
Stock based compensation (note e)	228,597	(36,690)	191,907
Depreciation	2,773	-	2,773
Interest earned on funds on deposit	(9,353)	-	(9,353)
	1,714,313	(36,690)	1,677,623
Net loss and comprehensive loss	(1,714,313)	36,690	(1,677,623)

(vi) Cash flows

There was no change to total cash flows from operating, investing or financing activities under IFRS compared to those under Canadian GAAP.