Financial Statements of

YORBEAU RESOURCES INC.

Years ended December 31, 2011 and 2010 and as at January 1, 2010

KPMG LLP
Chartered Accountants
600 de Maisonneuve Blvd. West
Suite 1500
Tour KPMG
Montréal (Québec) H3A 03A

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Yorbeau Resources Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yorbeau Resources Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that the Company is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, the Company depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP*

Chartered Accountants

February 22, 2012

Montréal, Canada

*CA Auditor permit no 18146

YORBEAU RESOURCES INC.
Financial Statements

Years ended December 31, 2011 and 2010 and as at January 1, 2010

Financial Statements

YORBEAU RESOURCES INC.

Statements of Financial Position

December 31, 2011, December 31, 2011 and January 1, 2010

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents (note 5)	$ 1,906,781	$ 2,602,862	$ 2,048,254
Current tax and other receivables (note 6)	1,066,120	712,112	481,278
Prepaid expenses	63,499	56,056	71,121
	3,036,400	3,371,030	2,600,653
Non-current assets:			
Mining properties and exploration and evaluation assets (note 7)	16,397,252	14,897,555	13,978,414
	$ 19,433,652	$ 18,268,585	$ 16,579,067
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (note 8)	$ 451,787	$ 416,406	$ 504,037
Liability related to flow-through shares (note 9)	256,288	–	–
	708,075	416,406	504,037
Shareholders' equity:			
Share capital (note 9)	42,012,118	39,827,780	36,739,830
Contributed surplus	1,860,773	1,708,177	1,519,294
Deficit	(25,147,314)	(23,683,778)	(22,184,094)
	18,725,577	17,852,179	16,075,030
Commitments and contingencies (note 12)			
	$ 19,433,652	$ 18,268,585	$ 16,579,067

See accompanying notes to financial statements.

On behalf of the Board:

(s) David Crevier Director

(s) Frank Di Tomaso Director

YORBEAU RESOURCES INC.

Statements of Comprehensive Loss

Years ended December 31, 2011 and 2010

	2011	2010
Expenses:		
Administrative charges	$ 996,556	$ 1,020,145
Share-based payments	139,573	140,116
Tax on capital	–	19,000
Property maintenance	8,083	6,983
	1,144,212	1,186,244
Interest income	6,170	5,207
Loss and comprehensive loss for the period	$ (1,138,042)	$ (1,181,037)
Net loss per share, basic and diluted	$ (0.01)	$ (0.01)

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Loss and comprehensive loss	$ (1,138,042)	$ (1,181,037)
Adjustments for:		
Share-based payments	139,573	140,116
Interest income	(6,170)	(5,207)
Working capital adjustments:		
Change in current tax and other receivables	(46,772)	51,413
Change in prepaid expenses	(7,443)	15,065
Change in accounts payable and accrued liabilities	35,381	(87,631)
Interest received	6,170	5,207
	(1,017,303)	(1,062,074)
Cash flows from investing activities:		
Additions to mining properties and exploration and evaluation assets	(2,375,011)	(1,615,132)
Credit on mining duties and resource tax credits	568,078	413,744
	(1,806,933)	(1,201,388)
Cash flows from financing activities:		
Proceeds from issuance of shares	2,440,626	3,087,950
Share issuance expenses	(312,471)	(269,880)
	2,128,155	2,818,070
Net (decrease) increase in cash and cash equivalents	(696,081)	554,608
Cash and cash equivalents, beginning of year	2,602,862	2,048,254
Cash and cash equivalents, end of year	$ 1,906,781	$ 2,602,862
Additional information concerning amounts paid during the year:		
Non-cash financing activity:		
Share-based payments and warrants with respect to share issuance expenses	$ 13,023	$ 48,767

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Equity

Years ended December 31, 2011 and 2010

	2011	2010
Share capital:		
Balance, beginning of year	$ 39,827,780	$ 36,739,830
Issuance of common shares	2,184,338	3,087,950
Balance, end of year	42,012,118	39,827,780
Contributed surplus:		
Balance, beginning of year	1,708,177	1,519,294
Share-based payments to employees	119,900	120,716
Share-based payments with respect to investor relations	19,673	19,400
Cost of warrants with respect to share issuance expenses	13,023	48,767
Balance, end of year	1,860,773	1,708,177
Deficit:		
Balance, beginning of year	(23,683,778)	(22,184,094)
Loss and comprehensive loss	(1,138,042)	(1,181,037)
Share issuance expenses	(325,494)	(318,647)
Balance, end of year	(25,147,314)	(23,683,778)
Total shareholders' equity, end of year	$ 18,725,577	$ 17,852,179

See accompanying notes to financial statements.

1. Reporting Entity:

Yorbeau Resources Inc. (“Yorbeau” or the “Company”) is a company domiciled in Canada and incorporated under the laws of the Province of Québec. The address of the Company’s registered office is 110 Crémazie Boulevard, Suite 430, Montréal, Québec.

The Company is primarily involved in the exploration of mineral properties in the Province of Québec. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Operating activities have not yet generated any revenues. The ability of the Company to meet its commitments as they become payable, including the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

In order to honour its commitments towards its 2011 flow-through share subscribers (note 9), the Company must incur $1,830,626 of Canadian eligible exploration expenditures (“CEE”) before the end of 2012.

2. Statement of compliance:

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). These are the first financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied. Subject to certain transition elections disclosed in note 16, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies, from those used in the Company's financial statements for the year ended December 31, 2010.

These financial statements were authorized for issue by the Board of Directors of February 22, 2012.

3. Basis of preparation:

(a) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(b) Functional and presentation currency:

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

(c) Use of estimates and judgments:

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in note 4 and consists in the determination of capitalizable costs as exploration and evaluation assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 4 and 7 - recoverability of mining properties and exploration and evaluation assets;
- Notes 4 and 6 - assessment of refundable credit on mining duties and tax credit related to resources;

3. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

- Notes 4 and 8 - assessment of provisions for litigation and claims included in accrued liabilities;
- Notes 4 and 10 - estimation of the fair value of share-based payments;
- Notes 4 and 11 - recoverability of income tax assets;
- Notes 4 and 9 - estimation of the fair value of the obligation related to flow-through shares.

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

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Financial Instruments:

Non-derivative financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classifies its cash and cash equivalents as loans and receivables.

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less.

Financial liabilities at amortized cost:

The Company classifies its trade and accrued payables as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

4. Significant accounting policies (continued):

(b) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining permits and claims which include the rights to explore for, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(c) Impairment:

Financial assets:

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4. **Significant accounting policies (continued):**

(c) Impairment (continued):

Non-financial assets:

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

(d) Share capital:

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase to deficit, net of any tax effects.

4. Significant accounting policies (continued):

(d) Share capital (continued):

Flow-through shares:

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through share issues.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

The Company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

When tax deductions are being renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reduced to zero, with a corresponding income recorded.

When tax deductions are being renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced to zero, with a corresponding income recorded.

Warrants:

Warrants are classified as equity as they are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments.

(e) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

4. Significant accounting policies (continued):

(f) Leases:

All leases are classified as operating leases and as such the leased assets are not recognized in the Company's statement of financial position.

Payments made under operating leases, are recognized either through the statement of comprehensive loss or through exploration and evaluation assets, depending its nature, on a straight-line basis over the term of the lease.

(g) Finance income and finance costs:

Interest income is recognized as it accrues, using the effective interest method.

Interests received and interests paid are classified under operating activities in the statement of cash flows.

(h) Refundable tax credit related to resources and refundable credit on mining duties:

The Company is eligible for a refundable resource tax credit on Canadian Exploration Expenditures, financed by treasury funds, other than flow-through shares financings, of up to 35%. This credit is recorded as a government grant against mining properties and exploration and evaluation assets.

The Company is also entitled to a refundable credit on mining duties under the Québec *Mining Duties Act*. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Provided management's current intention is to sell the mining properties in the future, the credit on mining duties is recorded as a government grant against mining properties and exploration and evaluation assets. The Company records the credit at the rate of 7.5% (2010 - between 12% and 7%).

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits.

4. Significant accounting policies (continued):

(i) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in valuation allowance) that should be recorded in equity. For this purpose, the accounting policy of the Company is to allocate changes in the recognition of deferred tax assets based on their expected maturity date.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

4. Significant accounting policies (continued):

(k) Segment reporting:

The Company determined that it only has one operating segment, i.e. mining exploration.

(l) Adoption of new accounting standards:

Annual improvements to IFRS:

The improvements to IFRS 2010 are the result of the IASB's annual improvements project. This project has involved the IASB accumulating, throughout 2010, those improvements believed to be non-urgent, but necessary, and processing the amendments collectively. Effective dates, early application and transitional provisions are dealt with on a standard by standard basis with the majority of the amendments effective for periods beginning on or after January 1, 2011, with early adoption permitted. The Company has adopted and reflected applicable amendments in these financial statements.

(m) New standards and interpretations not yet adopted:

(i) IFRS 9, *Financial instruments:*

Effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The extent of the impact of adoption of this new standard has not yet been determined.

4. Significant accounting policies (continued):

(m) New standards and interpretations not yet adopted (continued):

(ii) IFRS 13, *Fair Value Measurement*:

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its financial statements for years beginning on or after January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

5. Cash and cash equivalents:

	December 31, 2011	December 31, 2010	January 1, 2010
Bank balances	$ 307,869	$ 2,602,862	$ 98,425
Call deposit	1,598,912	–	1,949,829
Cash and cash equivalents	$ 1,906,781	$ 2,602,862	$ 2,048,254

6. Current tax and other receivables:

	December 31, 2011	December 31, 2010	January 1, 2010
Sales taxes	$ 75,494	$ 33,531	$ 59,850
Tax credits for resources	780,782	575,000	191,182
Exploration credits on mining duties	204,061	102,607	229,994
Others	5,783	974	252
Current tax and other receivables	$ 1,066,120	$ 712,112	$ 481,278

7. Mining properties and exploration and evaluation assets:

Mining properties and exploration and evaluation assets, which relate to the Rouyn property as well as the Beschefer property, are as follows:

	Rouyn Property December 31,		Beschefer Property December 31,	
	2011	2010	2011	2010
Balance, beginning of year	$ 14,897,555	$ 13,978,414	$ –	$ –
Additions	2,258,319	1,615,132	116,692	–
Mining and resource tax credits	(830,364)	(695,991)	(44,950)	–
Balance, end of year	$ 16,325,510	$ 14,897,555	$ 71,742	$ –

(a) Rouyn Property:

Yorbeau owns 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel Townships, Quebec. The Rouyn property is composed of one mining lease, one mining concession and a group of 90 mining claims. Twelve of these mining claims are subject to a $50,000 per annum royalty payable to Société Minière Alta Inc., a company controlled by a director of Yorbeau.

7. Mining properties and exploration and evaluation assets (continued):

(b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 mining claims in consideration of the issuance to Explorers of 350,000 Class A common shares of Yorbeau. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in the property in consideration of either a cash payment of $500,000 or the issuance to Explorers of 1,800,000 additional Class A common shares of Yorbeau, as determined by Explorers. The Beschefer property consists of 257 claims located in the Bapst and Beschefer Townships. Yorbeau owns a 100% interest in 120 of these claims and an 80% interest in the remaining 137 claims.

(c) Ellison property:

In 2002, Yorbeau entered into an agreement with Agnico-Eagle Mines Limited ("Agnico"), pursuant to which Yorbeau transferred to Agnico all of its interests in the Ellison property in consideration of a cash payment of $1,000,000 of which $500,000 was received on closing and $500,000 is receivable upon commencement of commercial production. Yorbeau also retains a 2.5% net smelter return royalty when the current gold price as established by the London Bullion Market Association is over US$425 per ounce.

8. Accounts payable and accrued liabilities:

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts payable	$ 299,893	$ 233,440	$ 230,617
Accrued liabilities	151,894	182,966	273,420
Accounts payable and accrued liabilities	$ 451,787	$ 416,406	$ 504,037

9. Share capital:

Authorized:

An unlimited number of Class A common shares, without nominal or par value

Issuance during the period:

	2011	2010
Balance, beginning of year	$ 39,827,780	$ 36,739,830
For cash: 3,050,000 shares (2010 – 14,113,094) pursuant to private placement	610,000	3,087,950
Flow-through: 7,322,500 (2010 - nil) pursuant to private placement	1,574,338	–
Balance, end of year	$ 42,012,118	$ 39,827,780

In December 2011, the Company completed a private placement financing and issued 3,050,000 common shares at $0.20 per share as well as 7,322,500 flow-through shares at $0.25 per share for total gross proceeds of $2,440,626. In connection with this private placement, the Company issued 387,150 brokers' warrants exercisable at $0.20 until December 20, 2012. The Company accounted for these compensation warrants by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was $0.034 per warrant for a total value of $13,023.

IFRS requires the Company to create a liability related to flow-through shares once they are issued and reduce share capital by the amount of the liability. The liability is calculated as the difference between the price of the flow-through share and the market price of the Company on the day that the financing was announced. The resulting liability related to this private placement is calculated at $0.035 per flow-through share for a total value of $256,288.

As at December 31, 2011, the following share purchase warrants were outstanding:

- 387,150 warrants at $0.20 per warrant expiring December 20, 2012;
- 400,000 warrants at $0.25 per warrant expiring between July 22, 2012 and March 31, 2013 (relating to consulting agreements with public relations firms);
- 6,122,216 warrants at $0.35 per warrant expiring from June 20 to June 22, 2012 or such earlier date as may be applicable pursuant to the acceleration clause provided therein (relating to December 2010 private placement).

The cost of warrants is presented in the contributed surplus.

10. Share option plan:

At the annual and special general meeting of the shareholders held on June 10, 2011, two resolutions amending the share option plan were adopted. First, the number of shares that may be issued under the plan has been increased by an additional 6,610,501 shares. The second resolution adopted defines the conditions of a change in Company control. In the event that these conditions are met, all unvested options under the Company plan become vested.

As at December 31, 2011, 14,000,000 Class A common shares were reserved for future issuances under the share option plan for the benefit of the directors, employees and service providers of the Company. Options are issued at an exercise price corresponding to the latest closing price of the Class A common shares on the Toronto Stock Exchange prior to the grant of the option. They vest over a period of three years and expire after a period of five years.

The number of stock options outstanding fluctuated as follows:

		2011		2010
	Number of options	Weighed average exercise price	Number of options	Weighed average exercise price
Balance, beginning of year	5,730,000	$ 0.25	6,465,000	$ 0.25
Expired	(380,000)	0.31	(1,735,000)	0.26
Granted	50,000	0.24	1,000,000	0.26
Balance, end of year	5,400,000	$ 0.24	5,730,000	$ 0.25
Exercisable options, end of year	4,193,333	$ 0.20	3,576,667	$ 0.28

The grant date fair value of the share option program was measured based on the Black and Scholes options pricing model. Expected volatility is estimated by considering historic share price volatility. The weighted average grant date fair value was $0.18 per option (2010 - $0.19). The inputs used in the measurement of the fair values at grant date of the share option program are the following:

	2011
Risk-free interest rate	2.74%
Expected life	5 years
Expected volatility	99.42%
Expected dividend	0.00%

10. Share option plan (continued):

As at December 31, 2011, the following options were outstanding:

- 2,750,000 options at $0.30 per share until October 29, 2012
- 1,730,000 options at $0.16 per share until June 9, 2014
- 250,000 options at $0.28 per share until March 11, 2015
- 620,000 options at $0.25 per share until November 3, 2015
- 50,000 options at $0.24 per share until February 24, 2016

On February 3, 2012, the Company granted 2,500,000 options to employees, service providers and directors at $0.27 per share until February 2, 2017.

11. Income tax:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 28.4% (2010 - 29.9%) as a result of the following:

	2011	2010
Loss	$ (1,138,042)	$ (1,181,037)
Computed "expected" tax recovery	(323,204)	(353,130)
Increase in income taxes resulting from:		
Non-deductible share-based payments	34,052	9,533
Income tax at future rate	15,272	34,475
Current year losses not recognized	273,880	309,122
	$ –	$ –

As at December 31, 2011, the Company has exploration expenditures and other costs of approximately $22,712,000 which are being carried forward for income tax purposes indefinitely and which may be deducted from future taxable income and it has tax losses available to reduce future years' income. These tax losses, for which the tax effect has not been recorded in the financial statements, expire as follows:

2014	$ 480,000
2015	525,000
2026	744,000
2027	977,000
2028	1,354,000
2029	1,591,000
2030	1,324,000
2031	1,341,000
	$ 8,336,000

11. Income tax (continued):

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

	December 31, 2011	December 31, 2010	January 1, 2010
Operating losses	$ 2,252,000	$ 1,891,000	$ 1,603,000
Share issuance costs	166,000	173,000	175,000
Equipment	140,000	144,000	148,000
Mining properties and exploration and evaluation assets	1,698,000	1,686,000	1,654,000
Unrecognized tax deferred assets	$ 4,256,000	$ 3,894,000	$ 3,580,000

12. Commitments and contingencies:

The Company has lease commitments for premises, trailers and a surface vehicle. Minimum lease payments are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
One year and less	$ 72,836	$ 82,745	$ 82,745
More than one and less than five years	21,441	91,879	129,944
Total	$ 94,277	$ 174,624	$ 212,689

The lease contracts are standard industry contracts. The lease for the premises is primarily based on square footage. Lease payments for the surface vehicle and trailers are based primarily on the cost of the units plus related financing costs.

13. Financial instruments and financial risk management:

Risk management:

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

13. Financial instruments and financial risk management (continued):

Risk management (continued):

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents is maintained with high-credit, quality financial institutions.

(b) Interest rate risk:

The cash and cash equivalents bear interest at a variable rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

(d) Fair value:

The fair value of accounts payable and accrued liabilities approximates their carrying amount because of the short-term nature of those instruments.

14. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

14. Capital disclosures (continued):

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company includes the components of shareholders' equity. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. The Company does not intend to use long-term debts before it will generate revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.

15. Related party transactions:

Transactions with key management personnel

The compensation of directors and executive officers of the Company comprises:

	2011	2010
Short-term employee benefits	$ 100,003	$ 99,616
Share-based payments	25,781	4,401
Total	$ 125,784	$ 104,017

Other related party transactions

During the year, a law firm, in which a director and officer of the Company is a partner, rendered legal and consulting services in the amount of $287,930 (2010 - $231,950), as well as with respect to financing in the amount of $92,475 (2010 - $73,149) (share issue expenses), totaling an aggregate amount of $380,405 (2010 - $305,099). As at December 31, 2011, the accounts payable include $152,874 (2010 - $137,510) owed to this legal firm.

“Administrative charges” in the Statement of Comprehensive Loss include an amount of $50,000 (2010 - $50,000) paid as a royalty to Société Minière Alta Inc., of which a director of Yorbeau is the sole shareholder (note 7 (a)).

In addition, consulting services were charged to Yorbeau in the amount of $91,005 (2010 - $66,896) by a company, in which a director and officer of Yorbeau is the president as well as the controlling shareholder. This amount was charged to administrative expenses. As at December 31, 2011, the accounts payable include $15,045 (2010 - nil) payable to this company.

Furthermore, mining properties include consulting fees in the amount of $33,600 (2010 - $21,600) charged by a director.

15. Related party transactions (continued):

Other related party transactions (continued):

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

16. Explanation of transition to IFRS:

The accounting policies set out in note 4 have been applied in preparing the financial statements for the year ended December 31, 2011, and for the comparative information presented in these financial statements for the year-ended December 31, 2010.

In preparing its IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of statement of changes in equity:

Share capital:

	Note	December 31, 2010	January 1, 2010
Share capital under Canadian GAAP		$ 40,190,999	$ 37,103,049
IFRS adjustment related to flow-through shares	(b)	(363,219)	(363,219)
Share capital under IFRS		$ 39,827,780	$ 36,739,830

Contributed surplus:

	Note	December 31, 2010	January 1, 2010
Contributed surplus under Canadian GAAP		$ 1,644,414	$ 1,519,294
IFRS adjustment for share-based payments	(a)	63,763	–
Contributed surplus under IFRS		$ 1,708,177	$ 1,519,294

16. Explanation of transition to IFRS (continued):

Reconciliation of statement of changes in equity (continued):

Deficit:

	Note	December 31, 2010	January 1, 2010
Deficit under Canadian GAAP		$ (23,983,234)	$ (22,547,313)
IFRS adjustment related to flow-through shares	(b)	363,219	363,219
IFRS adjustment for share-based payments	(a)	(63,763)	–
Deficit under IFRS		$ (23,683,778)	$ (22,184,094)

Reconciliation of total comprehensive loss:

	Note	January 1, 2010
Total comprehensive loss under Canadian GAAP		$ (745,832)
IFRS adjustment to share-based payments	(a)	(63,763)
IFRS adjustment to deferred taxes related to flow-through shares	(b)	(371,442)
Total comprehensive loss under IFRS		$ (1,181,037)

Adjustments to the statement of cash flows for 2010:

Interests received and interests paid have been presented separately in the body of the Statement of Cash Flows, within operating activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations:

(a) Share-based payments:

The Company applied IFRS 2 *Share-based payments* to share options for which rights were unvested on December 31, 2010.

Under IFRS the Company accrues the cost of employee stock options over the vesting period using the graded method of amortization rather than the straight-line method, which was the Company’s policy under previous Canadian GAAP. This difference resulted in the IFRS adjustments shown in the above-mentioned reconciliations.

16. Explanation of transition to IFRS (continued):

Notes to the reconciliations (continued):

(b) Flow-through shares:

Under Canadian GAAP, common shares issued pursuant to flow-through share financings were recorded at their issue price and related income taxes were recorded under the liability method of accounting. According to this method, the temporary differences were recorded on the date that the Company renounced the deductions to investors together with a corresponding charge in the deficit.

The accounting treatment under IFRS differs from Canadian GAAP in several areas:

- Under IFRS, at the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability related to flow-through shares obligation. Then this liability is reversed with the counterpart in other income as expenditures are incurred. The Company estimated that under IFRS a liability of $363,219 should have been recorded and then subsequently reversed related to financings prior to the transition date, resulting in a decrease in share capital and a decrease in deficit for the same amount.
- The renunciation related to 2009 financing was made in the first quarter of 2010 while all exploration expenditures were incurred in 2009. As such, under Canadian GAAP, related deferred tax liabilities were recorded (but offset by deferred tax assets on the face of the balance sheet) at the date of renunciation in the first quarter of 2010, with the counterpart in deficit, leading to the recognition of a deferred tax recovery in the loss of the period as a result of the recognition of previously unrecognized deferred tax assets. Under IFRS, deferred tax liabilities should have been recorded in 2009 with the counterpart in deferred tax expenses as well as deferred tax assets of the same amount with the counterpart in deferred tax recovery. Therefore, an IFRS adjustment was recorded in order to reverse the income tax recovery recorded under Canadian GAAP in 2010.

(c) Classification of financial instruments:

Contrary to Canadian GAAP, cash and cash equivalents do not meet the criteria for the fair value through profit and loss designation under IFRS.

As a result, cash and cash equivalents are classified as loans and receivables under IFRS. This change in classification does not have a financial impact on the financial statements as the fair value of those instruments approximates their cost.

(d) Reclassification within the statement of comprehensive income:

Interest income and financial expenses were reclassified within the interest income line item under IFRS while they were presented under revenue and financial expenses under Canadian GAAP.