Sandspring Resources Ltd.

Consolidated Financial Statements
Expressed in Canadian Dollars
Years Ended December 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Sandspring Resources Ltd. were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to 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 as well as with the independent auditors to review 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.

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.

/s/ Rich Munson
Chief Executive Officer

/s/ Scott Issel
Chief Financial Officer

Toronto, Canada
April 25, 2012

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sandspring Resources Ltd.

We have audited the accompanying consolidated financial statements of Sandspring Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider 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.

Opinion

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

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
April 25, 2012

SANDSPRING RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

		12/31/2011	12/31/2010	1/1/2010
			Note (18)	Note (18)
ASSETS	Notes	$	$	$
Current				
Cash and cash equivalents		**12,003,357**	**45,687,371**	**2,896,101**
Prepaid expenses		**207,615**	**211,224**	**67,391**
		12,210,972	**45,898,595**	**2,963,492**
Equipment	6	**3,562,570**	**1,013,264**	**206,846**
Mineral properties under exploration	7	**25,061,071**	**25,061,071**	**25,061,071**
		40,834,613	**71,972,930**	**28,231,409**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**4,712,358**	**3,183,577**	**1,531,191**
Note payable	8	**-**	**-**	**278,068**
		4,712,358	**3,183,577**	**1,809,259**
SHAREHOLDERS' EQUITY				
Common Shares	9	**93,031,310**	**91,627,363**	**27,123,013**
Warrant Reserve	10	**1,591,101**	**1,594,443**	**2,785,526**
Stock Option Reserve	11	**5,520,810**	**2,735,101**	**500,708**
Deficit		**(64,020,966)**	**(27,167,554)**	**(3,987,097)**
		36,122,255	**68,789,353**	**26,422,150**
		40,834,613	**71,972,930**	**28,231,409**

Commitments - Note 16
Subsequent events - Note 17

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

On behalf of the Board of Directors:

"Signed" — Rich Munson, CEO/Director

"Signed" — P. Greg Barnes, Director

SANDSPRING RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Notes	For the year ended 12/31/2011	For the year ended 12/31/2010
		$	$
Expenditures			
Administrative		2,354,555	1,448,470
Consulting		1,949,150	2,422,649
Depreciation		195,700	53,040
Drilling		10,330,863	5,808,582
Foreign exchange loss		89,119	49,671
Operations		9,688,838	4,850,638
Other		121,123	20,139
Professional fees		809,691	779,977
Salaries and other employee benefits		5,773,853	3,304,402
Shareholder information		910,436	809,853
Stock based compensation		3,256,128	2,488,544
Transfer, listing and filing fees		104,977	129,732
Travel		1,599,988	1,151,849
		37,184,421	23,317,546
Other			
Interest income		331,009	137,089
		331,009	137,089
Net loss and comprehensive loss for the year		(36,853,412)	(23,180,457)
Loss per share	12		
Basic		(0.34)	(0.27)
Diluted		(0.34)	(0.27)
Weighted average number of shares outstanding			
Basic		108,186,371	87,382,533
Diluted		108,186,371	87,382,533

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

SANDSPRING RESOURCES LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

		Reserves			
	Common Shares	Warrant Reserve	Stock Option Reserve	Deficit	Total
Balance, January 1, 2010	**27,123,013**	**2,785,526**	**500,708**	**(3,987,097)**	**26,422,150**
Shares issued on private placement	51,046,000	-	-	-	51,046,000
Share issue cost from private placement	(2,977,082)	-	-	-	(2,977,082)
Issuance of special warrants	-	12,000,000	-	-	12,000,000
Warrant issuance cost	-	(991,626)	-	-	(991,626)
Value of special warrants exercised	11,083,845	(11,083,845)	-	-	-
Shares issued on exercise of options	455,286	-	-	-	455,286
Value of options exercised	254,151	-	(254,151)	-	-
Shares issued on exercise of broker warrants	45,850	-	-	-	45,850
Shares issued on exercise of warrants	3,095,940	-	-	-	3,095,940
Value of warrants exercised	1,500,360	(1,500,360)	-	-	-
Stock based compensation	-	-	2,488,544	-	2,488,544
Shares issued on exercise of compensation options	384,748	-	-	-	384,748
Value of warrants issued on exercise of compensation options	(384,748)	384,748	-	-	-
Net loss for the year	-	-	-	(23,180,457)	(23,180,457)
Balance, December 31, 2010	**91,627,363**	**1,594,443**	**2,735,101**	**(27,167,554)**	**68,789,353**
Shares issued on exercise of options	793,880	-	-	-	793,880
Value of options exercised	470,419	-	(470,419)	-	-
Shares issued on exercise of warrants	93,213	-	-	-	93,213
Value of warrants exercised	46,435	(46,435)	-	-	-
Stock based compensation	-	-	3,256,128	-	3,256,128
Shares issued on exercise of compensation					-
options	43,093	-	-	-	43,093
Value of warrants issued on exercise of					-
compensation options	(43,093)	43,093	-	-	-
Net loss for the year	-	-	-	(36,853,412)	(36,853,412)
Balance, December 31, 2011	**93,031,310**	**1,591,101**	**5,520,810**	**(64,020,966)**	**36,122,255**

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

SANDSPRING RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOW

(Expressed in Canadian Dollars)

		For the year ended 12/31/2011	For the year ended 12/31/2010
Cash provided by:	**Notes**	**$**	**$**
Operating Activities			
Net loss		**(36,853,412)**	**(23,180,457)**
Adjustments for:			
Depreciation		**195,700**	**53,040**
Stock-based compensation		**3,256,128**	**2,488,544**
Change in non-cash working capital			
Prepaid expenses		**3,609**	**(143,833)**
Accounts payable		**1,528,781**	**1,652,386**
		(31,869,194)	**(19,130,320)**
Investing Activities			
Purchase of equipment	6	**(2,745,006)**	**(859,458)**
		(2,745,006)	**(859,458)**
Financing Activities			
Issuance of common shares		**-**	**51,046,000**
Issuance of special warrants for cash		**-**	**11,083,845**
Share issue cost from early warrant program		**-**	**(75,471)**
Share issuance expense		**-**	**(2,977,082)**
Repayment of note payable	8	**-**	**(269,988)**
Proceeds from exercise of stock options		**793,880**	**455,286**
Proceeds from exercise of warrants		**93,213**	**3,141,790**
Proceeds from exercise of compensation options		**43,093**	**384,748**
		930,186	**62,789,128**
Effects of exchange rate changes on cash		**-**	**(8,080)**
Cash and cash equivalents, beginning of period		**45,687,371**	**2,896,101**
Net (decrease) increase in cash		**(33,684,014)**	**42,791,270**
Cash and cash equivalents, end of period		**12,003,357**	**45,687,371**

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

1. Corporate Information

Sandspring Resources Ltd. ("Sandspring" or "the Company") is a resource exploration company, incorporated in Canada on September 20, 2006 under the Business Corporations Act (Alberta). The Company continued out of Alberta and into Ontario effective March 31, 2010. Sandspring is focused on the exploration for, and resource expansion of, gold and related minerals in Guyana, South America. Sandspring's principal place of business is located at 8000 South Chester Street, Suite 375, Centennial, Colorado in the United States of America.

2. Basis of Presentation

These audited annual consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

Sandspring is at an early stage of development and raises financing for its exploration and acquisition activities. The Company has incurred a loss in the current and prior periods, with a net loss for the year ended December 31, 2011 of $36,853,412, and has an accumulated deficit of $64,020,966. In addition, the Company had a working capital balance of $7,498,614 at December 31, 2011. At December 31, 2011 the Company did not have sufficient funds to finance its current plans for the next twelve months. Subsequent to December 31, 2011, the Company raised gross proceeds of approximately $25 million (note 17), which will finance planned spending over the next twelve months. Further financing will be required for operations beyond the next 12 months. While there is no assurance these funds can be raised, the Company believes such financing will be available as required. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

3. Significant Accounting Policies

Statement of Compliance

These consolidated financial statements for the years ended December 31, 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are the Company's first annual consolidated financial statements and have been prepared in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards" ("IFRS 1"). Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at January 1, 2010, as required by IFRS 1. The impact of the transition from Canadian GAAP to IFRS is explained in note 18.

These consolidated financial statements for the year ended December 31, 2011 were authorized for issuance by the Board of Directors of the Company on April 25, 2012.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; Sandspring Resources USA ("Sandspring USA"), GoldHeart Investment Holdings Ltd. ("GoldHeart") and ETK Inc. ("ETK"). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All inter-Company transactions and balances are eliminated in full.

Significant Accounting Estimates and Judgments

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

Critical Accounting Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

i) *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 impairments of non-financial assets have been recorded for the year ended December 31, 2011 (2010 – Nil).

ii) Useful life of equipment

Equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of equipment at December 31, 2011 was approximately $3.6 million (December 31, 2010 - $1.0 million).

iii) Stock-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statement of operations. For the year ended December 31, 2011 the Company recognized approximately $3.3 million of stock-based compensation expense (2010 - $2.5 million).

Critical Accounting Judgments

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

i) Mineral properties under exploration

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, exploration costs will be reclassified to mineral properties under exploration and subject to different accounting treatment. As at December 31, 2011 and 2010 management had determined that no reclassification of exploration expenditures was required.

ii) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Translation of Foreign Currency

The Company's functional and presentation currency is the Canadian dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency. The Canadian dollar is the functional currency of all the Company's subsidiaries.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Foreign exchange gains and losses are recognized in the statement of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Equipment

Equipment is measured at cost less accumulated depreciation and accumulated impairment. Depreciation is based on cost less residual value and provided on a straight-line basis over the expected useful lives of the assets using the following annual rates:

Heavy Equipment – 20%
Office Furniture and Equipment – 33%
Camp Equipment – 20%
Motor Vehicles – 20%
Other Equipment – 20%

The depreciation method, residual values, and useful lives of property plant and equipment are reviewed annually and any change in estimate is applied prospectively.

Exploration Expenses and Mineral Properties Under Exploration

Exploration expenditures include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. Exploration expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets, which are recognized at the fair value at the acquisition date.

Once a project has been established as commercially viable and technically feasible, related development expenditure is 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 which give rise to a future benefit.

Stock-based Compensation

The Company offers a stock option plan for its directors, officers, employees and consultants. Stock options granted are settled with shares of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The expense is determined based on the fair value of the award granted and recognized over the period in which services are received, which is usually the vesting period. Fair value of the awards is measured at the date of grant using the Black-Scholes option pricing model. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statement of operations.

Financial Instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified as at fair value through profit or loss, are measured at fair value plus transaction costs on initial recognition. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

The Company has classified its financial instruments as follows:

Category	Financial Instrument
Fair value through profit or loss	Cash and cash equivalents
Other financial liabilities	Accounts payable and accrued liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

i. significant financial difficulty of the issuer or counterparty; or
ii. default or delinquency in interest or principal payments; or
iii. it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

i. Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii. Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
iii. Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Measurement in subsequent periods depends on the classification of the financial instrument:

i) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of operations.

The Company's financial assets classified as FVTPL include cash and cash equivalents. The Company does not currently hold any derivative instruments.

ii) Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Other financial liabilities are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities are classified as other financial liabilities.

The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or to the net carrying amount on initial recognition.

Decommissioning Liabilities

The Company is required to recognize a liability 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. As of December 31, 2011 and December 31, 2010, the Company has not incurred any such obligations.

Impairment of Long-Lived Assets

At each financial position reporting date the carrying amounts of the Company's assets, including mineral properties under exploration, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs to sell or value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations.

Income Taxes

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 or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset 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, tax credits 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.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares from the assumed exercised common share purchase warrants and options outstanding, if dilutive.

Future Accounting Changes

IFRS 7 *Financial Instruments: Disclosures*

In October 2010, the IASB issued amendments to IFRS 7 regarding *Disclosures – Transfer of Financial Assets*, which are effective for annual periods beginning on or after July 1, 2011 with earlier application permitted. These amendments comprise additional disclosures on transfer transactions of financial assets and will not have an impact on the statement of operations or balance sheet of the Company as they are only disclosure requirements. In 2011, the IASB issued amendments to IFRS 7 when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* ("IFRS 9") as part of its ongoing project to replace IAS 39. IFRS 9 will be effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Management has not yet determined the impact that IFRS 9 will have on the Company's consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces parts of IAS 27, *Consolidated and Separate Financial Statements* and all of SIC-12, *Consolidation –Special Purpose Entities*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, *Separate Financial Statements*, now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not currently applicable in the Company's consolidated financial statements. The effective date is for annual periods beginning on January 1, 2013. Management has not yet determined the impact that IFRS 10 will have on the Company's consolidated financial statements.

IFRS 11 *Joint Arrangements*

In May 2011, the IASB issued IFRS 11 Joint Arrangements, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. Management has not yet determined the impact that IFRS 11 will have on the Company's consolidated financial statements.

IFRS 12 *Disclosure of Interest in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11. The effective date is for annual periods beginning on January 1, 2013. Management has not yet determined the impact that IFRS 12 will have on the Company's consolidated financial statements.

IFRS 13 *Fair Value Measurement*

IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The effective date is for annual periods beginning on January 1, 2013. Management has not yet determined the impact that IFRS 13 will have on the Company's consolidated financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. The interpretation, which has an effective date for annual periods beginning on or after January 1, 2013, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The main requirements of the interpretation are as follows:

- Waste removal costs (stripping costs) incurred in the production phase of a surface mining are accounted for in accordance with IAS 2 *Inventories* to the extent they relate to current period production.
- Production stripping costs are recognized as a non-current asset ("stripping activity asset") if all the following criteria are met; (i) it is probable that future economic benefits will flow to the entity, (ii) the entity can identify the component of the ore body to which access has been improved, (iii) the costs incurred can be measured reliably. The stripping activity asset is amortized over the useful life of the component of the ore body to which access has been improved.
- When the costs of a stripping activity asset versus current period inventory are not separately identifiable, costs are allocated based on a production method.
- Application of the interpretation is on a prospective basis, with transitional adjustments being recognized in opening retained earnings.

The Company is currently reviewing how this interpretation may impact its record keeping and accounting policies in future periods and has not determined when it will adopt this interpretation.

IAS 1 *Presentation of Financial Statements*

In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures (Amended in 2011)*

IAS 28 (2011), "Investments in Associates and Joint Ventures", supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The amended standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, “Consolidated Financial Statements”, IFRS 11, “Joint Arrangements”, IFRS 12, “Disclosure of Interests in Other Entities” and IAS 27 (2011), “Separate Financial Statements”.

IAS 32 *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitte

4. Capital Management

The Company manages its capital with the following objectives:

i. to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
ii. to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be total shareholders' equity (managed capital), which as at December 31, 2011 totaled $36,122,255 (December 31, 2010 - $68,789,353).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company’s capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2011 and 2010.

The Company is not subject to any capital requirements imposed by a lending institution.

5. Financial Instruments

The Company's activities potentially expose it to a variety of financial risks including credit risk, liquidity risk, currency risk, and interest rate risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash and guaranteed investment certificates with reputable financial institutions, from which management believes the risk of loss to be minimal.

Liquidity Risk and Fair Value Hierarchy

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. The Company generates cash primarily through its financing activities. The Company has cash and cash equivalents of $12,003,357 (December 31, 2010 – $45,687,371) to settle current liabilities of $4,712,358 (December 31, 2010 – $3,183,577). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Cash	$ 1,769,504	$ -	$ -	$ 1,769,504
Cash equivalents	10,233,853	-	-	10,233,853
	$ 12,003,357	$ -	$ -	$ 12,003,357

Currency Risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Guyana on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company maintains US dollar bank accounts in the United States and Guyana, and Guyanese dollar bank accounts in Guyana. The Company is subject to gains and losses from fluctuations in the US dollar and Guyanese dollar against the Canadian dollar.

The following table summarizes, in Canadian dollar equivalents, the Company's major foreign currency exposures as of December 31, 2011 to the US dollar. The Company's exposure to the currency risk of Guyanese dollars is not material.

Cash	$	1,810,167
Accounts payable and accrued liabilities		1,589,594
Total	$	3,399,762

The table below summarizes a sensitively analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments as at December 31, 2011 with all other variables held constant. It shows how comprehensive loss would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

	Sensitivity Analysis, Change in USD		Increase (decrease) in net income
Increase in Net Income	-1%	$	(2,243)
Decrease in Net Income	1%	$	2,243

Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of cash equivalents being invested in interest-bearing instruments. Interest rate risk is minimal as the Company's interest-bearing instruments have fixed interest rates.

Fair Value

As at December 31, 2011, the carrying and fair value amounts of the Company's financial instruments were approximately equivalent due to their short term maturities.

(Expressed in Canadian Dollars)

6. Equipment

	Camp Equipment	Heavy Equipment	Other Equipment	Vehicles	Furniture and Office Equipment	Total
Cost						
As at January 1, 2010	$ 37,489	$ 147,073	$ 345	$ 13,756	$ 25,376	$ 224,039
Additions	26,350	488,892	123,717	66,572	153,927	859,458
As at December 31, 2010	$ 63,839	$ 635,965	$ 124,062	$ 80,328	$ 179,303	$ 1,083,497
Additions	9,774	2,236,378	167,876	69,277	261,701	2,745,006
As at December 31, 2011	$ 73,613	$ 2,872,343	$ 291,938	$ 149,605	$ 441,004	$ 3,828,503
Accumulated Depreciation						
As at January 1, 2010	$ 3,122	$ 12,249	$ 25	$ 1,146	$ 651	$ 17,193
Charge for the year	3,446	32,433	3,612	3,014	10,535	53,040
As at December 31, 2010	$ 6,568	$ 44,682	$ 3,637	$ 4,160	$ 11,186	$ 70,233
Charge for the year	6,041	129,338	17,052	7,048	36,221	195,700
As at December 31, 2011	$ 12,609	$ 174,020	$ 20,689	$ 11,208	$ 47,407	$ 265,933
Net Book Value						
As at January 1, 2010	$ 34,367	$ 134,824	$ 320	$ 12,610	$ 24,725	$ 206,846
As at December 31, 2010	$ 57,271	$ 591,283	$ 120,425	$ 76,168	$ 168,117	$ 1,013,264
As at December 31, 2011	$ 61,004	$ 2,698,323	$ 271,249	$ 138,397	$ 393,597	$ 3,562,570

7. Mineral Properties Under Exploration

As at December 31, 2011, the carrying amount of the Company's interest in mineral properties is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Toroparu	$ 25,061,071	$ 25,061,071	$ 25,061,071

(Expressed in Canadian Dollars)

The carrying value of mineral properties under exploration represents the cost of acquired properties. All costs related to exploration activities are expensed as incurred. Mineral properties under exploration are not depreciated, and will be reclassified once technical feasibility and commercial viability can be demonstrated. The following table sets forth a breakdown of material components of the Company's exploration expenditures for the years ended December 31, 2011 and 2010.

	Year ended	
	12/31/2011	12/31/2010
	$	$
Upper Puruni Exploration Costs		
Camp Expenses	5,223,301	3,260,058
Consulting	841,329	565,690
Depreciation	166,235	33,358
Drilling Costs	10,330,863	5,808,581
Engineering Studies	1,952,887	1,394,137
Lab Fees	2,529,329	1,576,590
Office and Administrative Costs	1,893,204	865,449
Salaries and Benefits	3,757,156	2,015,439
Travel and Accommodation	1,236,163	744,617
Prospecting Licenses	738,813	296,808
Total Exploration Costs	28,669,280	16,560,727

8. Note Payable

As a result of the acquisition of GoldHeart in 2009, the Company assumed a debt owed by ETK to Crescent Global Resources ("CGR"), a company controlled by the previous controlling shareholder of GoldHeart.

	Year ended	
	12/31/2011	12/31/2010
Balance, beginning of period	$ -	$ 278,068
Cash payments to CGR (i)	-	(269,988)
Foreign exchange translation	-	(8,080)
Balance, end of period	$ -	$ -

i. The note was paid in full to CGR on July 13, 2010.

(Expressed in Canadian Dollars)

9. Share Capital

The Company is authorized to issue an unlimited amount of common shares. The issued and outstanding common shares consist of the following:

	Number of Common Shares		Amount
Balance, January 1, 2010	71,858,360	$	27,123,013
Issued on exercise of options	970,916		455,286
Value of options exercised	-		254,151
Issued on exercise of warrants	6,191,879		3,095,940
Value of warrants exercised	-		130,996
Issued on exercise of special warrants	7,500,000		11,083,845
Incentive shares issued during early exercise program	466,059		1,369,364
Issued on bought deal private placement	19,633,077		51,046,000
Share issue expense			(2,977,082)
Issued per compensation options	1,099,280		384,748
Value allocated to warrants	-		(384,748)
Issued on exercise of broker warrants	28,656		45,850
Balance December 31, 2010	107,748,227	$	91,627,363
Issued on exercise of options	692,000		793,880
Value of options exercised	-		470,419
Issued on exercise of warrants	186,425		93,213
Value of warrants exercised	-		46,435
Issued per compensation options (i)	123,120		43,092
Value allocated to warrants	-		(43,092)
Balance, December 31, 2011	108,749,772	$	93,031,310

i. A total of 123,120 Compensation Options were exercised during the year ended December 31, 2011. Each Compensation Option was converted into one unit consisting of one common share and one-half warrant at a price of $0.35. Warrants have an exercise price of $0.50 and expiry of November 24, 2012. As of December 31, 2011, there were a total of nil Compensation Options outstanding. The fair value of the warrants was limited to the amount of proceeds received from the exercise of Compensation Options.

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(Expressed in Canadian Dollars)

10. Warrants

As at December 31, 2011, the Company has a total of 5,486,517 warrants outstanding and exercisable.

The following table shows the continuity of warrants during the period:

	Number of Warrants	Allocated Value	Weighted Average Exercise Price
Balance, January 1, 2010	11,253,621	$ 2,785,526	$ 0.50
Issued per Compensation Options	549,640	384,748	0.50
Special warrants issued with private placement	7,500,000	11,083,845	1.60
Exercise of special warrants	(7,500,000)	(11,083,845)	1.60
Exercised during incentive program	(5,825,739)	(1,369,364)	0.50
Others exercised	(366,140)	(130,996)	0.50
Share issue cost from early exercise program	-	(75,471)	-
Balance, December 31, 2010	5,611,382	$ 1,594,443	$ 0.50
Exercise of warrants	(186,425)	(46,435)	0.50
Issued per Compensation Options (i)	61,560	43,093	0.50
Balance, December 31, 2011	5,486,517	$ 1,591,101	$ 0.50

i. 61,560 warrants were issued in connection with the exercise of 123,120 Compensation Options during the period as described in Note 9(i).

The following warrants were outstanding as at December 31, 2011:

Number of Warrants	Allocated Value	Exercise Price	Expiry Date
5,486,517	$ 1,591,101	$ 0.50	November 24, 2012

(Expressed in Canadian Dollars)

11. Stock Options

The Company's stock option plan was established by the shareholders of the Company on March 16, 2007, for the purpose of advancing the interests of the Company by encouraging the directors, officers, and employees of the Company, and of its subsidiaries and affiliates, to acquire common shares in the share capital of the Company, thereby increasing their interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs. The number of stock options that may be granted under the plan is limited to not more than 10% of the issued common shares of the Company at the time of the stock option grant. The exercise price of stock options granted in accordance with the plan will be not less than the closing price of the common shares on the trading day immediately prior to the effective date of grant.

The Company records a charge to the statement of operations and comprehensive loss account using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Due to the Company's small sample of historic share price, the Company also references the volatility of the closing share price of a group of industry peers in its calculation of volatility.

The following table shows the continuity of stock options during the period:

	Number of Options	Allocated Value of Vested Options	Weighted Average Exercise Price
Balance, January 1, 2010	4,253,100	$ 500,708	$ 0.47
Value of options vested during the period	-	623,176	-
Granted (i, ii, iii, iv, v, vi, vii, viii)	2,190,000	1,913,676	1.70
Forfeited during the period	(218,750)	(48,308)	0.50
Exercised	(970,916)	(254,151)	0.47
Balance, December 31, 2010	5,253,434	$ 2,735,101	$ 0.96
Value of options vested during the period	-	252,516	-
Granted (ix, x, xi, xii, xiii)	2,450,000	3,003,612	2.51
Exercised	(692,000)	(470,419)	1.15
Balance, December 31, 2011	7,011,434	$ 5,520,810	$ 1.49

i. On January 8, 2010, the Company granted 100,000 stock options to employees of the Company exercisable for one common share each at a price of $1.25 per share for a five year period.

These stock options vested 25% on the date of grant, and will vest at the rate of 25% at each of 3, 6, and 9 months after the date of grant. The grant date fair value of $74,461 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.77% per annum; and a dividend rate of nil. For the year ended December 31, 2010, $74,461 was expensed to stock-based compensation.

ii. On January 22, 2010, the Company granted 200,000 stock options to an investor relations consultant of the Company exercisable for one common share each at a price of $1.56 per share for a five year period. These stock options vested 25% on the date of grant, and will vest at the rate of 25% at each of 3, 6, and 9 months after the date of grant. The grant date fair value of $185,121 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 1.84% to 2.55% per annum; and a dividend rate of nil. These options are fair valued at the end of each reporting period and current market prices are applied. For the year ended December 31, 2010, $525,640 was expensed to stock-based compensation.

iii. On February 4, 2010, the Company granted 50,000 stock options to an officer of the Company exercisable for one common share each at a price of $1.49 per share for a five year period. These stock options vested immediately. The grant date fair value of $44,185 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.52% per annum; and a dividend rate of nil. For the year ended December 31, 2010, $44,185 was expensed to stock-based compensation.

iv. On February 8, 2010, the Company granted 115,000 stock options to employees of the Company exercisable for one common share each at a price of $1.44 per share for a five year period. These stock options vested 25% on the date of grant, and will vest at the rate of 25% at each of 3, 6, and 9 months after the date of grant. The grant date fair value of $98,186 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.51% per annum; and a dividend rate of nil. For the year ended December 31, 2010, $98,186 was expensed to stock-based compensation. The Company also granted 25,000 stock options to a consultant of the Company exercisable for one common share each at a price of $1.44 per share for a five year period. These stock options vested immediately. The grant date fair value of $21,345 was assigned to the stock options as estimated by using the Black-Scholes valuation model described above. For the year ended December 31, 2010, $21,345 was expensed to stock-based compensation

v. On March 29, 2010, the Company granted 630,000 stock options to directors and a consultant of the Company exercisable for one common share each at a price of $1.60 per share for a five year period. These stock options vested immediately. The grant date fair value of $601,908 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.91% per annum; and a dividend rate of nil. For the year ended December 31, 2010, $601,908 was expensed to stock-based compensation.

vi. On July 7, 2010, the Company granted 420,000 stock options to employees of the Company exercisable for one common share each at a price of $1.24 per share for a five year period. These stock options vested 25% on the date of grant, and will vest at the rate of 25% at each of 3, 6, and 9 months after the date of grant. The grant date fair value of $308,876 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.52% per annum; and a dividend rate of nil. For the Year ended December 31, 2010, $138,811 was expensed to stock-based compensation. The Company also granted 100,000 stock options to a consultant of the Company exercisable for one common share each at a price of $1.24 per share for a five year period. These stock options vested immediately. The grant date fair value of $73,542 was assigned to the stock options as estimated by using the Black-Scholes valuation model described above. For the year ended December, 2010, $73,542 was expensed to stock-based compensation.

vii. On August 27, 2010, the Company granted 50,000 stock options to an investor relations consultant of the Company exercisable for one common share each at a price of $1.51 per share for a five year period. These stock options vested 25% on the date of grant, and will vest at the rate of 25% at each of 3, 6, and 9 months after the date of grant. The grant date fair value of $44,457 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 1.99% to 2.31% per annum; and a dividend rate of nil. These options are fair valued at the end of each reporting period and current market prices are applied. For the year ended December 31, 2010, $67,871 was expensed to stock-based compensation.

viii. On October 20, 2010, the Company granted 500,000 stock options to an officer of the Company exercisable for one common share each at a price of $2.60 per share for a five year period. These stock options vested 50% on the date of grant, and will vest an additional 50% at 6 months after the date of grant. The grant date fair value of $761,730 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 1.85% per annum; and a dividend rate of nil. For the year ended December 31, 2010, $380,865 was expensed to stock-based compensation.

ix. On January 6, 2011, the Company granted 125,000 stock options to a director of the Company exercisable for one common share each at a price of $3.54 per share for a five year period. These stock options vested immediately. The grant date fair value of $262,388 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.51% per annum; and a dividend rate of nil. For the year ended December 31, 2011, $262,388 was expensed to stock-based compensation.

x. On January 24, 2011, the Company granted 125,000 stock options to a director of the Company exercisable for one common share each at a price of $3.10 per share for a five year period. These stock options vested immediately. The grant date fair value of $230,100 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.59% per annum; and a dividend rate of nil. For the year ended December 31, 2011, $230,100 was expensed to stock-based compensation.

xi. On February 25, 2011, the Company granted 525,000 stock options to directors of the Company exercisable for one common share each at a price of $2.70 per share for a five year period. These stock options vested immediately. The grant date fair value of $841,575 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.58% per annum; and a dividend rate of nil. For the year ended December 31, 2011, $841,575 was expensed to stock-based compensation. The Company also granted 940,000 stock options to officers and employees of the Company exercisable for one common share each at a price of $2.70 per share for a five year period. These stock options will vest 25% 5 months after the date of grant and 25% at each of 12, 17, and 24 months after the date of grant. The grant date fair value of $1,506,820 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 2.58% per annum; and a dividend rate of nil. For the year ended December 31, 2011, $1,073,873 was expensed to stock-based compensation.

xii. On August 1, 2011, the Company granted 235,000 stock options to employees of the Company exercisable for one common share each at a price of $2.52 per share for a five year period. These stock options will vest 25% 6 months after the date of grant and 25% at each of 12, 18, and 24 months after the date of grant. The grant date fair value of $347,088 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 1.86% per annum; and a dividend rate of nil. For the year ended December 31, 2011, $150,646 was expensed to stock-based compensation

xiii. On September 29, 2011, the Company granted 500,000 stock options to directors of the Company exercisable for one common share each at a price of $1.53 per share for a five year period. These stock options vested immediately. The grant date fair value of $445,030 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 1.45% per annum; and a dividend rate of nil. For the year ended December 31, 2011, $445,030 was expensed to stock-based compensation.

(Expressed in Canadian Dollars)

xiv. The weighted average grant date fair value of the total options granted during the year ended December 31, 2011 is $2.51 (December 31, 2010 – $1.01).

xv. The weighted average share price on the date of exercise during the year ended December 31, 2011 is $2.25 (December 31, 2010 – $2.44)

The following are the stock options outstanding as at December 31, 2011:

Expiry Date	Options Outstanding		Exercise Price	Remaining Contractual Life (Yrs)	Options Exercisable
May 15, 2012	133,334	$	0.10	0.37	133,334
September 21, 2012 (i)	500,000	$	2.60	0.73	500,000
November 24, 2014	2,903,100	$	0.50	2.90	2,903,100
January 8, 2015	50,000	$	1.25	3.02	50,000
February 8, 2015	65,000	$	1.44	3.11	65,000
March 29, 2015	615,000	$	1.60	3.24	615,000
July 7, 2015	295,000	$	1.24	3.52	295,000
January 6, 2016	125,000	$	3.54	4.02	125,000
January 24, 2016	125,000	$	3.10	4.07	125,000
February 25, 2016	1,465,000	$	2.70	4.16	760,000
August 1, 2016	235,000	$	2.52	4.59	-
September 29, 2016	500,000	$	1.53	4.75	500,000
	7,011,434			3.25	6,071,434

i. Issued with expiration of October 19, 2015, however, the expiration date was changed due to the receiving officer resigning from the Company effective September 21, 2011. The Board of Directors voted to allow one year for the resigning officer to exercise these fully vested options.

12. Loss per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2011 was based on the loss attributable to common shareholders of $36,853,412 (2010 - $23,180,457) and the weighted average number of common shares outstanding of 108,186,371 (December 31, 2010 – 87,382,533). Diluted loss per share did not include the effect of 7,011,434 share purchase options, 5,486,517 warrants and 271,344 broker warrants as they are anti-dilutive.

(Expressed in Canadian Dollars)

13. Income Taxes

The major components of income tax expense are as follows:

A reconciliation between tax expense and the product of accounting loss multiplied by the Company's domestic tax rate is as follows:

	2011	2010
Net Income (loss) before tax	$ (36,853,412)	$ (23,180,457)
Statutory tax rate	28.25%	31.00%
Tax benefit of statutory tax rate	(10,411,089)	(7,185,942)
Differences in foreign and statutory income tax rates	(2,367,163)	(160,462)
Deductible temporary differences not tax benefited	5,688,462	1,793,872
Non-deductible expenses	7,620,092	5,927,029
Under (over) provided for in prior years	(85,964)	(233,262)
Other	(444,338)	(141,235)
Total tax expense	$ -	$ -

The 2011 statutory 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.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

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.

	December 31, 2010		
	Canada	Guyana	US
Tax loss carry-forwards	$ 6,500,545	$ 1,344,099	$ -
Exploration and development	-	3,096,771	-
Share issue costs	3,570,792	-	-
Property plant and equipment	1,281	39,268	-
Deductible temporary differences associated with investment in subsidiaries	4,082,729	-	-
Other deductible temporary differences	463,650	-	-
	$ 14,618,997	$ 4,480,138	$ -

(Expressed in Canadian Dollars)

	December 31, 2011		
	Canada	Guyana	US
Tax loss carry-forwards	$ 8,996,432	$ 1,588,654	$ 3,809,053
Exploration and development	-	11,548,532	-
Share issue costs	2,625,033	-	-
Property plant and equipment	13,152	67,235	7,977
Deductible temporary differences associated with investment in subsidiaries	23,152,825	-	-
Other deductible temporary differences	-	-	-
	$ 34,787,442	$ 13,204,421	$ 3,817,030

At December 31, 2011, the Company has the unclaimed non-capital losses that expire as follows:

Expiry Date	Amount	Amount	Amount
	Canada	Guyana	US
2027 to 2031	$ 8,996,432	$ -	$ 3,809,053
Indefinite	-	1,588,654	-
	$ 8,996,432	$ 1,588,654	$ 3,809,053

14. Related Party Transactions

The Company's transactions are in the normal course of business and are recorded at the exchange amount. All amounts due to related parties are non-interest bearing and payable on demand.

(a) Included in accounts payable and accrued liabilities are the following amounts due to related parties:

	12/31/2011	12/31/2010
Travel expenses reimbursed to officers and directors of the Company,	$ 24,519	$ 32,896
Administrative expenses reimbursed to officers and directors of the Company,	191	1,987
Administrative, occupancy and salary expenses reimbursable to a company controlled by a Vice President of the Company, P. Greg Barnes	72,480	229,039
	$ 97,190	$ 263,922

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(b) The Company had the following related party transactions during the year ended December 31, 2011.

	12/31/2011	12/31/2010
Travel expenses reimbursed to officers and directors of the Company,	$ 302,446	$ 225,349
Administrative expenses reimbursed to officers and directors of the Company,	30,285	69,446
Administrative, occupancy and salary expenses reimbursable to a company controlled by a Vice President of the Company, P. Greg Barnes	688,581	1,294,117
	$ 1,021,312	$ 1,588,912

(c) Remuneration of directors and key management of the Company was as follows.

	Year Ended December 31, 2011	2010
Salaries and benefits for management	$ 1,265,372	$ 561,342
Directors fees	164,455	-
Severance pay to former officer	504,000	-
Share based payments	2,432,173	1,462,096
	$ 4,366,000	$ 2,023,438

15. Segmented information

The Company primarily operates in one reportable operation segment, being the development of its property for production of gold and copper in Guyana. The Company has administrative offices in Toronto, Canada and Centennial, U.S.A. Segmented information on a geographic basis is as follows:

December 31, 2010	Canada	United States	Guyana	Total
Current assets	$ 45,592,552	$ 72,599	$ 233,444	$ 45,898,595
Non-current assets	-	23,146	26,051,189	26,074,335
	$ 45,592,552	$ 95,745	$ 26,284,633	$ 71,972,930

December 31, 2011	Canada	United States	Guyana	Total
Current assets	$ 10,228,770	$ 1,698,429	$ 283,773	$ 12,210,972
Non-current assets	84,172	96,822	28,442,647	28,623,641
	$ 10,312,942	$ 1,795,251	$ 28,726,420	$ 40,834,613

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16. Commitments

The Alphonso joint venture provides that ETK shall commence commercial production, defined as production of 50,000 ounces of gold per year, beginning January 1, 2013 or in lieu thereof pay Mr. Alphonso an annual sum of the Guyana dollar equivalent of USD $250,000 in years 2013, 2014 and 2015 if commercial production is not commenced. If commercial production has not been commenced by 2016, Mr. Alphonso may declare a default under the agreement unless the Company has exercised its option to purchase Mr. Alphonso's interest in the joint venture for the sum of USD $20,000,000. In addition, the Company is required to spend USD $250,000 on exploration and development during the year ending December 31, 2012 under the Alphonso joint venture.

17. Subsequent Events

On January 10, 2012 the Company granted 1,192,000 stock options to purchase common shares of the Company to employees. The stock options are exercisable at $1.26 per share and will expire on January 10, 2017.

On January 16, 2012 the Company granted 1,750,000 stock options to purchase common shares of the Company to officers and directors. The stock options are exercisable at $1.38 per share and will expire on January 16, 2017.

On March 30, 2012, the Company completed a bought deal offering of 23,150,000 Common Shares with a syndicate of underwriters co-led by RBC Capital Markets and Scotiabank at a price of $1.08 per Common Share for gross proceeds of $25.0 million.

On March 26, 2012 all 271,344 unexercised broker warrants outstanding expired.

18. Transition to IFRS

Overview

These are the Company's first audited annual consolidated financial statements for the year ended December 31, 2011 to be presented in accordance with IFRS.

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 effective at the end of an entity's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

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

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

- To apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

- To apply IAS 23 *Borrowing Costs* prospectively from the Transition Date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

- To apply the transitional provisions of IFRIC 4 to leases which the same determination as IFRIC 4 was not made previously in accordance with Canadian GAAP. Therefore, the determination of whether these arrangements contain a lease is based on the circumstances existing at the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Estimates used in the preparation of the Company's opening IFRS statement of financial position, and other comparative information restated to comply with IFRS, are consistent with those made previously under current Canadian GAAP.

Changes to accounting policies

The adoption of IFRS resulted in changes to the accounting policies as compared with the December 31, 2010 annual financial statements prepared under Canadian GAAP.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS, and the effect on the Company's opening and comparative IFRS consolidated statement of financial position.

Exploration Expenses and Mineral Properties Under Exploration

Subject to certain restrictions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. On adoption of IFRS, the Company changed its accounting policy so that all costs related to exploration activities are expensed as incurred. Previously under Canadian GAAP, the costs related to exploration activities were not expensed, but included in the carrying value of the mineral property.

Mineral properties under exploration acquired through business combinations or asset acquisitions will continue to be carried at cost less accumulated impairment. Once technical feasibility and commercial viability can be demonstrated, the carrying value of mineral properties under exploration will be reclassified to mineral properties under development.

The changes in accounting policy resulted in a reduction in the carrying value of mineral properties under exploration of $988,573 at January 1, 2010 ($17,795,246 at December 31, 2010), and a corresponding increase in the deficit within shareholders' equity.

Equipment

IFRS requires the Company to choose, for each class of equipment, between the cost model and the revaluation model. The Company has selected the cost model in accounting for all of its capital assets.

The Company has changed its accounting policies to reflect the requirement under IFRS that when an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and amortized over their respective useful lives. This change in accounting policies did not have a significant impact on the Company's financial statements.

Impairment of Assets

IFRS requires a write down of assets if the recoverable amount is less than its carrying value. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Value in use is determined using discounted estimated future cash flows. Under Canadian GAAP, a write down to estimated fair value was required only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have a significant impact on the Company's financial statements.

Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. In particular, the Company has changed its accounting policy to recognize the expense associated with the grants of stock options. Under IFRS each tranche of stock options with graded vesting (that vests separately) must be treated as a separate grant. Under Canadian GAAP, the Company was recognizing the total associated expense on a straight-line basis over the total vesting period.

While the total compensation expense recognized over the total vesting period is not significantly different, the effect of the change in accounting policy is a higher compensation expense earlier in the vesting period, and a lower compensation expense later in the vesting period. The effect of applying this change in accounting policy to all stock option grants which had not fully vested at January 1, 2010 was an increase in stock options within shareholders' equity of $215,193 and a corresponding increase in the deficit within shareholders' equity.

Accounting for income taxes

IFRS requires the recognition of deferred taxes on the temporary differences in the accounting and tax basis of non-monetary assets and liabilities of foreign operations arising from exchange rate fluctuations. Deferred taxes were not recognized on these types of temporary differences under Canadian GAAP. The Company's policy was changed to reflect this difference resulting in an increase in deferred tax liabilities netted against deferred tax assets of foreign operations on transition at January 1, 2010 and during the year ended December 31, 2010, and no net deferred tax asset on foreign operations was recognized as it was not probable it would be realized.

Under IFRS, deferred tax assets or liabilities are not recognized on temporary differences that arise from the initial recognition of an asset in a transaction that is not a business combination, and at the time of the transaction affected neither income for accounting or tax purposes. Under Canadian GAAP, deferred tax assets and liabilities are recognized on this type of temporary difference by adjusting the carrying value of the asset for the related deferred tax amount. This difference resulted in the elimination of a deferred tax liability that had been recognized on the acquisition of a mineral property. The result of this change at January 1, 2010 was a reduction of deferred tax liabilities of $2,773,021 and a corresponding decrease in mineral interests of $2,870,124. The difference of $97,103 was an increase to accumulated deficit. During the year ended December 31, 2010, deferred tax liabilities were decreased by $10,360,980 with a corresponding decrease in mineral interests of $10,360,980.

Presentation

Certain amounts on the consolidated statement of financial position, statement of operations and deficit and statement of cash flow have been reclassified to conform to the presentation adopted under IFRS.

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Reconciliation of Canadian GAAP to IFRS

The following provides reconciliations of the shareholders' equity and the comprehensive loss from Canadian GAAP to IFRS for the respective periods. The adoption of IFRS did not have a material impact on the consolidated statement of cash flows.

	Note	December 31, 2010	January 1, 2010
		$	$
Shareholders' equity under Canadian GAAP		86,681,702	27,507,826
Change in policy to expense exploration costs	a	(17,795,246)	(988,573)
Elimination of deferred tax liability related to initial recognition of assets	b	(97,103)	(97,103)
Shareholders' equity under IFRS		68,789,353	26,422,150

	Note	Year ended December 31, 2010
		$
Comprehensive loss under Canadian GAAP		(6,735,254)
Change in policy to expense exploration costs	a	(16,806,673)
Change in recognition of share-based payments	c	361,471
Comprehensive loss under IFRS		(23,180,456)

a) The effect of the change in accounting policies to expenses costs related to exploration activities. Under Canadian GAAP, these costs are not expensed, but included in the carrying value of the mineral property.

b) The elimination of the deferred tax liability related to the initial recognition of assets was reflected as a reduction of deferred tax liabilities of $2,773,021 and a corresponding decrease in mineral interests of $2,870,124. The difference of $97,103 was an increase to accumulated deficit.

c) The effect of the change in accounting policy to treat each tranche of stock options with graded vesting as a separate grant.