TARANIS RESOURCES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

TARANIS RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

November 28, 2011

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Yours truly,

John J. Gardiner
President and Chief Executive Officer

TARANIS RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

	September 30, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current			
Cash	$ 161,552	$ 173,514	$ 181,699
Receivables	65,272	66,559	22,080
Marketable securities (Note 6)	37,500	37,500	30,000
	264,324	277,573	233,779
Buildings and Equipment (Note 4)	47,659	47,659	47,659
Mineral properties (Note 5)	4,876,300	4,407,016	3,658,324
	$ 5,188,283	$ 4,732,238	$ 3,939,762
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	$ 276,871	$ 149,985	$ 262,268
Loan payable (Note 13)	100,000	-	-
Due to related parties (Note 7)	10,194	10,495	11,156
	387,065	160,148	273,424
Deferred income tax	285,509	285,509	342,247
	672,574	445,989	615,671
Equity			
Share capital (Note 8)	6,301,541	5,618,691	4,501,999
Reserves	949,418	949,418	687,418
Deficit	(2,735,250)	(2,281,850)	(2,865,326)
	4,515,709	4,286,259	3,324,091
	$ 5,188,283	$ 4,732,248	$ 3,939,762

Nature and continuance of operations (Note 1)

Approved and authorized by the Board of Directors on November 28, 2011.

"John J. Gardnier" Director "George R. Kent" Director
Name of Director Name of Director

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

TARANIS RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Three Month Period Ended September 30, 2011	Three Month Period Ended September 30, 2010	Nine Month Period Ended September 30, 2011	Nine Month Period Ended September 30, 2010
EXPENSES				
Consulting travel and marketing	$ 19,091	$ 4,270	$ 52,081	$ 24,400
Courier and postage	49	77	534	201
Interest and bank charges	295	575	1,963	999
Licenses and fees	2,087	1,693	17,305	18,355
Office and miscellaneous	1,607	-	4,576	2,545
Professional fees	17,414	22,979	91,410	64,609
Property evaluation	-	-	-	3,154
Stock-based compensation	-	-	-	152,400
	(40,546)	(29,594))	(167,869)	(269,663)
OTHER ITEMS				
Write down of Mineral properties	-	(27,630)	(290,925)	(27,630)
Recovery of reclaimation deposit	-		9,971	
Foreign exchange gain (loss)	(2,374)	(5,918)	(4,577)	2,319
Unrealized gain on marketable securities	-	-	-	30,000
	(2,374)	(33,548)	(285,531)	4,689
Loss, before income taxes	(42,920)	(63,142)	(453,400)	(264,974)
Future income tax recovery	-	-	-	-
Income and comprehensive income (loss), for the period	$ (42,920)	$ (63,142)	$ (453,400)	$ (264,974)
Basic and diluted loss per income per common share:	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding:	30,181,896	26,623,260	29,017,838	23,020,667

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

TARANIS RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
NINE MONTHS ENDED SEPTEMBER 30

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period	$ (453,400)	$ (264,974)
Items not affecting cash:		
Unrealized gain on marketable securities		(30,000)
Future income tax recoveries		152,400
Write-off of mineral properties	290,925	
Changes in non-cash working capital items:		
(Increase) decrease in receivables	1,287	(30,999)
Increase (decrease) in accounts payable and accrued liabilities	3,802	(45,420)
Net cash used in operating activities	(157,386)	(218,993)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property expenditures	(642,725)	(697,025)
Mineral property cost recoveries		-
Net cash used in investing activities	(642,725)	(697,025)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	(301)	(661)
Loan payable	100,000	
Capital stock issued	700,000	1,183,077
Issuance costs	(11,550)	(88,182)
Net cash provided by financing activities	788,149	1,094,231
Change in cash during the period	(11,962)	178,213
Cash, beginning of period	173,514	181,699
Cash, end of period	$ 161,552	$ 359,912
Cash paid for interest	$ 202	$ -
Cash paid for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 12)

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

TARANIS RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(Unaudited - Expressed in Canadian Dollars)
NINE MONTHS ENDED SEPTEMBER 30

	Share capital (Number of Shares)	Share capital (Amount)	Share-based payment reserve	Deficit	Total
Balance at January 1, 2010	20,707,875	$ 4,501,999	$ 687,418	$ (1,865,326)	$ 3,324,091
Comprehensive loss for the period	-	-	-	(201,832)	(201,832)
Private placement	5,000,000	1,000,000	-		1,000,000
Share issue costs		(88,185)			(88,185)
Shares issued in settlement of debt	915,385	183,077			183,077
Stock-based compensation-Options granted	-	-	152,400	-	152,400
Balance at September 30, 2010	26,623,260	5,596,891	839,818	(2,067,158)	4,369,551
Comprehensive loss for the period				(214,692)	(214,692)
Private placement	-	-	-	-	-
Options exercised	200,000	64,400	(23,400)	-	41,000
Subscriptions received in advance		-			-
Share issue costs	-	-	-	-	-
Share issue costs – options granted	-	(42,600)	42,600	-	-
Stock-based compensation – options granted	-	-	90,400	-	90,400
Balance at December 31, 2010	26,823,260	5,618,691	949,418	(2,281,850)	4,286,259
Comprehensive loss for the period			-	(453,400)	(453,400)
Private placements	3,500,000	700,000	-	-	700,000
Share issue costs	-	(17,150)	-	-	(17,150)
Balance at September 30, 2011	**30,323,260**	**$ 6,301,541**	**$ 949,418**	**$ (2,735,250)**	**$ 4,515,709**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Taranis Resources Inc. is a publicly listed exploration company incorporated in Canada under the British Columbia Corporations Act on November 27, 2001. The Company together with its subsidiaries (collectively referred to as the "Company") is principally engaged in acquisition and exploration of resource properties.

The head office, registered address and records office of the Company are located at 1710-1177 West Hastings Street, Vancouver, British Columbia, Canada.

The Company's financial statements and those of its controlled subsidiaries ("Condensed consolidated interim financial statements") are presented in Canadian dollars.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting.* The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 13.

Critical accounting estimates

The preparation of these condensed consolidated interim 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 the reported expenses during the period. Actual results could differ from these estimates.

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

i) The carrying value and the recoverability of mineral properties, which are included in the condensed consolidated interim statements of financial position.

2. BASIS OF PREPARATION (cont'd…)

ii) The inputs used in calculating the fair value for stock-based compensation expense included in profit and loss and stock-based share issuance costs included in equity.

iii) The inputs used in calculating the fair value of warrants included in units issued in private placements.

iv) The valuation of shares issued in non-cash transaction.

v) The valuation allowance applied against future income tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the entity controlled by the Company (Note 10). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets (cont'd…)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

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

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Property, plant and equipment

Property, plant and equipment, ("PP&E") are carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation of buildings and equipment is recognized using the declining balance method at an annual rate of 30%. Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to items of property, plant and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance.

Gains and losses on disposal of an item of PP&E are determined by comparing the net proceeds from disposal with the carrying amount of PP&E and are recognized in the statement of comprehensive income.

<u>Subsequent costs</u>

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as mining assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized mining assets generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on mineral property or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

<u>Depreciation</u>

Depreciation is recognized in profit or loss on either a straight-line or declining balance method over the estimated useful lives of each part of an item of PP&E. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Cash

Cash is comprised of cash on deposit.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such 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 and 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 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. 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 profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company presents basic loss per share 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 does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Stock-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. Upon expiry, the recorded value is transferred to deficit.

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

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credit to other liabilities and included in income at the same time the qualifying expenditures are made.

4. BUILDINGS AND EQUIPMENT

	September 30, 2011			December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings	$ 33,634	$ 1,280	$ 32,354	$ 33,634	$ 1,280	$ 32,354
Equipment	18,895	3,590	15,305	18,895	3,590	15,305
	$ 52,529	$ 4,870	$ 47,659	$ 52,529	$ 4,870	$ 47,659

Cost	
Balance, January 1, 2010	$ 52,529
Additions	-
Disposals	-
Balance, December 31, 2010 and September 30, 2011	$ 52,529
Accumulated depreciation	
Balance, January 1, 2010	$ 4,870
Depreciation for the period	
Disposals	-
Balance, December 31, 2010	4,870
Depreciation for the period	-
Balance, September 30, 2011	$ 4,870
Carrying amounts	
As at December 31, 2010	$ 47,659
As a September 30, 2011	47,659

(Unaudited - Expressed in Canadian Dollars)

5. MINERAL PROPERTIES

2011	Canada	Finland	September 30, 2011	December 31, 2010
Acquisition costs:				
Balance, beginning of year	$ 644,628	$ 154,090	$ 798,718	$ 752,499
Additions	7,344	25,593	32,938	75,877
Disposals	-	(39,348)	(39,383)	(29,668)
Balance, end of year	651,972	140,335	792,307	798,718
Exploration costs:				
Balance, beginning of year	2,285,513	1,322,785	3,608,298	2,905,825
Assaying	(226)	115,978	115,752	138,176
Geological fees	-	31,219	31,219	60,724
Surveying	-	173,603	173,603	26,013
Drilling	-	406,697	406,697	500,585
	(226)	727,497	727,271	725,498
Exploration costs written off:	-	(251,576)	(251,576)	(23,025)
Balance, end of year	2,285,287	1,798,706	4,083,993	3,608,298
Total costs	$ 2,937,259	$ 1,939,041	$ 4,876,300	$ 4,407,016

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyencing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

5. MINERAL PROPERTIES (cont'd…)

Nevada Properties

WSM Claims

During fiscal 2010, the Company acquired by staking a 100% interest in 189 WSM claims located in White Pine County, Nevada. Due to significant changes in Nevada state mining law enacted subsequent to the acquisition, the Company relinquished its interest in these claims and wrote off the acquisition costs.

Finland

Kettukuusikko Property

The Company has six mineral claims located in the Republic of Finland known as the Kettukuusikko Gold Deposit. Pursuant to an agreement with the Finnish Government, the Company was required to incur staged exploration expenditures of EUR 1,421,860 to October 2008. Any future commercial production from the property covered by this agreement is subject to a 2% Net Smelter Returns royalty ("NSR"). The claims are in good standing until February 2012 to November 2013, subject to renewal.

The Company also entered into an agreement with Royal Gold, Inc. ("Royal Gold") pursuant to which Royal Gold funded exploration expenditures on the Kettukuusikko Gold Prospect sufficient to earn a 2% NSR on the prospect and copies of the exploration data.

Other Properties

The Company has certain other mineral claims located in the Republic of Finland.

The Company agreed to grant Royal Gold a 2% NSR on any new properties acquired in the Republic of Finland prior to November 4, 2008. Two such claim groups (Marskinkuusikko 1 – 3 and Naakenavaara 1 - 4) were acquired and so Royal Gold was granted a 2% NSR on these claims. After evaluating the results of its 2011 drilling program, the Company has relinquished title to the Marskinkuusikko property and written of all costs associated with these claims.

Royal Gold also had the option to acquire a 51% interest in any of these new properties in consideration for incurring 200% of the amounts expended by the Company on exploration activities and terminating the 2% NSR on the property. Royal Gold had the right to acquire an additional 24% of the property by funding a feasibility study and arranging financing to bring the property into commercial production. Royal Gold has terminated this option with respect to the Naakenavaara property.

The Company has filed applications for Mining Claims over the Riikonkoski copper deposit located seven kilometers northeast of its Naakenavaara property.

(Unaudited - Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (cont'd…)

British Columbia Properties

Thor Property

The Company has a 100% interest in certain mineral rights entitled the Thor Property located in the Revelstoke Mining District of British Columbia, Canada.

During fiscal 2010 the Company acquired a 100% interest in 6 additional claims for the sum of $15,000.

The Company has acquired additional contiguous mineral claims by staking.

Sullivan South Property

During fiscal 2009, the Company acquired by staking several mineral claims in the Cranbrook Mining District. After evaluation by the Company, title to these claims was relinquished in 2010.

6. MARKETABLE SECURITIES

	September 30, 2011	December 31, 2010
Excalibur Resources Ltd. (250,000 shares)	$ 37,500	$ 37,500

7. RELATED PARTY TRANSACTIONS

Related party transactions

The Company entered into the following transactions with directors, officers and companies that are controlled by directors of the Company:

	Nine Month Period Ended September 30, 2011	Nine Month Period Ended September 30, 2010
Geological fees	$ 78,369	$ 54,362
Consulting services	36,089	11,778
Accounting services	10,000	10,800
Legal fees	34,500	29,000
Total	$ 158,958	$ 105,940

7. RELATED PARTY TRANSACTIONS (cont'd…)

a) paid or accrued $86,247 (2010 - $54,362) to a Corporation owned by John J. Gardiner, a director and the Company's President and Chief Executive Officer – services provided include geological, engineering and claim staking costs, equipment rental, and administrative services;

b) paid or accrued $28,211 (2010 - $11,778) to Corporation owned by George R. Kent, a director and Chief Financial Officer, for consulting services:

c) borrowed $100,000 from the same Corporation owned by George R. Kent, (see (b) above and note 13):

d) paid or accrued $10,000 (2010 - $10,800) to a director, Gary McDonald, for accounting services:

e) paid or accrued $34,500 (2010 - $29,000) for legal services to a corporation controlled by Glenn R. Yeadon, a director and the Secretary of the Company.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Private placements

On September 26, 2011, the Company issued 500,000 units at a price of $0.20 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one-half (1/2) share purchase warrant with each warrant entitling the holder to purchase one additional common share at a price of $0.40 until September 26, 2012.

On January 28, 2011, the Company issued 3,000,000 common shares at a price of $0.20 per share for gross proceeds of $600,000.

During fiscal 2010, the Company issued 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.30 until April 15, 2012, subject to potential early expiry. The Company also issued finder's options entitling the holders to purchase up to 248,500 units at a price of $0.20 until April 15, 2012. Finder's options were valued at $42,600 using the Black-Scholes option pricing model, with a risk free rate of 0%, expected life of 2 years, annualized volatility of 172% and dividend rate of 0%. Each finder's unit has the same terms as the units issued pursuant to the private placement. The Company also paid finder's fees of $49,700 in respect of the private placement and paid or accrued $38,485 in other share issuance costs.

Settlement of debt

During fiscal 2010, the Company settled debts to various related parties of $183,077 (US$171,000) through the issuance of 915,385 common shares.

Stock options and warrants

The Company has a stock option plan whereby, from time to time, at the discretion of the Board of Directors, stock options are granted to directors, officers, employees and certain consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant, subject to a minimum price of $0.10. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

(Unaudited - Expressed in Canadian Dollars)

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Stock Options (including Finders' Options)		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2009	4,208,433		0.55	1,851,271		0.40
Granted	5,000,000		0.30	1,548,500		0.24
Expired	(1,680,433)		1.00	(601,271)		0.53
Exercised	-		-	(200,000)		0.21
Outstanding, December 31, 2010	7,528,000	$	0.28	2,598,500	$	0.29
Granted	250,000	$	0.40	-		
Expired	(500,000)	$	0.25	(100,000)	$	0.35
Exercised	-			-		
Outstanding, September 30, 2011	7,278,000			2,498,500		
Number currently exercisable	7,278,000	$	0.30	2,498,500	$	0.29

The following options and warrants to acquire common shares of the Company were outstanding at September 30, 2011:

	Number of Shares/Units	Exercise Price	Expiry Date
Options	450,000	0.55	November 7, 2012
	600,000	0.20	October 15, 2013
	600,000	0.21	February 10, 2015
	600,000	0.30	December 31, 2015
Warrants	2,000,000	0.25	November 4, 2011
	5,000,000	0.30	April 15, 2012 (1)
	250,000	0.40	January 27, 2012
Finder's options	248,500	0.20	April 15, 2012 (2)
Finder's warrants	28,000	0.25	November 4, 2011

(1) Each warrant is exercisable at $0.30 into one common share until April 15, 2012 (subject to potential acceleration if the closing price of the Company's shares is $0.50 or greater for 20 consecutive trading days).

(2) Each finder's option is exercisable at $0.20 into one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at $0.30 until April 15, 2012 (subject to potential acceleration if the closing price of the Company's shares is $0.50 or greater for 20 consecutive trading days).

(Unaudited - Expressed in Canadian Dollars)

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock-based compensation

During fiscal 2010, the Company granted 1,300,000 options to directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations. Total stock-based compensation recognized in the statement of operations during fiscal 2010 was $242,800 (2009 - $Nil) and the weighted average fair value per option granted was $0.19 (2009 - $Nil). This amount was also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the valuation of stock options:

	September 30, 2011	September 30, 2010
Risk-free interest rate	-	2.46
Expected life of options	-	5
Annualized volatility	-	99.57%
Dividend rate	-	-

The Company recognizes stock-based compensation expense for all stock options granted using the fair value based method of accounting. The fair value of the options vested in the nine months ended September 30, 2011 is $22,819 (2010 – $148,188). The weighted average fair value of options granted in the period is $0.23 (2010 - $0.11).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	September 30, 2011	September 30, 2010
Risk-free interest rate	2.7%	2.7%
Expected life of options	4years	2.7years
Annualized volatility	118%	77%
Dividends	0	0

9. SEGMENT INFORMATION

The Company operates in two reportable operating segments, being the acquisition, exploration, and development of mineral properties in Finland and Canada. Geographical information is as follows:

	September 30, 2011	December 31, 2010
Finland	$ 1,939,041	$ 1,476,875
Canada	2,937,259	2,930,141
	$ 4,876,300	$ 4,407,016

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate carrying value, which is the amount payable on the consolidated statement of financial position. The Company's other financial instrument, cash, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's accounts receivable consist mainly of HST receivable due from the government of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable relating to mineral properties and other accounts payable and accrued liabilities are due within one year.

Market risk

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

a) Interest rate risk

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

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash is minimal because these investments roll over daily.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd…)

Market risk (cont'd…)

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. From time to time, the Company funds certain operations, exploration and administrative expenses in Euro dollars on a cash call basis using Euro dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold, copper and oil and gas. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash and components of shareholders' equity.

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

11. COMMITMENTS

The Company has no commitments or contingencies.

12. SUPLIMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended September 30, 2011 included:

a) Accruing mineral property expenditures of $193,403 through accounts payable and accrued liabilities.

b) Accruing share issue costs of $5,600 through accounts payable and accrued liabilities.

12. SUPLIMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

Significant non-cash transactions during the period ended September 30, 2010 included:

a) Accruing share issue costs of $7,000 through accounts payable and accrued liabilities.

b) Settling accounts payable and accrued liabilities of $183,077 through the issuance of 915,385 common shares.

13. LOAN PAYABLE

The loan payable is due to a Corporation controlled by a director of the Company (note 7). It is unsecured, bears interest at a rate of 5% per annum and is repayable on demand or upon the Company completing one or more financings totalling at least $2,000,000. At the discretion of the lender, the loan and any unpaid interest thereon may be converted into common shares of the Company at the minimum price per share provided for under the rules and policies of the TSX Venture Exchange. Such conversion would be subject to acceptance by the TSX Venture Exchange.

14. SUBQUENT EVENT

Subsequent to September 30, 2011, the Company issued 175,000 units at a price of $0.20 per unit for gross proceeds of $35,000. Each unit consisted of one common share and one-half (1/2) share purchase warrant with each warrant entitling the holder to purchase one additional common share at a price of $0.40 until October 20, 2012.

15. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these condensed consolidated interim financial statements are for the period covered by the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed consolidated interim financial statements for the period ended September 30, 2011 and 2010, the condensed consolidated interim financial statements for the year ended December 31, 2010 and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended September 30, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

The Company has elected to take the following exemptions under IFRS 1:

Share-based payment transactions

The Company has elected not to restrospectively apply IFRS 2 to equity instruments that were granted and vested before the Transition Date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding instruments that are unvested as at the Transition Date to IFRS. The Company did not have any unvested equity instruments as of the Transition Date.

(Unaudited - Expressed in Canadian Dollars)

Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimate were in error. As a result the Company has not used hindsight to revise estimates.

The reconciliation between the Canadian generally accepted accounting principles ("GAAP") and IFRS equity as at January 1, 2010 (date of transition to IFRS), Septeber 30, 2010 and December 31, 2010 is provided below:

	Note	January 1, 2010	September 30, 2010	December 31, 2010
Equity under Canadian GAAP		$ 3,324,091	$ 4,306,409	$ 4,286,289
Adjustment		-	-	-
Total IFRS adjustment to equity		-	-	-
Equity under IFRS		$ 3,324,091	$ 4,306,409	$ 4,286,289

The reconciliation between the Canadian GAAP and IFRS total comprehensive income for the period ended September 30, 2010 and the year ended December 31, 2010 is provided below:

	Note	Nine months ended September 30, 2010	Year ended December 31, 2010
Comprehensive income under Canadian GAAP		$ (264,974)	$ (416,524)
Adjustments		-	-
Total IFRS adjustment to comprehensive income		-	-
Comprehensive income under IFRS		$ (264,974)	$ (416,524)

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of cash flows for the period ended September 30, 2010 or the year ended December 31, 2010.

a) Flow through shares

Canadian GAAP has specific guidance for the treatment of flow-through shares, which are an equity instrument unique to Canada and therefore, there is no specific equivalent guidance under IFRS. Under the IFRS framework, the shares can be seen as a compound instrument, consisting of a share and a tax benefit and when the shares are issued the premium paid for the tax benefit in excess of the market value of the shares on a standalone basis is credited to flow-through liabilities. When the qualifying expenditures are made, the obligation of the Company to pass the tax benefit to the shareholder has been discharged, and accordingly, the liability is taken into income at that point in time as a future income tax recovery.

As a result of this change in policy, a flow through liability of $153,347 relating to the financial years ended December 31, 2007 and 2008 was recognized and reallocated from share capital to deficit effective January 1, 2010.