

Jayden Resources Inc.

Consolidated Financial Statements

For the year ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Jayden Resources Inc.

We have audited the accompanying consolidated financial statements of Jayden Resources Inc. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated and company statements of financial position as at December 31, 2011 and December 31, 2010, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial positions of the Company and of the Group as at December 31, 2011 and December 31, 2010, and of the Group's financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

BDO Limited
Certified Public Accountants
Li Wing Yin

Hong Kong, March 28, 2012

Jayden Resources Inc.

Consolidated Statements of Comprehensive Income

| | | Year ended December 31, | |
|-------------------------------------------------------------------------------------------|-------|----------------------------|--------------------|
| | Notes | 2011 | 2010 |
| | | \$ | \$ |
| Revenue | 6 | - | - |
| Other revenue and net income | 6 | 21,979 | 251,370 |
| Administrative expenses | 7 | (1,650,176) | (4,954,849) |
| Other operating expenses | 8 | (23,536) | (4,493) |
| Loss before income tax | | (1,651,733) | (4,707,972) |
| Income tax expense | 9 | - | - |
| Loss for the year, attributable to owners of the Company | | (1,651,733) | (4,707,972) |
| Other comprehensive income, including reclassification adjustments | | | |
| (Loss)/gain on change in fair value of available-for-sale investments | | (58,338) | 4,534 |
| Reclassification relating to disposal of available-for-sale investments | | 6,000 | - |
| | | (52,338) | 4,534 |
| Total comprehensive income for the year, attributable to owners of the Company | | (1,704,071) | (4,703,438) |
| Loss per share attributable to owners of the Company | | | |
| - Basic and diluted (Canadian cents) | 10 | (0.83) | (2.80) |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Jayden Resources Inc.

Consolidated Statements of Financial Position

| The Group | Notes | At December 31, 2011 | At December 31, 2010 |
|-----------------------------------------------------|--------------|---------------------------------|---------------------------------|
| | | \$ | \$ |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 106,972 | 106,493 |
| Exploration and evaluation assets | 12 | 15,248,346 | 10,254,222 |
| Deposits | 15 | 67,300 | 40,000 |
| | | 15,422,618 | 10,400,715 |
| Current assets | | | |
| Other receivables | 14 | 61,801 | 95,645 |
| Prepaid expenses and deposits | 15 | 414,366 | 415,742 |
| Available-for-sale investments | 16 | 37,318 | 119,156 |
| Cash and cash equivalents | 17 | 1,537,340 | 424,549 |
| | | 2,050,825 | 1,055,092 |
| Current liabilities | | | |
| Amount due to a director | 18 | - | 130 |
| Amounts due to related companies | 18 | 18,629 | 36,043 |
| Payables and accruals | 19 | 182,363 | 433,413 |
| | | 200,992 | 469,586 |
| Net current assets | | 1,849,833 | 585,506 |
| Total assets less current liabilities | | 17,272,451 | 10,986,221 |
| Net assets | | 17,272,451 | 10,986,221 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 21 | 41,050,815 | 29,658,044 |
| Reserves | | (23,778,364) | (18,671,823) |
| Total equity | | 17,272,451 | 10,986,221 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved on Behalf of the Board

"Herrick Lau" Director
Herrick Lau

"David Eaton" Director
David Eaton

Jayden Resources Inc.

Statements of Financial Position

| The Company | Notes | At December 31, 2011 | At December 31, 2010 |
|----------------------------------------------|--------------|---------------------------------|---------------------------------|
| | | \$ | \$ |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 17,457 | 14,754 |
| Interests in subsidiaries | 13 | 9,577,427 | 9,577,427 |
| | | 9,594,884 | 9,592,181 |
| Current assets | | | |
| Other receivables | 14 | 17,929 | 43,998 |
| Prepaid expenses and deposits | 15 | 414,239 | 415,608 |
| Available-for-sale investments | 16 | 37,318 | 119,156 |
| Cash and cash equivalents | 17 | 1,206,890 | 417,431 |
| | | 1,676,376 | 996,193 |
| Current liabilities | | | |
| Amount due to a director | 18 | - | 130 |
| Amounts due to related companies | 18 | 876 | 22,051 |
| Payables and accruals | 19 | 96,965 | 421,207 |
| | | 97,841 | 443,388 |
| Net current assets | | 1,578,535 | 552,805 |
| Total assets less current liabilities | | 11,173,419 | 10,144,986 |
| Net assets | | 11,173,419 | 10,144,986 |
| EQUITY | | | |
| Share capital | 21 | 41,050,815 | 29,658,044 |
| Reserves | 22 | (29,877,396) | (19,513,058) |
| Total equity | | 11,173,419 | 10,144,986 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Jayden Resources Inc.

Consolidated Statements of Changes in Equity

| | Shares | | Share-based compensation reserve (*) | Fair value reserve for available-for- -sale investments (*) | Accumulated losses (*) | Total |
|----------------------------------------------------------------------------|---------------------|--------------|--------------------------------------------|-------------------------------------------------------------------------|---------------------------|-------------|
| | Number of shares | Amount \$ | | | | |
| At January 1, 2010 | 91,576,134 | 28,763,299 | 169,565 | 22,573 | (19,240,611) | 9,714,826 |
| Rights offering, net of share issue costs of \$3,684,062 (Note 21) | 91,576,134 | 894,745 | 3,449,070 | - | - | 4,343,815 |
| Share-based payments | - | - | 1,631,018 | - | - | 1,631,018 |
| Lapse of share options | - | - | (62,600) | - | 62,600 | - |
| Transactions with owners | 91,576,134 | 894,745 | 5,017,488 | - | 62,600 | 5,974,833 |
| Loss for the year | - | - | - | - | (4,707,972) | (4,707,972) |
| Other comprehensive income | | | | | | |
| Gain on change in fair value of available-for-sale investments | - | - | - | 4,534 | - | 4,534 |
| Total comprehensive income for the year | - | - | - | 4,534 | (4,707,972) | (4,703,438) |
| At December 31, 2010 and January 1, 2011 | 183,152,268 | 29,658,044 | 5,187,053 | 27,107 | (23,885,983) | 10,986,221 |
| Exercise of warrants | 67,894,033 | 11,343,771 | (3,449,070) | - | - | 7,894,701 |
| Share-based payments | 350,000 | 49,000 | 46,600 | - | - | 95,600 |
| Lapse of share options | - | - | (150,500) | - | 150,500 | - |
| Transactions with owners | 68,244,033 | 11,392,771 | (3,552,970) | - | 150,500 | 7,990,301 |
| Loss for the year | - | - | - | - | (1,651,733) | (1,651,733) |
| Other comprehensive income | | | | | | |
| Loss on change in fair value of available-for-sale investments | - | - | - | (58,338) | - | (58,338) |
| Reclassification relating to disposal of available-for-sale investments | - | - | - | 6,000 | - | 6,000 |
| Total comprehensive income for the year | - | - | - | (52,338) | (1,651,733) | (1,704,071) |
| At December 31, 2011 | 251,396,301 | 41,050,815 | 1,634,083 | (25,231) | (25,387,216) | 17,272,451 |

* These reserve amounts comprise the consolidated reserves of \$23,778,364 (2010: \$18,671,823) in the consolidated statements of financial position.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Jayden Resources Inc.

Consolidated Statements of Cash Flows

| | Notes | Year ended December 31, | |
|----------------------------------------------------------------|-------|-------------------------|------------------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Loss for the period before income tax | | (1,651,733) | (4,707,972) |
| Adjustments for: | | | |
| Depreciation | 7 | 6,173 | 7,603 |
| Bank interest income | 6 | (775) | (8,777) |
| Gain on disposal of exploration and evaluation assets | | - | (231,342) |
| Gain on disposal of available-for-sale investments | 6 | (18,204) | - |
| Share-based payments | 7 | 46,600 | 1,631,018 |
| Provision for impairment loss of property, plant and equipment | 8 | - | 4,493 |
| Operating loss before working capital changes | | (1,617,939) | (3,304,977) |
| Decrease/(increase) in other receivables | | 33,844 | (81,972) |
| Decrease/(increase) in prepaid expenses and deposits | | 1,376 | (392,673) |
| Decrease in amount due to a director | | (130) | (90) |
| (Decrease)/increase in amounts due to related companies | | (17,414) | 36,043 |
| (Decrease)/increase in payables and accruals | | (251,050) | 310,670 |
| Net cash used in operating activities | | (1,851,313) | (3,432,999) |
| Cash flows from investing activities | | | |
| Acquisition of exploration and evaluation assets | 26 | (4,945,124) | (1,460,473) |
| Proceeds from disposal of exploration and evaluation assets | | - | 155,000 |
| Proceeds from disposal of available-for-sale investments | | 47,704 | - |
| Reclamation deposits paid | | (27,300) | - |
| Purchase of property, plant and equipment | | (6,652) | (3,799) |
| Interest received | | 775 | 8,777 |
| Net cash used in investing activities | | (4,930,597) | (1,300,495) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of shares | | - | 4,343,815 |
| Exercise of warrants | | 7,894,701 | - |
| Net cash generated from financing activities | | 7,894,701 | 4,343,815 |
| Net increase/(decrease) in cash and cash equivalents | | 1,112,791 | (389,679) |
| Cash and cash equivalents at the beginning of the period | | 424,549 | 814,228 |
| Cash and cash equivalents at the end of the period | | 1,537,340 | 424,549 |
| Analysis of balances of cash and cash equivalents: | | | |
| Cash and bank balances | | 1,520,090 | 407,299 |
| Cashable guaranteed investment certificates | | 17,250 | 17,250 |
| | | 1,537,340 | 424,549 |

Supplementary cash flow information (Note 26)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

1. Nature of and continuance of operations

Jayden Resources Inc. (the "Company") was incorporated under the laws of the Province of British Columbia. On December 9, 2010, the Company's common shares ceased trading on the TSX Venture Exchange and began trading on the Toronto Stock Exchange ("TSE") under the symbol JDN. The Company, together with its subsidiaries (collectively referred to as the "Group"), is principally engaged in the business of acquiring, exploring and developing interests in mining projects. To date, the Group has not generated revenues from its principal activities and is considered to be in the exploration stage.

The Group is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Group's continuing operations, and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. The registered and records office are located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

2. Basis of Presentation

(a) Basis of preparation and presentation

The consolidated financial statements are presented in Canadian Dollars ("CDN\$"), which is the functional currency of the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB, effective for the Company's reporting for the year ended December 31, 2011.

The financial statements have been prepared under the historical cost basis except for the financial instruments classified as available-for-sale investments which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Adoption of new or amended IFRSs

The IASB has issued a number of new and revised IASs, IFRSs, amendments and related interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which were relevant to the Group and became effective during the year.

At the date of authorization of the financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are potentially relevant to the Group is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact on the Group's accounting policies.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

2. Basis of Presentation (continued...)

- Amendments to IAS 1(Revised) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1(Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

- IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

- IFRS 10 Consolidated Financial Statements

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 standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

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

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

The directors are in the process of assessing the impact of other new or revised IFRSs upon initial adoption. So far, the directors have preliminarily concluded that the initial adoption of these IFRSs is unlikely to have a significant impact on the Group's results and financial positions.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to the years presented unless otherwise stated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its controlled wholly-owned subsidiary, Jayden Resources (Canada) Inc. ("Jayden Canada"). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

Subsidiaries

In the financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

Acquisition of subsidiaries

When the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognized.

Interest income

Interest income from financial assets is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Foreign currencies

The Company's reporting and functional currency and that of its Canadian subsidiary, Jayden Canada, is the Canadian dollar as this is the principal currency of the economic environment in which the Company and its subsidiary operate.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment, other than land, is recorded at cost less accumulated depreciation. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is calculated using the declining balance method to write off the cost of asset, less the estimated residual value, at the following rates:

| | |
|--------------------|------|
| Computer equipment | 30% |
| Other equipment | 20% |
| Software | 100% |
| Mining equipment | 20% |
| Building | 4% |

Land is stated at acquisition cost less any impairment losses. Land is not depreciated.

The assets' residual values, depreciation methods and useful lives are reviewed and adjusted if appropriate at each reporting date.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Exploration and evaluation assets

The Group's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

Exploration and evaluation expenditure related to an area of interest where the Group has tenure are capitalized on initial recognition at cost. Exploration and evaluation assets are subsequently stated at cost less any accumulated impairment losses and are not amortized. These assets are transferred to mine development assets in property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with IAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to abandon or discontinue such activities in the specific area.
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Decommissioning and rehabilitation liabilities

The Group recognizes a decommissioning and restoration liability, which would be discounted to its net present value, in the year in which it is incurred when a reasonable estimate of value can be made. Such costs are capitalized as part of the related long-lived asset at the start of each project, as soon as the obligation to incur such costs arise.

Changes in the measurement of decommissioning and restoration liability that result from changes in estimated timing or amount of the cash flow, including the effects of inflation, revisions to estimated reserves, resources and lives of operations, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out in the "Impairment of non-financial assets" note.

The Group did not have any significant decommissioning and restoration obligations at the reporting dates.

Share-based payments

The share option plan allows the Group employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. 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.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period recognized in profit or loss represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

At the time when the share options are exercised, the amount previously recognized in share option reserve is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share option expense is transferred to accumulated losses.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

In situations where equity instruments are issued 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.

Warrants issued in equity financing transactions

The Group engages in equity financing transaction to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common share and a certain number of warrant. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned nil value and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Taxation

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Financial assets

The Group's accounting policies for financial assets other than the Company's interests in subsidiaries are set out below.

Financial assets are classified into the categories of loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases of financial assets, in the normal course of business, are recognized on trade date. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognized based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income, is recognized in other comprehensive income and accumulated separately in the fair value reserve for available-for-sale investments in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognized, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognized in profit or loss.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognized as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in profit or loss of the period in which the impairment occurs.

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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial assets has been recognized in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognized in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

Reversals in respect of investment in equity instruments classified as available-for-sale financial assets and stated at fair value are not recognized in the profit or loss. The subsequent increase in fair value is recognized in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversal of impairment losses in such circumstances are recognized in profit or loss.

Financial liabilities

The Group's financial liabilities include payables and accruals and amounts due to related companies.

Financial liabilities are recognized when and only when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Payables and accruals and amounts due to related companies

Payables and accruals and amounts due to related companies are recognized initially at their fair values and subsequently measured at amortized costs, using the effective interest method.

Impairment of non-financial assets (other than exploration and evaluation assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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, however the increased carrying amount cannot 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in value. The cash and cash equivalents are mainly denominated in Canadian dollars and Hong Kong dollars.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are recognized in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognized in a comparable provision as described above and the amount initially recognized less any accumulated amortization, if appropriate.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified has having control or joint control over the Group has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease, if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are recognized in profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Share capital

Shares are classified as equity.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes to a retirement benefit plan, administered by the federal government for the benefit of the Group's eligible employees. The Group also operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made, according to government and related regulations, based on a percentage of the employees' basic salaries.

Contributions are recognized as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

Jointly controlled assets

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The joint venture involves that joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or constructed or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The joint venture does not involve the establishment of a corporation, partnership or other entity. Each party takes a share of the output from the assets, each bears an agreed share of the expenses incurred.

In respect of the Group's interest in jointly controlled assets, the Group recognized in its consolidated financial statements, on a line-by-line basis with similar items, its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and any expenses that it has incurred in respect of its interest in the joint venture.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

3. Significant accounting policies (continued...)

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. All of the Group's contributions to its operating results during the reporting periods are attributable to its single operating segment of acquisition, exploration and development of mineral properties in Canada.

The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs.

4. Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets. The Group depreciates its property, plant and equipment in accordance with the accounting policies stated in Note 3. The carrying amount of the property, plant and equipment is disclosed in Note 11.

Decommissioning and rehabilitation liabilities

Decommissioning and rehabilitation costs have been estimated based on the Group's interpretation of current regulatory requirements and have been measured at the net present value of expected future cash expenditure upon reclamation and closure. Such costs are capitalized as exploration and evaluation assets. Because the fair value measurement requires the input of subjective assumptions, including reclamation and closure costs, changes in subjective input assumptions can materially affect the fair value estimate. Based on the assessment, the Group did not have any significant decommissioning and rehabilitation liabilities at the reporting dates.

Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Recoverability of exploration and evaluation assets

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account the current economic environment, the management reviews the developing projects and exploration plans and confirms that there is no indicator for impairment on the exploration and evaluation assets of the Group at the reporting dates.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

4. Critical accounting judgements and estimates (continued...)

Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value below its cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; whether the declines in fair value are significant or prolonged; and the financial health of and short-term business outlook for investee, including factors such as industry performance, operational and financing cash flow.

5. Segment information

The chief operating decision-maker has been identified as the Company's directors. The Group's principal activity is acquisition, exploration and development of mineral properties. The directors regard it as the single business segment and no segment information is presented. The Group did not derive any revenue from its principal activity during the years.

The geographical locations of the non-current assets are based on the physical locations of these assets. All non-current assets of the Group are located in Canada (domicile) and no geographical segment information is presented.

6. Revenue and other revenue and net income

The Group did not derive any revenue from its principal activity during the years. Other revenue and net income recognized during the years is as follows:

| | Year ended December 31, | |
|-------------------------------------------------------|-------------------------|----------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Other revenue | | |
| Bank interest income | 775 | 8,777 |
| Other income | 3,000 | 11,251 |
| | <u>3,775</u> | <u>20,028</u> |
| Net income | | |
| Gain on disposal of available-for-sale investments | 18,204 | - |
| Gain on disposal of exploration and evaluation assets | - | 231,342 |
| | <u>18,204</u> | <u>231,342</u> |
| | <u>21,979</u> | <u>251,370</u> |

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

7. Administrative expenses

The administrative expenses for the Group are broken down as follows:

| | Year ended December 31, | |
|-------------------------------------|-------------------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Depreciation | 6,173 | 7,603 |
| Consultant fees | 61,168 | 99,486 |
| Corporate administration | 300,599 | 392,008 |
| Net foreign exchange gain | (33,582) | (9,824) |
| Investor relations | 171,183 | 184,734 |
| Professional fees | 548,419 | 2,116,831 |
| Regulatory and shareholder services | 79,877 | 237,508 |
| Staff costs | | |
| - Salaries and others | 469,739 | 295,485 |
| - Share-based payments | - | 1,324,982 |
| | 469,739 | 1,620,467 |
| Share-based payments to consultants | 46,600 | 306,036 |
| | 1,650,176 | 4,954,849 |

8. Other operating expenses

The other operating expenses of the Group are broken down as follows:

| | Year ended December 31, | |
|----------------------------------------------------------------|-------------------------|-------|
| | 2011 | 2010 |
| | \$ | \$ |
| Repayment of tax over-refunded | 23,536 | - |
| Provision for impairment loss of property, plant and equipment | - | 4,493 |
| | 23,536 | 4,493 |

9. Income tax expense

The Company and its subsidiary in Canada are subject to Canadian federal and provincial tax which are calculated at 28.5% and 26.5% of the estimated assessable profit for the years ended December 31, 2010 and 2011, respectively. There is no provision for Canadian federal and provincial tax provided during the years as the Company and its subsidiary in Canada had no assessable profits during the years.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

9. Income tax expense (continued...)

A reconciliation of income tax expense and accounting loss at applicable tax rate is as follows:

| | Year ended December 31, | |
|-----------------------------------------------------------------------------------|-------------------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Loss before income tax | (1,651,733) | (4,707,972) |
| Statutory tax rate | 26.5% | 28.5% |
| Recovery of income taxes based on combined federal and provincial statutory rates | (437,000) | (1,342,000) |
| Lower effective tax rate in foreign jurisdictions | - | 600 |
| Tax effect of tax losses and temporary differences not recognized | 481,000 | 637,000 |
| Impact of dissolution of Mexican subsidiary | - | 251,000 |
| Deductible share issue costs | (84,000) | (66,000) |
| Share-based payments | 12,300 | 397,000 |
| Other non-deductible expenses | 4,700 | (1,600) |
| Effect of change in future tax rates | 23,000 | 124,000 |
| Income tax expense | - | - |

The Group's unrecognized deferred income tax assets are as follows:

| | As at December 31, | |
|------------------------------------------------------|--------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Deferred income tax assets | | |
| Non-capital tax loss carried forward | 413,000 | 2,377,000 |
| Mineral properties, plant and equipment | 1,343,000 | 84,000 |
| Share issue costs | 260,000 | 108,000 |
| Unrealized loss of available-for-sale investments | 14,000 | 12,000 |
| Total unrecognized deferred income tax assets | 2,030,000 | 2,581,000 |

Deductible temporary differences for mineral properties, plant and equipment are not recognized by the Group. Share issue costs are deductible for Canadian income tax purposes.

The potential tax benefits related to the loss carried forward and other temporary differences, the application of which may be restricted, have not been recognized in these consolidated financial statements as management does not consider it likely that such assets will be realized in the foreseeable future. Also, the availability of the above deductions for income tax purposes may be restricted if there are future changes in control.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

9. Income tax expense (continued...)

| | 2011 | | 2010 | |
|--------------------|-----------|--------------|-----------|--------------|
| | \$ | Expiry dates | \$ | Expiry dates |
| Non-Capital losses | 1,653,000 | 2011-2031 | 9,506,000 | 2010-2030 |
| Capital losses | - | indefinite | 145,000 | indefinite |

10. Loss per share

The calculation of the basic loss per share for the years is presented based on the following data:

| | Year ended December 31, | |
|----------------------------------------------------------------------------------------------|-------------------------|-------------|
| | 2011 | 2010 |
| Loss attributable to owners of the Company (\$) | (1,651,733) | (4,707,972) |
| Weighted average number of shares in issue during the year | 199,239,000 | 168,099,000 |
| Loss per share for loss attributable to owners of the Company during the year (CDN cents) | (0.83) | (2.80) |

Diluted loss per share for the years ended December 31, 2010 and 2011 is same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

11. Property, plant and equipment

| <u>The Group</u> | Computer equipment | Other equipment | Software | Mining equipment | Building | Land | Total |
|-------------------------------------------------------|-----------------------|--------------------|----------|---------------------|----------|--------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| At January 1, 2010 | - | 24,597 | 4,145 | 6,934 | 59,100 | 36,138 | 130,914 |
| Additions | - | 3,799 | - | - | - | - | 3,799 |
| At December 31, 2010 and January 1, 2011 | - | 28,396 | 4,145 | 6,934 | 59,100 | 36,138 | 134,713 |
| Additions | 6,652 | - | - | - | - | - | 6,652 |
| Write-off | - | - | - | (6,934) | - | - | (6,934) |
| At December 31, 2011 | 6,652 | 28,396 | 4,145 | - | 59,100 | 36,138 | 134,431 |
| Accumulated depreciation and impairment losses | | | | | | | |
| At January 1, 2010 | - | 10,430 | 2,071 | 2,441 | 1,182 | - | 16,124 |
| Charge for the year | - | 3,212 | 2,074 | - | 2,317 | - | 7,603 |
| Impairment loss | - | - | - | 4,493 | - | - | 4,493 |
| At December 31, 2010 and January 1, 2011 | - | 13,642 | 4,145 | 6,934 | 3,499 | - | 28,220 |
| Charge for the year | 998 | 2,951 | - | - | 2,224 | - | 6,173 |
| Write-off | - | - | - | (6,934) | - | - | (6,934) |
| At December 31, 2011 | 998 | 16,593 | 4,145 | - | 5,723 | - | 27,459 |
| Net book value | | | | | | | |
| At January 1, 2010 | - | 14,167 | 2,074 | 4,493 | 57,918 | 36,138 | 114,790 |
| At December 31, 2010 | - | 14,754 | - | - | 55,601 | 36,138 | 106,493 |
| At December 31, 2011 | 5,654 | 11,803 | - | - | 53,377 | 36,138 | 106,972 |

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

11. Property, plant and equipment (continued...)

| <u>The Company</u> | Computer equipment | Other equipment | Software | Mining equipment | Building | Land | Total |
|-------------------------------------------------------|-----------------------|--------------------|----------|---------------------|----------|----------|----------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| At January 1, 2010 | - | 24,597 | 4,145 | 6,934 | 59,100 | 36,138 | 130,914 |
| Additions | - | 3,799 | - | - | - | - | 3,799 |
| Transferred to subsidiary | - | - | - | - | (59,100) | (36,138) | (95,238) |
| At December 31, 2010 and January 1, 2011 | - | 28,396 | 4,145 | 6,934 | - | - | 39,475 |
| Additions | 6,652 | - | - | - | - | - | 6,652 |
| Write-off | - | - | - | (6,934) | - | - | (6,934) |
| At December 31, 2011 | 6,652 | 28,396 | 4,145 | - | - | - | 39,193 |
| Accumulated depreciation and impairment losses | | | | | | | |
| At January 1, 2010 | - | 10,430 | 2,071 | 2,441 | 1,182 | - | 16,124 |
| Charge for the year | - | 3,212 | 2,074 | - | 1,158 | - | 6,444 |
| Transferred to subsidiary | - | - | - | - | (2,340) | - | (2,340) |
| Impairment loss | - | - | - | 4,493 | - | - | 4,493 |
| At December 31, 2010 and January 1, 2011 | - | 13,642 | 4,145 | 6,934 | - | - | 24,721 |
| Charge for the year | 998 | 2,951 | - | - | - | - | 3,949 |
| Write-off | - | - | - | (6,934) | - | - | (6,934) |
| At December 31, 2011 | 998 | 16,593 | 4,145 | - | - | - | 21,736 |
| Net book value | | | | | | | |
| At January 1, 2010 | - | 14,167 | 2,074 | 4,493 | 57,918 | 36,138 | 114,790 |
| At December 31, 2010 | - | 14,754 | - | - | - | - | 14,754 |
| At December 31, 2011 | 5,654 | 11,803 | - | - | - | - | 17,457 |

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

12. Exploration and evaluation assets

The exploration and evaluation assets of the Group and the Company are comprised as follows:

| Mineral Properties Canada | The Group | The Company |
|------------------------------------------|------------|-------------|
| | \$ | \$ |
| At January 1, 2010 | 8,794,407 | 6,411,407 |
| Additions | 1,460,473 | 651,070 |
| Sale of mineral property | (658) | (658) |
| Transfer to subsidiary | - | (7,061,819) |
| At December 31, 2010 and January 1, 2011 | 10,254,222 | - |
| Additions | 4,994,124 | - |
| At December 31, 2011 | 15,248,346 | - |

| <u>Canada</u> | Silver Coin and Kansas | Surprise Creek | Other | Total |
|-------------------------------------------------------------|---------------------------|----------------|--------|------------|
| | \$ | \$ | \$ | \$ |
| At January 1, 2010 | 8,777,156 | - | 17,251 | 8,794,407 |
| Surveying, geological, geochemical and geophysical | 702,528 | - | 3,950 | 706,478 |
| Exploratory drilling | 363,115 | - | - | 363,115 |
| Land maintenance | 19,443 | 593 | - | 20,036 |
| Sampling | 49,901 | - | - | 49,901 |
| Assessing technical feasibility and commercial viability | 320,878 | 65 | - | 320,943 |
| Sale of mineral property | - | (658) | - | (658) |
| At December 31, 2010 and January 1, 2011 | 10,233,021 | - | 21,201 | 10,254,222 |
| Acquisition | 303,145 | - | - | 303,145 |
| Surveying, geological, geochemical and geophysical | 857,869 | - | 1,200 | 859,069 |
| Exploratory drilling | 2,434,406 | - | - | 2,434,406 |
| Land maintenance | 20,505 | - | - | 20,505 |
| Sampling | 494,561 | - | - | 494,561 |
| Assessing technical feasibility and commercial viability | 882,438 | - | - | 882,438 |
| At December 31, 2011 | 15,225,945 | - | 22,401 | 15,248,346 |

In August 2010, the Company sold all mineral properties, real properties and intangible assets to its subsidiary, Jayden Canada for 15,189,801 common shares at a value of \$1.

(a) Silver Coin Property

In 2004, the Company entered into an option agreement with Mountain Boy Minerals Ltd. ("Mountain Boy") whereby the Company can acquire a 51% interest in Mountain Boy's 100% owned Silver Coin and 55% owned Dauntless projects as well as the 100% owned FR claims (collectively, the "Silver Coin Property") by spending \$1.75 million on exploration on the Silver Coin Property over a three year period (incurred). In 2006, the Company earned a 51% interest in the Silver Coin Property.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

12. Exploration and evaluation assets (continued...)

In July 2009, the Company entered into an agreement with Mountain Boy to increase its ownership in the Silver Coin Property to 70% and to purchase land and buildings in Stewart, BC in return for a payment of \$440,000 (paid) of which \$340,000 was allocated to the Silver Coin property and \$100,000 to land and buildings inclusive of goods and services tax. The Company can further increase its ownership to 80% after spending \$4,000,000 on exploration and development expenditures on any or all of the Silver Coin Property and Kansas Property by July 2014. The agreement gives the Company the exclusive right to manage the project through feasibility and also to negotiate on behalf of both parties the sale of the Silver Coin Property and Kansas Property.

In September 2011, pursuant to this agreement the Company increased its ownership to 80% after spending \$4,000,000 on exploration and development expenditures on all of the Silver Coin Property and Kansas Property.

In September 2011, the Company entered into an asset purchase agreement with Nanika Resources Inc. ("Nanika") to acquire Nanika's 45% interest in mineral claims INDI 9-12 (collectively, the "INDI Claims") which are adjacent to and form part of the Company's Silver Coin Project. The Company paid \$250,000 and issued 350,000 common shares of the Company, at a value of \$49,000, to complete the agreement. Legal costs of \$4,145 were incurred in the transaction. Nanika retains a 2% net smelter returns royalty on the INDI Claims which at any time the Company can buy-back for \$1,000,000 per each 1%.

(b) Kansas Property

In 2004, the Company entered into an option agreement with Tenajon Resources Corp. ("Tenajon") whereby the Company earned a 60% interest in Tenajon's 100% owned Kansas Property by making a cash payment of \$50,000 (\$25,500 paid by the Company and \$24,500 paid by the joint venture partner Mountain Boy) on signing, issuing 77,000 common shares and spending \$1.0 million on exploration and development.

The Kansas Property adjoins the Silver Coin Property. The expenditures incurred on the Kansas Property are included in the Silver Coin Property expenditures and are eligible for the expenditures required for the Silver Coin Property. Pursuant to an option agreement entered into with Mountain Boy in 2004, Mountain Boy will be participating in the Kansas Property and earned a 49% interest in the Company's 60% interest by making a cash payment of \$24,500 upon the signing of the agreement and issuing to the Company 98,000 shares of Mountain Boy. If the Company elects to put the Kansas Property or any adjoining property into production, Mountain Boy would be reduced to owning 40% of the Company's interest.

In April 2008, the Company entered into a binding letter agreement whereby the Company purchased Tenajon's wholly owned subsidiary, 0781639 B.C. Ltd. which holds an undivided 40% ownership in the Kansas Property and a 100% ownership interest in the Summit Lake property (which the Company disposed of in 2009). Since 0781639 B.C. Ltd.'s only asset was mineral properties, it was not considered a business and the transaction was accounted for as an asset acquisition.

On closing the agreement, the Company issued to Tenajon 13,500,000 common shares at a value of \$2,430,000 and incurred related costs totalling \$165,000. The Company also issued 187,500 units with a value of \$37,500 in relation to this acquisition.

The July 2009 agreement with Mountain Boy set the Company interest in the Kansas Property at 70% with Mountain Boy having the remaining 30%. The Company further increased its ownership to 80% after spending \$4,000,000 on exploration and development expenditures on the Silver Coin and Kansas properties.

(c) Surprise Creek

In July 2005, the Company entered into an agreement to acquire a 100% interest in three additional mineral claims in the Surprise Creek area. After assessing the drilling results of the property the Company decided not to proceed with any further programs on the property and as such has written off all expenditures during the year ended December 31, 2008.

In May 2010, the Company optioned the Surprise Creek property to Great Bear Resources Ltd. for consideration of \$150,000 (received) and 700,000 shares (450,000 received) over two years. The Company has reserved the 1.0% net smelter returns royalty on the claims.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

12. Exploration and evaluation assets (continued...)

In September 2010, the Jayden Canada sold its 100% interest and title to Surprise Creek property to 0891596 B.C. Ltd. for \$5,000 consideration. Part of Great Bear Resources Ltd.'s option obligations are still outstanding and payable to the Company.

13. Interests in subsidiaries

| | As at December 31, | |
|---------------------------------------|--------------------|-----------|
| | 2011 | 2010 |
| The Company | \$ | \$ |
| Unlisted shares at cost | 9,826,927 | 9,831,927 |
| Less: Provision for impairment losses | (249,500) | (254,500) |
| Unlisted shares at cost, closing | 9,577,427 | 9,577,427 |
| Amounts due from subsidiaries | 6,102,294 | 841,502 |
| Less: Provision for impairment losses | (6,102,294) | (841,502) |
| | - | - |
| | 9,577,427 | 9,577,427 |

Minera Pinnacle de Mexico S.A. de C.V. ("Minera"), a former subsidiary of the Company, was deregistered on February 11, 2011. The principal activity of Minera was acquiring, exploring and developing interests in mining projects. The deregistered subsidiary did not have any contribution to the Group's operating results during the years ended December 31, 2010 and 2011.

14. Other receivables

| The Group | As at December 31, | |
|---------------------|--------------------|--------|
| | 2011 | 2010 |
| | \$ | \$ |
| GST/HST receivables | 61,801 | 92,762 |
| Other receivables | - | 2,883 |
| | 61,801 | 95,645 |

| The Company | As at December 31, | |
|---------------------|--------------------|--------|
| | 2011 | 2010 |
| | \$ | \$ |
| GST/HST receivables | 17,929 | 43,998 |

GST/HST receivables represent input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

The Group anticipates full recovery of the above amounts and therefore no impairment has been recorded against these receivables.

Other receivables are neither past due nor impaired. The management of the Company are of the opinion that no allowance of impairment of other receivables is necessary as there is no recent history of default in respect of these amounts. The Company/Group does not hold any collateral over these balances.

The management considers that the fair values of these receivables, which are expected to be recovered within one year, are not materially different from their carrying amounts because these amounts have short maturity periods on inception.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

15. Prepaid expenses and deposits

| The Group | As at December 31, | |
|----------------------------------------|--------------------|---------|
| | 2011 | 2010 |
| | \$ | \$ |
| Non-current asset | | |
| Project reclamation deposits | 67,300 | 40,000 |
| Current asset | | |
| Prepaid expenses and security deposits | 414,366 | 415,742 |

| The Company | As at December 31, | |
|----------------------------------------|--------------------|---------|
| | 2011 | 2010 |
| | \$ | \$ |
| Current asset | | |
| Prepaid expenses and security deposits | 414,239 | 415,608 |

16. Available-for-sale investments

The Group and the Company

| | Fair Value |
|----------------------------|------------|
| | \$ |
| December 31, 2010 | |
| Mountain Boy Minerals Ltd. | 48,156 |
| Great Bear Resources Ltd. | 71,000 |
| | 119,156 |
| December 31, 2011 | |
| Mountain Boy Minerals Ltd. | 21,068 |
| Great Bear Resources Ltd. | 16,250 |
| | 37,318 |

The fair values of the above investments have been determined by reference to their quoted bid prices at the respective reporting dates. The basis of measurement is described in Note 28(vi).

17. Cash and cash equivalents

The Group and the Company

| | The Group | | The Company | |
|---------------------------------------------|-----------|---------|-------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Cash and bank balances | 1,520,090 | 407,299 | 1,189,640 | 400,181 |
| Cashable guaranteed investment certificates | 17,250 | 17,250 | 17,250 | 17,250 |
| | 1,537,340 | 424,549 | 1,206,890 | 417,431 |

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

17. Cash and cash equivalents (continued...)

At December 31, 2011 and December 31, 2010, the cash and cash equivalents held by the Group and the Company comprised bank balances and cashable guaranteed investment certificates ("GICs"). GICs have an original maturity date of one year and are eligible for immediate cancellation after a 30 day hold period with interest earned to the date of cancellation. The GICs earn respective interests of 0.20% and prime less 1.85% per annum.

The management considers that the fair values of cash and cash equivalents are not materially different from their carrying amounts due to the short maturity period on their inception.

18. Amounts due to related companies/a director

| The Group | Notes | As at December 31, | |
|-----------------------------------------|-------|--------------------|--------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| Amounts due to related companies | | | |
| - Robert Perry Consulting LLC | (1) | 17,753 | 13,992 |
| - Baron Capital Limited | (2) | 37 | 53 |
| - Other related parties | | 839 | 21,998 |
| <hr/> | | | |
| The Company | | As at December 31, | |
| | | 2011 | 2010 |
| | | \$ | \$ |
| Amounts due to related companies | | | |
| - Baron Capital Limited | (2) | 37 | 53 |
| - Other related parties | | 839 | 21,998 |

The amounts due to related companies/ a director are unsecured, interest free and repayable on demand.

(1) Robert Perry Consulting LLC, a private company controlled by Robert Perry, a director of the Company.

(2) A director of Baron Capital Limited is a close family member of Ms Letty Wan, a director of the Company.

19. Payables and accruals

The Group and the Company

Payables and accruals are principally comprised of amounts outstanding for exploration and evaluation expenditures and amounts payable for financing activities. All amounts are short-term and hence the carrying values of the Group's and the Company's payables and accruals are considered to be a reasonable approximation of fair value.

20. Reclamation and decommissioning liabilities

The Group and the Company

The Group has assessed the reclamation and decommissioning requirements of its exploration and evaluation and other assets and determined that the Group has no such obligations as at the reporting dates.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

21. Share capital

| | Note | Common shares | |
|-----------------------------------------------------------------------|-------|----------------------------------------------|------------|
| | | Number of shares | Amount |
| | | | \$ |
| Authorized: | | | |
| At January 1, December 31, 2010 and December 31, 2011 | | Unlimited number of shares with no par value | |
| Issued: | | | |
| At January 1, 2010 | | 91,576,134 | 28,763,299 |
| Rights offering | | 91,576,134 | 894,745 |
| At December 31, 2010 and January 1, 2011 | | 183,152,268 | 29,658,044 |
| Shares issued on warrant exercise | | 67,894,033 | 11,343,771 |
| Shares issued for acquisition of exploration and evaluation assets | 12(a) | 350,000 | 49,000 |
| At December 31, 2011 | | 251,396,301 | 41,050,815 |

- (1) In May 2010, the Company completed a rights offering in which one right was issued for each share held, where each right entitled the holder to acquire an additional common share for \$0.05. A total of 91,576,134 shares were issued raising gross proceeds of \$4,578,807. Share issue costs of \$3,684,062 were incurred. Progress Advanced Holdings Ltd. ("Progress Advanced") agreed to provide a standby commitment under which it would purchase any common shares that were not otherwise subscribed for under the rights offering prior to the expiry time. In consideration, Progress Advanced was granted 22,894,033 warrants where each warrant entitled the company to purchase an additional common share at \$0.05 for a period of six months from the closing, subsequently extended to September 30, 2011. The fair value of these warrants was \$3,449,070 which was accounted for as part of the total share issue costs.
- (2) In October 2011, the Company issued 67,894,033 shares resulting from 45,000,000 share purchase warrants exercisable at a price of \$0.15 per share and 22,894,033 share purchase warrants exercisable at a price of \$0.05 per share being exercised in full for total gross proceeds of \$7,894,701. An amount of \$3,449,070 was transferred from the share-based compensation reserve to the share capital account upon the exercise of warrants.

22. Reserves

The Group

Details of the Group's reserves are set out in the consolidated statements of changes in equity.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

22. Reserves (continued...)

| The Company | Fair value reserve for | | | |
|----------------------------------------------------------------------------|----------------------------------------|---------------------------------------|-----------------------|--------------|
| | Share-based compensation reserve | available-for -sale investments | Accumulated losses | Total |
| | \$ | \$ | \$ | \$ |
| At January 1, 2010 | 169,565 | 22,573 | (19,250,561) | (19,058,423) |
| Rights offering | 3,449,070 | - | - | 3,449,070 |
| Share-based payments | 1,631,018 | - | - | 1,631,018 |
| Lapse of share options | (62,600) | - | 62,600 | - |
| Transactions with owners | 5,017,488 | - | 62,600 | 5,080,088 |
| Loss for the year | - | - | (5,539,257) | (5,539,257) |
| Other comprehensive income | | | | |
| Gain on change in fair value of available-for-sale investments | - | 4,534 | - | 4,534 |
| Total comprehensive income for the year | - | 4,534 | (5,539,257) | (5,534,723) |
| At December 31, 2010 and January 1, 2011 | 5,187,053 | 27,107 | (24,727,218) | (19,513,058) |
| Share-based payments | 46,600 | - | - | 46,600 |
| Lapse of share options | (150,500) | - | 150,500 | - |
| Exercise of warrants | (3,449,070) | - | - | (3,449,070) |
| Transactions with owners | (3,552,970) | - | 150,500 | (3,402,470) |
| Loss for the year | - | - | (6,909,530) | (6,909,530) |
| Other comprehensive income | | | | |
| Loss on change in fair value of available-for-sale investments | - | (58,338) | - | (58,338) |
| Reclassification relating to disposal of available-for-sale investments | - | 6,000 | - | 6,000 |
| Total comprehensive income for the year | - | (52,338) | (6,909,530) | (6,961,868) |
| At December 31, 2011 | 1,634,083 | (25,231) | (31,486,248) | (29,877,396) |

23. Share-based payments

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, shall not exceed 10% of the Company's issued and outstanding shares. The maximum term of any option will be ten years and the vesting is at the direction of the board, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than ¼ of the options vesting in any three month period or such longer period as the board determines. The exercise price shall be no less than the discount market price as determined in accordance with TSE policies.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

23. Share-based payments (continued...)

Share options and weighted average exercise price for the respective years are as follows:

| | Year ended December 31, 2011 | | Year ended December 31, 2010 | |
|----------------------------------------|---------------------------------|------------------------------------------------|---------------------------------|------------------------------------------------|
| | Number | Weighted average exercise price \$ | Number | Weighted average exercise price \$ |
| Options outstanding, beginning of year | 13,075,000 | 0.20 | 915,000 | 0.27 |
| Granted | 400,000 | 0.20 | 12,250,000 | 0.20 |
| Expired | (550,000) | 0.15 | (90,000) | 0.70 |
| Forfeited | (170,000) | 0.40 | - | - |
| Options outstanding, end of year | <u>12,755,000</u> | 0.20 | <u>13,075,000</u> | 0.20 |
| Options exercisable, end of year | <u>12,755,000</u> | 0.20 | <u>13,075,000</u> | 0.20 |

The following table summarizes information about stock options outstanding and exercisable at December 31, 2010 and 2011.

| Options outstanding | | | Options exercisable | |
|--------------------------------------------|------------------|-------------------------|-----------------------------------------------|-------------------------|
| Number outstanding at December 31, 2011 | Expiry date | Exercise price \$ | Number exercisable at December 31, 2011 | Exercise price \$ |
| 85,000 | October 2, 2012 | 0.40 | 85,000 | 0.40 |
| 20,000 | April 3, 2013 | 0.20 | 20,000 | 0.20 |
| 400,000 | October 30, 2013 | 0.20 | 400,000 | 0.20 |
| <u>12,250,000</u> | June 2, 2015 | 0.20 | <u>12,250,000</u> | 0.20 |
| <u>12,755,000</u> | | 0.20 | <u>12,755,000</u> | 0.20 |

| Options outstanding | | | Options exercisable | |
|--------------------------------------------|--------------------|-------------------------|------------------------------------------------|-------------------------|
| Number outstanding at December 31, 2010 | Expiry date | Exercise price \$ | Number exercisable at December, 31, 2010 | Exercise price \$ |
| 255,000 | October 2, 2012 | 0.40 | 255,000 | 0.40 |
| 20,000 | April 3, 2013 | 0.20 | 20,000 | 0.20 |
| 550,000 | September 21, 2011 | 0.15 | 550,000 | 0.15 |
| <u>12,250,000</u> | June 2, 2015 | 0.20 | <u>12,250,000</u> | 0.20 |
| <u>13,075,000</u> | | 0.20 | <u>13,075,000</u> | 0.20 |

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option other than by issuing the Company's shares.

No options were exercised during the years ended December 31, 2011 and 2010. The weighted average remaining contractual life of the stock options outstanding at December 31, 2011 is 3.35 years (2010: 4.5 years).

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

23. Share-based payments (continued...)

During the years ended December 31, 2011 and 2010, the Company recognized \$46,600 and \$1,631,018 respectively of share-based payments for share options granted. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following assumptions:

| | Year ended December 31, | |
|------------------------------|-------------------------|--------------|
| | 2011 | 2010 |
| Date of grant | October 30, 2011 | June 3, 2010 |
| Share price at grant date | \$0.15 | \$0.17 |
| Risk free interest rate | 2.65% | 2.65% |
| Expected life in years | 2 | 5 |
| Expected volatility | 94% | 111% |
| Expected dividend per share | Nil | Nil |
| Fair value at grant date | \$0.12 | \$0.13 |
| Exercise price at grant date | \$0.20 | \$0.20 |

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, in the opinion of the management, the existing models do not necessarily provide a realistic measure of fair value of the Company's stock options and warrants at the date of the grant or thereafter.

Full share equivalent warrant activity for the respective years is as follows:

| | Year ended December 31, 2011 | | Year ended December 31, 2010 | |
|-----------------------------------------|---------------------------------|------------------------------------------------|---------------------------------|------------------------------------------------|
| | Number | Weighted average exercise price \$ | Number | Weighted average exercise price \$ |
| Warrants outstanding, beginning of year | 67,894,033 | 0.12 | 45,000,000 | 0.15 |
| Issued | - | - | 22,894,033 | 0.05 |
| Subscriptions received | (67,894,033) | 0.12 | - | - |
| Warrants outstanding, end of year | - | - | 67,894,033 | 0.12 |

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

23. Share-based payments (continued...)

Full share equivalent warrants outstanding and exercisable at December 31, 2011 and 2010 are as follows:

| Balance at | Number of Full Share Equivalent Warrants | Price Per Share \$ | Expiry Date |
|-------------------|------------------------------------------------|-----------------------------|--------------------|
| | 16,500,000 | 0.15 | June 30, 2011 |
| | 28,500,000 | 0.15 | September 30, 2011 |
| January 1, 2010 | 45,000,000 | | |
| | 22,894,033 | 0.05 | April 30, 2011 |
| | 16,500,000 | 0.15 | June 30, 2011 |
| | 28,500,000 | 0.15 | September 30, 2011 |
| December 31, 2010 | 67,894,033 | | |
| December 31, 2011 | - | | |

24. Operating lease commitments

The Group and the Company

At the respective reporting dates, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

| | As at December 31, | |
|------------------------------|--------------------|---------|
| | 2011 | 2010 |
| | \$ | \$ |
| Within one year | 32,250 | 159,290 |
| In the second to fifth years | - | 74,369 |
| | 32,250 | 233,659 |

The Group/Company leased a number of office premises under operating leases. These leases run for periods ranging from 1-2 years, with options to renew the lease and renegotiate the terms at the respective expiry dates or at dates mutually agreed upon with the respective landlords. None of these leases include contingent rentals.

One of the leases has been terminated during the year ended December 31, 2011.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

25. Related party transactions

(a) Related party expenses

The Group's related parties include those companies and key management personnel that fit the description in Note 3. In addition to the transactions and balances disclosed in Note 18 and elsewhere in these financial statements, the Group entered into the following material related party transactions during the years.

| Services provided for the year ended December 31, 2011 | Management services | Consulting and advisory services | Rent and office expenses | Share- based payments | Share issue costs |
|-----------------------------------------------------------|------------------------|----------------------------------------|--------------------------------|-----------------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Baron Global Financial Canada Ltd. (1) | 78,000 | - | 42,000 | - | - |
| Baron Asia Limited (4) | - | - | 20,742 | - | - |

| Services provided for the year ended December 31, 2010 | Management services | Consulting and advisory services | Rent and office expenses | Share- based payments | Share issue costs |
|-----------------------------------------------------------|------------------------|----------------------------------------|--------------------------------|-----------------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Baron Global Financial Canada Ltd. (1) | 78,000 | - | 42,000 | 239,506 | - |
| Baron Capital Ltd. (2) | - | 720,339 | - | - | - |
| Progress Advanced Holdings Ltd. (3) | - | - | - | - | 3,449,070 |
| Baron Asia Limited (4) | - | - | 52,817 | - | - |
| Bromley Resources Ltd. (5) | - | 70,000 | - | - | - |

(1) Mr. Herrick Lau Mong Tak and Mr. David Arthur Eaton, directors of the Company, were the vice president of corporate finance and managing director of Baron Global Financial Canada Ltd, respectively.

(2) Mr. Joseph Wan Chuen Chung, a close relative of Ms. Letty Wan Ho Yan, a director of the Company, has controlling equity interest in the related company.

(3) On 17 February 2010, the Company entered into a rights offering standby guarantee agreement with Progress Advanced Holdings Limited for providing underwriting services. Progress Advanced Holdings Limited is an indirect shareholder of the Company. The underwriting service was paid in form of warrants of 22,894,033 units which is exercisable at C\$0.05 each for a period of six months from the closing, subsequently extended to April 30, 2011. The fair value of warrants of C\$3,449,070 was recorded as part of the share issue cost.

(4) Ms. Letty Wan Ho Yan, a director of the Company, has indirect controlling equity interest in Baron Asia Limited.

(5) Mr. Paul Frederick Saxton, a former director of the Company who resigned on 21 August 2009, has controlling equity interest in these related companies.

According to the commercial agreements between the Company and the related companies, the transactions with Baron Global Financial Canada Ltd., Baron Asia Limited and Bromley Resources Ltd. will continue after the reporting date until the expiry of the commercial agreements. The commercial agreements for other related party transactions had been terminated during the years.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

25. Related party transactions (continued...)

(b) Compensation of key management personnel

Key management personnel are the directors of the Company whose compensations included in staff costs comprised the following:

| | Year ended December 31, | |
|---------------------------------|----------------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Employees' remuneration summary | | |
| Salaries and others | 253,934 | 214,962 |
| Director's fees | 23,675 | - |
| Share-based payments | - | 951,373 |
| | <u>277,609</u> | <u>1,166,335</u> |

26. Supplementary cash flow information

The change in non-cash working capital is as follows:

| | Year ended December 31, | |
|-------------------------------------------------------------------------------------------------|----------------------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Disposal of exploration and evaluation assets in exchange for available-for-sale investments | - | 77,000 |
| Acquisition of exploration and evaluation assets by way of share issue (Note 21) | 49,000 | - |
| Warrants issued for standby commitment | - | 3,449,070 |

27. Capital risk management

The Group's capital management objectives are to insure the Group's ability to continue as a going concern so as to benefit from its operations to provide an adequate return for its shareholders.

The Group manages its capital structure and makes adjustments to it based on the funds available to the Group in order to support the acquisition, exploration and development of mineral properties. The Group defines capital that it manages as its shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Group currently has an interest are in the exploration stage; as such, the Group has historically relied on the equity markets to fund its activities. In addition, the Group is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Group will spend its existing working capital and raise additional funds as needed. The Group will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

The Group is not subject to externally imposed capital requirements.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

28. Financial instruments and financial risk management

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks. The Group has not used any derivatives or other instruments for hedging purposes and does not hold or issue derivative financial instruments for trading purposes. The most significant risks to which the Group is exposed to are described below.

(i) Currency risk

Some of the operating expenses and cash held are denominated in foreign currencies and as such are subject to currency risk. The Group does not enter into derivative financial instruments to mitigate this risk but the Group does not believe its net exposure to foreign exchange risk is significant.

Foreign currency denominated cash and cash equivalents and payables and accruals, translated into Canadian dollars at the closing rates are as follows:

| | At December 31, 2011 | | | |
|---------------------------|----------------------|----------------|--------------|----------------|
| | The Group | | The Company | |
| | USD | Other | USD | Other |
| | \$ | \$ | \$ | \$ |
| Assets: | | | | |
| Cash and cash equivalents | 9,881 | 329,811 | 4,903 | 329,811 |
| Liabilities: | | | | |
| Payables and accruals | (649) | (23,695) | - | (23,695) |
| Net exposure | 9,232 | 306,116 | 4,903 | 306,116 |

| | At December 31, 2010 | | | |
|----------------------------------|----------------------|--------------|-----------------|--------------|
| | The Group | | The Company | |
| | USD | Other | USD | Other |
| | \$ | \$ | \$ | \$ |
| Assets: | | | | |
| Cash and cash equivalents | 5,099 | 124,184 | 5,079 | 124,184 |
| Liabilities: | | | | |
| Payables and accruals | (15,240) | (123,030) | (15,240) | (123,030) |
| Amounts due to related companies | - | (53) | - | (53) |
| Net exposure | (10,141) | 1,101 | (10,161) | 1,101 |

The following table details the Group's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign currency denominated monetary items above. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 10% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the Canadian dollar. The opposite number will result if the foreign currencies depreciated against the Canadian dollar.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

28. Financial instruments and financial risk management (continued...)

| | Year ended December 31, | | | |
|------------------------------------------------------------|-------------------------|----------|---------|-------|
| | 2011 | | 2010 | |
| | USD | Other | USD | Other |
| | \$ | \$ | \$ | \$ |
| Effect on loss after tax for the year and retained profits | | | | |
| - The Group | (923) | (30,612) | (1,014) | (110) |
| - The Company | (490) | (30,612) | (1,016) | (110) |

(ii) Credit risk

The Group's cash is held in authorized Canadian financial institutions. The Group does not have any asset-backed commercial paper. Management believes that the credit risk concentration with respect to its financial instruments is minimal.

The Group adopts conservative investment strategies. Usually investments are in liquid securities quoted on recognized stock exchanges. No margin trading is allowed. Loans and financial guarantees to individuals on non-Group entities have to be approved by the board of directors. The board monitors the Group's overall investment position and exposure on a day to day basis.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets in relation to cash at banks and GICs carried at floating interest rates with reference to the market. Details of which are disclosed in Note 19. The Group's operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group is considered minimal. The Group has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(iv) Liquidity risk

The Group's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Group manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the board of directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The following tables detail the remaining contractual maturities at the respective reporting dates of the Group's and Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

28. Financial instruments and financial risk management (continued...)

| The Group | Carrying amount | Total contractual undiscounted cash flow | Within one year or on demand |
|----------------------------------|-----------------|------------------------------------------------|---------------------------------|
| | \$ | \$ | \$ |
| At December 31, 2011 | | | |
| Payables and accruals | 182,363 | 182,363 | 182,363 |
| Amounts due to related companies | 18,629 | 18,629 | 18,629 |
| | 200,992 | 200,992 | 200,992 |
| At December 31, 2010 | | | |
| Payables and accruals | 433,413 | 433,413 | 433,413 |
| Amount due to a director | 130 | 130 | 130 |
| Amounts due to related companies | 36,043 | 36,043 | 36,043 |
| | 469,586 | 469,586 | 469,586 |

| The Company | Carrying amount | Total contractual undiscounted cash flow | Within one year or on demand |
|----------------------------------|-----------------|------------------------------------------------|---------------------------------|
| | \$ | \$ | \$ |
| At December 31, 2011 | | | |
| Payables and accruals | 96,965 | 96,965 | 96,965 |
| Amounts due to related companies | 876 | 876 | 876 |
| | 97,841 | 97,841 | 97,841 |
| At December 31, 2010 | | | |
| Payables and accruals | 421,207 | 421,207 | 421,207 |
| Amount due to a director | 130 | 130 | 130 |
| Amounts due to related companies | 22,051 | 22,051 | 22,051 |
| | 443,388 | 443,388 | 443,388 |

(v) Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices of listed equity in respect of its investments classified as available-for-sale investments (Note 18).

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

Sensitivity analysis

The sensitivity analyses below have been determined based on exposure to equity price risk at the reporting date. For sensitivity analysis purposes, the sensitivity rate is 152% and 39% for the years ended December 31, 2011 and 2010 as a result of the volatile financial market. If equity prices had been 152% and 39% higher/lower, other comprehensive income for the years ended December 31, 2011 and 2010 would increase/decrease by approximately \$56,723 and \$45,847 respectively. This is due to the changes in fair value of listed equity investment classified as available-for-sale investments.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

28. Financial instruments and financial risk management (continued...)

(vi) Fair value measurements recognized in the consolidated statements of financial position

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

| | At December 31, 2011 | | | Total |
|-------------------------------------------|----------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | |
| | \$ | \$ | \$ | \$ |
| Assets: | | | | |
| Available-for-sale investments | | | | |
| - listed equity securities, at fair value | 37,318 | - | - | 37,318 |

| | At December 31, 2010 | | | Total |
|-------------------------------------------|----------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | |
| | \$ | \$ | \$ | \$ |
| Assets: | | | | |
| Available-for-sale investments | | | | |
| - listed equity securities, at fair value | 119,156 | - | - | 119,156 |

There have been no significant transfers between levels 1 and 2 in the respective reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. The listed equity securities are denominated in Canadian dollars. Fair values have been determined by reference to their quoted bid prices at the reporting dates.

Jayden Resources Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2011

28. Financial instruments and financial risk management (continued...)

(iv) Categories of financial assets and liabilities

The carrying amounts of the Group's and the Company's financial assets and liabilities as presented in the statements of financial position are as follows:

| The Group | At December 31, | |
|------------------------------------|-----------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Financial assets | | |
| Available-for-sale investments | 37,318 | 119,156 |
| At amortized cost | | |
| - Other receivables | - | 2,883 |
| Cash and cash equivalents | 1,537,340 | 424,549 |
| | 1,574,658 | 546,588 |
| Financial liabilities | | |
| At amortized costs | | |
| - Payables and accruals | (182,363) | (433,413) |
| - Amounts due to related companies | (18,629) | (36,043) |
| - Amount due to a director | - | (130) |
| | (200,992) | (469,586) |
| | | |
| The Company | At December 31, | |
| | 2011 | 2010 |
| | \$ | \$ |
| Financial assets | | |
| Available-for-sale investments | 37,318 | 119,156 |
| Cash and cash equivalents | 1,206,890 | 417,431 |
| | 1,244,208 | 536,587 |
| Financial liabilities | | |
| At amortized costs | | |
| - Payables and accruals | (96,965) | (421,207) |
| - Amounts due to related companies | (876) | (22,051) |
| - Amount due to a director | - | (130) |
| | (97,841) | (443,388) |

29. Events after the reporting period

- In January 2012, the Company granted 5,250,000 stock options to directors, officers and consultants at an exercise price of \$0.15 per share for a period of five years.
- In March 2012, the Company entered into an option agreement to acquire 100% interest in two mineral claims by paying \$60,000 by December 31, 2012.