
Panthera Exploration Inc.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Expressed in Canadian Dollars)

Independent Auditor's Report

**To the Shareholders of
Panthera Exploration Inc.**

We have audited the accompanying consolidated financial statements of Panthera Exploration Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010, and January 01, 2010, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained 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 position of Panthera Exploration Inc. and its subsidiaries as at December 31, 2011, December 31, 2010, and January 01, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Panthera Exploration Inc. to continue as a going concern.

“MacKay LLP”

**Chartered Accountants
Vancouver, British Columbia
January 20, 2012**

Panthera Exploration Inc.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
	Note		(Note 12)	(Note 12)
ASSETS				
Non-current assets				
Exploration and evaluation assets	3	32,023	23,487	9,764
Total non-current assets		32,023	23,487	9,764
Current assets				
Marketable securities		-	-	4,200
Other receivables and prepaid expenses		6,110	2,380	4,003
Cash		341,524	54,624	186,280
Total current assets		347,634	57,004	194,483
Total Assets		379,657	80,491	204,247
EQUITY				
Share capital	4	13,511,613	12,919,009	12,500,883
Reserves	4	2,219,884	2,368,468	2,037,306
Deficit		(15,375,610)	(15,216,093)	(14,835,491)
Total equity (deficiency)		355,887	71,384	(297,302)
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		23,770	9,107	501,549
Total liabilities		23,770	9,107	501,549
Total Equity and Liabilities		379,657	80,491	204,247

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

These consolidated financial statements are authorized for issue by the Board of Directors on January 20, 2012. They are signed on the Company's behalf by:

"David Horton" , Director

"Gerald Carlson" , Director

Panthera Exploration Inc.*(An Exploration Stage Company)***Consolidated Statement of Loss and Comprehensive Loss***(Expressed in Canadian Dollars)*

	December 31, 2011	December 31, 2010
Note	\$	\$
		(Note 12)
Expenses		
Accounting and audit	19,854	14,450
Corporate development and investor relations	12,876	26,587
Exploration	40,707	18,095
Foreign exchange (gain) loss	297	(29,481)
Legal and professional fees	26,124	28,716
Management and consulting fees	30,000	93,545
Office and sundry	5,199	9,875
Salaries and employee benefits	-	158,902
Share-based compensation	-	72,247
Transfer agent and regulatory fees	16,998	22,137
Travel and accommodation	9,030	19,293
Loss from operating activities	161,085	434,366
Gain on sale of subsidiary	-	(56,464)
Loss on sale of marketable securities	-	2,700
Interest income	(1,568)	-
Loss for the year	159,517	380,602
Other comprehensive loss (income)		
Realized (gain) loss on available-for-sale marketable securities	-	(800)
Other comprehensive loss (income)	-	(800)
Total comprehensive loss	159,517	379,802
Basic and diluted loss per common share	5	(0.03)

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

Panthera Exploration Inc.*(An Exploration Stage Company)***Consolidated Statement of Cash Flows***(Expressed in Canadian Dollars)*

	December 31, 2011 \$	December 31, 2010 \$
		(Note 12)
Cash flows from operating activities		
Loss for the year	(159,517)	(380,602)
Adjustments for:		
Foreign exchange (gain) loss	-	(29,481)
Loss on sale of marketable securities	-	2,700
Share-based compensation	-	72,247
	(159,517)	(335,136)
Change in non-cash working capital items:		
(Increase) decrease in other receivables and prepaid expenses	(3,730)	1,623
Increase (decrease) in accounts payable and accrued liabilities	14,663	(462,961)
Net cash used in operating activities	(148,584)	(796,474)
Cash flows from investing activities		
Expenditures on exploration and evaluation assets	(8,536)	(13,723)
Proceeds from sale of marketable securities	-	2,300
Redemption of short-term investments	350,000	-
Purchase of short-term investments	(350,000)	-
Net cash used in investing	(8,536)	(11,423)
Cash flows from financing activities		
Issuance of common shares and warrants	-	611,000
Share and warrant issue costs	-	(959)
Exercise of stock options	13,000	-
Exercise of warrants	431,020	66,200
Net cash generated by financing activities	444,020	676,241
Net increase (decrease) in cash	286,900	(131,656)
Cash at beginning of year	54,624	186,280
Cash at end of year	341,524	54,624

SUPPLEMENTARY CASH FLOW INFORMATION (Note 9)*The accompanying notes are an integral part of these consolidated financial statements.*

Panthera Exploration Inc.*(An Exploration Stage Company)***Consolidated Statement of Changes in Equity (Deficiency)***(Expressed in Canadian Dollars)*

	Share capital		Reserves					Total
	Number of shares	Amount \$	Contributed surplus \$	Equity settled share-based payments \$	Warrants \$	Investment revaluation \$	Deficit \$	
Balance at January 1, 2010 (Note 12)	8,795,604	12,500,883	1,730,689	-	307,417	(800)	(14,835,491)	(297,302)
Private placement	4,700,000	329,523	-	-	281,477	-	-	611,000
Share issue costs	-	(959)	-	-	-	-	-	(959)
Warrants exercised	570,000	89,562	-	-	(23,362)	-	-	66,200
Warrants expired	-	-	143,554	-	(143,554)	-	-	-
Share-based compensation	-	-	-	72,247	-	-	-	72,247
Stock option expired	-	-	30,963	(30,963)	-	-	-	-
Total comprehensive (loss) for the year	-	-	-	-	-	800	(380,602)	(379,802)
Balance at December 31, 2010 (Note 12)	14,065,604	12,919,009	1,905,206	41,284	421,978	-	(15,216,093)	71,384
Warrants exercised	3,849,000	569,283	-	-	(138,263)	-	-	431,020
Warrants expired	-	-	11,760	-	(11,760)	-	-	-
Warrant modification	-	-	(267,581)	-	267,581	-	-	-
Stock options exercised	100,000	23,321	-	(10,321)	-	-	-	13,000
Total comprehensive (loss) for the year	-	-	-	-	-	-	(159,517)	(159,517)
Balance at December 31, 2011	18,014,604	13,511,613	1,649,385	30,963	539,536	-	(15,375,610)	355,887

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

Panthera Exploration Inc.

(An Exploration Stage Company)

Consolidated Schedules of Exploration and Evaluation Assets and Exploration Expenditures

(Unaudited - Expressed in Canadian Dollars)

Acquisition Costs

	United States of America	
	Total December 31, 2011	Total December 31, 2010
	\$	\$
Balance, beginning of year	23,487	9,764
Additions		
Cash costs	8,536	13,723
Balance, end of year	32,023	23,487

Exploration Expenditures

	USA Roy	Argentina Fierro	Other	Total December 31, 2011	Total December 31, 2010
	\$	\$	\$	\$	\$
Cumulative exploration costs, beginning of period	21,135	-	6,441,228	6,462,363	6,444,268
Expenditures during the period:					
Assays	-	2,850	-	2,850	-
Land payments	-	22,698	-	22,698	-
Office and miscellaneous	-	1,693	-	1,693	-
Suppliers and contractors	-	1,755	1,504	3,259	18,095
Travel & Transportation	-	10,207	-	10,207	-
	-	39,203	1,504	40,707	6,462,363
Cumulative exploration costs, end of period	21,135	39,203	6,442,732	6,503,070	6,462,363

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

Panthera Exploration Inc.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Panthera Exploration Inc. (formerly Amera Resources Corporation) (the “Company”) was incorporated on April 11, 2000 in the Province of British Columbia and was transitioned under the Business Corporations Act (BC) on June 17, 2004. The Company is a natural resource company engaged in the acquisition and exploration of resource properties in the Americas. The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as mineral property interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral property interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$15,375,610 at December 31, 2011 (December 31, 2010 - \$15,216,093) and shareholders’ equity of \$355,887 at December 31, 2011 (December 31, 2010 – \$71,384). In addition, the Company had working capital of \$323,864 at December 31, 2011 (December 31, 2010 – \$47,897). Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management’s plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian Generally Accepted Accounting Principles (“GAAP”) for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian securities regulatory authorities.

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s first annual consolidated financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual financial statements in accordance with GAAP.

Panthera Exploration Inc.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as FVTPL or available-for-sale that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 12.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Amera-Chile Sociedad Contractual Minera	Chile	Holding company
Amera Resources (BVI) Inc.	British Virgin Islands	Holding company
Amera Resources (US) Inc.	United States of America	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currencies

The presentation and functional currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

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Notes to the Consolidated Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the

Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Other receivables are classified as loans and receivables.

Other financial liabilities

The Company has the following other financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Exploration, Evaluation and Development Expenditure

Exploration and evaluation expenditures are expensed as incurred, until the property reaches development stage. The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

Cash and Cash Equivalents

Cash and cash equivalents are classified as FVTPL and include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions with high credit ratings.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Valuation of equity units issued in private placements

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing bid price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black-Scholes pricing model.

Share-based Payment Transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Fair value is determined at the issue date using the Black-Scholes pricing model. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the legal or contractual obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Panthera Exploration Inc.

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Notes to the Consolidated Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Significant Accounting Estimates and Judgments

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

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

Critical accounting estimates

- a. the inputs used in accounting for share-based compensation expense in profit or loss; and,
- b. the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable;

Critical accounting judgments

- i. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- ii. The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, *Financial Instruments*, IFRS 10, *Consolidated Financial Statements* (IFRS 10), IFRS 11, *Joint Arrangements* (IFRS 11), IFRS 12, *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27, *Separate Financial Statements* (IAS 27), IFRS 13, *Fair Value Measurement* (IFRS 13) and amended IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

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(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 24 – Related Party Disclosures

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

3. EXPLORATION AND EVALUATION ASSETS

The schedule below summarizes the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2011 and December 31, 2010:

	December 31, 2011		December 31, 2010	
	Acquisition Costs \$	Exploration Expenditures \$	Acquisition Costs \$	Exploration Expenditures \$
USA				
Roy Property, Walker Lane, Nevada	32,023	21,135	23,487	21,135
Argentina				
Fierro Property, Rio Negro Province	-	39,203	-	-
	32,023	60,338	23,487	21,135

(a) *Fierro Property, Rio Negro Province, Argentina*

On October 21, 2011, the Company entered into an option agreement with a private company whereby the Company will have the right to earn a 100% interest in the Fierro Property. The agreement is subject to approval from the TSX Venture Exchange (TSX-V).

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(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (continued)

To keep the Fierro Agreement in good standing, the Company must:

(i) Issue an aggregate of 5,000,000 common shares of the Company (the "Shares") as follows:

- (1) 250,000 common shares within five days of the approval date from the TSX-V;
- (2) 500,000 common shares by the six month anniversary;
- (3) 750,000 common shares by the first year anniversary;
- (4) 750,000 common shares by the second year anniversary;
- (5) 750,000 common shares by the third year anniversary;
- (6) 2,000,000 common shares by the fourth year anniversary;

(ii) Incur exploration expenditures totaling \$3,000,000 as follows:

- (1) \$150,000 by the six month anniversary;
- (2) \$350,000 by the first year anniversary;
- (3) \$650,000 by the second year anniversary;
- (4) \$850,000 by the third year anniversary;
- (5) \$1,000,000 by the fourth year anniversary;

On the commencement of Commercial Production, the Property will be subject to a 2% Net Smelter Royalty ("NSR") of which 1% can be purchased at \$2,000,000 at any time.

4. CAPITAL AND RESERVES

Authorized Share Capital

At December 31, 2011, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Issued Share Capital

At December 31, 2011, the issued share capital comprised 18,014,604 common shares (December 31, 2010 – 14,065,604; January 1, 2010 – 8,795,604).

Details of Private Placement Issues of Common Shares in 2011 and 2010

On January 25, 2010 the Company closed a non-brokered private placement consisting of the issuance of 4,700,000 units at a price of \$0.13 per unit, for gross proceeds of \$611,000. Each unit consisted of one common share and one common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.18 per share in year one and \$0.22 per share in year two. An aggregate finders' fee of \$959 was paid in cash to an arm's length party to the Company on a portion of the financing. The warrants were valued on a proportionate basis using the Black-Scholes Pricing Model at \$0.188 per warrant using the following assumptions: dividend yield 0%, risk-free rate 1.18%, expected annual volatility 254% and expected life of 1.3 years.

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4. CAPITAL AND RESERVES (continued)

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX Venture Exchange. Share purchase options granted vest immediately, are subject to a four-month hold period and are exercisable for a period of up to ten years.

The continuity of share purchase options for the year ended December 31, 2011 is as follows:

Expiry date	Exercise Price	December 31, 2010	Granted	Exercised	Expired/ cancelled	December 31, 2011	Options exercisable
March 12, 2015	\$0.13	400,000	-	(100,000)	-	300,000	300,000
		400,000	-	(100,000)	-	300,000	300,000
Weighted average exercise price		\$0.13	-	\$0.13	-	\$0.13	\$0.13
Weighted average contractual remaining life (years)		4.2	-	-	-	3.2	3.2
Weighted average share price on exercise		-	-	\$0.21	-	-	-

During the year ended December 31, 2011, the Company did not issue any share purchase options to purchase common shares.

The continuity of share purchase options for the year ended December 31, 2010 is as follows:

Expiry date	Exercise Price	December 31, 2009	Granted	Exercised	Expired/ cancelled	December 31, 2010	Options exercisable
March 12, 2015	\$0.13	-	700,000	-	(300,000)	400,000	400,000
		-	700,000	-	(300,000)	400,000	400,000
Weighted average exercise price		-	\$0.13	-	\$0.13	\$0.13	\$0.13
Weighted average contractual remaining life (years)		-	5.0	-	-	4.2	4.2

During the year ended December 31, 2010, the Company issued 700,000 share purchase options to purchase common shares at an exercise price of \$0.13 per common share.

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4. CAPITAL AND RESERVES (continued)

The weighted average fair value of share purchase options granted during the year ended December 31, 2011 is \$Nil (December 31, 2010 - \$0.12). Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Year ended December 31,	
	2011	2010
Risk-free interest rate	-	1.58%
Expected option life in years	-	2.5
Expected share price volatility	-	159%
Expected rate of forfeiture	-	-
Grant date share price	-	\$0.13
Expected dividend yield	Nil	Nil

Warrants

The continuity of warrants for the year ended December 31, 2011 is as follows:

Expiry date	Exercise Price	December 31, 2010	Granted	Exercised	Expired/cancelled	December 31, 2011
July 9, 2011	\$0.11	4,092,000	-	(3,740,000)	(352,000)	-
January 21, 2013	\$0.18/\$0.22	4,650,000	-	(109,000)	-	4,541,000
		8,742,000	-	(3,849,000)	(352,000)	4,541,000
Weighted average exercise price	\$0.15/\$0.17		-	\$0.11	\$0.11	\$0.22

The continuity of warrants for the year ended December 31, 2010 is as follows:

Expiry date	Exercise Price	Dec 31, 2009	Granted	Exercised	Expired/cancelled	December 31, 2010
April 30, 2010	\$1.80	192,560	-	-	(192,560)	-
September 12, 2010	\$1.80	8,700	-	-	(8,700)	-
September 18, 2010	\$1.80	193,500	-	-	(193,500)	-
July 9, 2011	\$0.11	4,612,000	-	(520,000)	-	4,092,000
January 22, 2011/2012	\$0.18/\$0.22	-	4,700,000	(50,000)	-	4,650,000
		5,006,760	4,700,000	(570,000)	(394,760)	8,742,000
Weighted average exercise price		\$0.24	\$0.18	\$0.12	\$1.80	\$0.15/\$0.17

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4. CAPITAL AND RESERVES (continued)

On December 20, 2011, the Company announced that it has extended the expiry date of subscriber warrants issued as part of the private placement in January 2010, by twelve months. All other terms and conditions of the warrants, including their price, remain unchanged.

The weighted average fair value of warrants modified during the year ended December 31, 2011 is \$0.08 (December 31, 2010 - \$Nil). The warrants modified were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate their incremental fair value:

	Year ended December 31,	
	2011	2010
Risk-free interest rate	0.86%	-
Expected option life in years	1.1	-
Expected share price volatility	104.58%	-
Expected forfeiture rate	-	-
Modification date weighted average share price	\$0.20	-
Expected dividend yield	Nil	Nil

Investment Revaluation Reserve

	Year ended December 31,	
	2011	2010
	\$	\$
Balance at the beginning of the year	-	(800)
Realized (gain) loss on Available-For-Sale ("AFS") marketable securities	-	800
Balance at the end of the year	-	-

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of AFS marketable securities that have been recognized in other comprehensive income (loss).

5. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2011 was based on the following:

	2011	2010
Loss attributable to common shareholders (\$)	(159,517)	(380,602)
Weighted average number of common shares outstanding	16,040,094	13,341,494

Diluted loss per share for the year ended December 31, 2011 did not include the effect of 300,000 (2010 – 400,000) share purchase options and 4,541,000 (2010 – 8,732,000) warrants as they are anti-dilutive.

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6. INCOME TAXES

The recovery of income taxes shown in the statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2011	2010
Loss for the year	(159,517)	(380,602)
Canadian statutory income tax rate	26.50%	28.50%
	<u>\$</u>	<u>\$</u>
Income tax recovery at statutory rate	(42,272)	(108,472)
Effect on income taxes of:		
Non-deductible differences	205	715,858
Losses of disposed Peruvian subsidiary	-	1,317,760
Rate differential and other	2,344	103,984
Non-capital loss expired	-	48,964
Unrecognized amounts	39,723	(2,078,094)
Income tax recovery	<u>-</u>	<u>-</u>

The significant components of the Company's deferred tax assets are as follows:

	2011	2010
	<u>\$</u>	<u>\$</u>
Deferred income tax assets		
Exploration and evaluation assets	773,072	762,896
Share and warrant issue costs	5,769	30,204
Capital tax loss carry forward	609,120	609,104
Non-capital tax loss carry forward	1,856,658	1,802,692
	<u>3,244,619</u>	<u>3,204,896</u>
Unrecognized deferred tax assets	<u>(3,244,619)</u>	<u>(3,204,896)</u>
Deferred income tax asset	<u>-</u>	<u>-</u>

The realization of income tax benefits related to these potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

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6. INCOME TAXES (continued)

The Company has Canadian non-capital loss carry forwards of \$7,374,843 that may be available for tax purposes. The losses expire as follows:

Expiry	\$
2014	852,555
2015	1,219,352
2026	1,081,390
2027	1,485,734
2028	1,536,404
2029	376,422
2030	607,119
2031	215,867
	<u>7,374,843</u>

At December 31, 2011, the Company had a net operating loss carry forward for Chile income tax purposes of approximately \$76,000 (2010 – \$76,000) that may be available for tax purposes. These available tax losses may only be applied to offset future taxable income from the Company's current Chile subsidiary. The Company also has available mineral resources expenses that are related to the Company's exploration activities in Argentina and the United States of approximately \$3,103,000 which may be deductible for Canadian tax purposes.

7. RELATED PARTY BALANCES AND TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entities outlined below.

The following entities transacted with the Company in the reporting period. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

Transactions	2011	2010
	\$	\$
Services rendered:		
Winfield Consulting Ltd. (a)	-	20,000
Total for services rendered	-	20,000

(a) Winfield Consulting Ltd. is a private company controlled by a former director and officer, Bruce Winfield, which provided management services to the Company at market rates.

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7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel compensation

Compensation	Salaries \$	Share-based benefits \$	December 31, 2011 \$	Salaries \$	Share-based benefits \$	December 31, 2010 \$
Chief Executive Officer	-	-	-	150,000	30,963	180,963
Chief Financial Officer	-	-	-	-	-	-
Total	-	-	-	150,000	30,963	180,963

8. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in the Americas. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2011.

The Company's total assets are segmented geographically as follows:

December 31, 2011			
	Canada \$	USA \$	Total \$
Mineral property interests	-	32,023	32,023
Current assets	347,634	-	347,634
	347,634	32,023	379,657

December 31, 2010				
	Canada \$	Argentina \$	USA \$	Total \$
Mineral property interests	-	-	23,487	23,487
Current assets	49,657	7,347	-	57,004
	49,657	7,347	23,487	80,491

January 1, 2010				
	Canada \$	Peru \$	USA \$	Total \$
Mineral property interests	-	-	9,764	9,764
Current assets	193,087	1,396	-	194,483
	193,087	1,396	9,764	204,247

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9. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31, 2011	Year ended December 31, 2010
	\$	\$
Non-cash investing and financing activities		
Exercise of options	(10,321)	-
Exercise of warrants	(138,263)	(23,362)
Warrant modification	267,581	-

10. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Fair Values

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair value of cash, receivables and accounts payable and accrued liabilities approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

At December 31, 2011 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Cash	341,524	-	-	341,524

At December 31, 2010 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Cash	54,624	-	-	54,624

At January 1, 2010 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Cash	186,280	-	-	186,280

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10. FINANCIAL RISK MANAGEMENT (continued)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

An analysis of marketable securities including related gains and losses during the period is as follows:

	2011	2010
	\$	\$
Marketable securities, beginning of year	-	4,200
Proceeds on sale of marketable securities	-	(2,300)
Loss on sale of marketable securities	-	(2,700)
Reversal of unrealized loss on marketable securities	-	800
Marketable securities, end of year	-	-

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally.

As the majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i) *Currency risk*

The Company does not have any foreign currencies that would impact Company's net earnings or other comprehensive income. Therefore, the Company does not have currency risk.

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10. FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest and short-term investments are redeemable at any time without penalty. The fair value of cash and short-term investments approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

(c) Capital Management

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and may require doing so again in the future.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

The Company is not subject to any external covenants. There were no changes in the Company's approach to capital management during the year ended December 31, 2011.

Additional information regarding capital management is disclosed in Note 1.

11. SUBSEQUENT EVENT

In January 2012, the Company announced a non-brokered private placement financing of 1,250,000 units at a price of \$0.20 per unit for gross proceeds of \$250,000. Each unit will consist of one common share and one common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.30 per share for a period of eighteen (18) months from the date of issue.

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12. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010, and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date."

In preparing the opening IFRS statement of financial position and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS. The IFRS 1 optional exemptions applied by the Company in the conversion from GAAP to IFRS are as follows:

(i) Business Combination Exemption

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

(ii) Share-Based Payment Exemption

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

*(Expressed in Canadian Dollars)***12. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)****Reconciliation of Assets, Liabilities and Equity**

	<u>As at January 1, 2010</u>			<u>As at December 31, 2010</u>		
	GAAP	Effect of transition to IFRS Note (a)	IFRS	GAAP	Effect of transition to IFRS Note (a)	IFRS
	\$	\$	\$	\$	\$	\$
ASSETS						
Non-current assets						
Mineral property interests	9,764	-	9,764	23,487	-	23,487
Total non-current assets	9,764	-	9,764	23,487	-	23,487
Current assets						
Other receivables and prepaid expenses	4,003	-	4,003	2,380	-	2,380
Marketable securities	4,200	-	4,200	-	-	-
Cash	186,280	-	186,280	54,624	-	54,624
Total current assets	194,483	-	194,483	57,004	-	57,004
Total assets	204,247	-	204,247	80,491	-	80,491
EQUITY						
Share capital	12,500,883	-	12,500,883	12,919,009	-	12,919,009
Warrants	307,417	(307,417)	-	421,978	(421,978)	-
Contributed surplus	1,730,689	(1,730,689)	-	1,946,490	(1,946,490)	-
Accumulated other comprehensive loss	(800)	800	-	-	-	-
Reserves	-	2,037,306	2,037,306	-	2,368,468	2,368,468
Deficit	(14,835,491)	-	(14,835,491)	(15,216,093)	-	(15,216,093)
Total equity	(297,302)	-	(297,302)	71,384	-	71,384
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	501,549	-	501,549	9,107	-	9,107
Total liabilities	501,549	-	501,549	9,107	-	9,107
Total equity and liabilities	204,247	-	204,247	80,491	-	80,491

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*(Expressed in Canadian Dollars)***12. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)****Reconciliation of Loss and Comprehensive Loss**

	Year ended December 31,		
	2010		
	Effect of		
	transition to		
	GAAP	IFRS	IFRS
	\$	\$	\$
Expenses			
Accounting and audit	14,450	-	14,450
Corporate development and investor relations	26,587	-	26,587
General exploration	18,095	-	18,095
Foreign exchange (gain) loss	(29,481)	-	(29,481)
Legal and professional fees	28,716	-	28,716
Management and consulting fees	93,545	-	93,545
Office and sundry	9,875	-	9,875
Salaries and employee benefits	158,902	-	158,902
Share-based compensation	72,247	-	72,247
Transfer agent and regulatory fees	22,137	-	22,137
Travel and accommodation	19,293	-	19,293
Loss from operating activities	434,366	-	434,366
Gain on sale of subsidiary	(56,464)	-	(56,464)
Recovery of interest and penalties	-	-	-
Loss on sale of marketable securities	2,700	-	2,700
Loss for the year	380,602	-	380,602
Other comprehensive loss (income)			
Realized (gain) loss on available-for-sale marketable securities	(800)	-	(800)
Other comprehensive loss (income)	(800)	-	(800)
Total comprehensive loss	379,802	-	379,802

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*(Expressed in Canadian Dollars)***12. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)****Reconciliation of Cash Flows**

	Year ended December 31,		
	2010		
	GAAP	Effect of	IFRS
	\$	transition to	IFRS
		IFRS	\$
		\$	
Operating activities			
Loss for the year	(380,602)	-	(380,602)
Share-based compensation	72,247	-	72,247
Foreign exchange gain	(29,481)	-	(29,481)
Loss on sale of marketable securities	2,700	-	2,700
Changes in non-cash working capital items	(461,338)	-	(461,338)
Cash used in operating activities	(796,474)	-	(796,474)
Investing activities			
Mineral property interests	(13,723)	-	(13,723)
Proceeds from sale of marketable securities	2,300	-	2,300
Cash used in investing activities	(11,423)	-	(11,423)
Financing activities			
Issuance of common shares and warrants	611,000	-	611,000
Share and warrant issue costs	(959)	-	(959)
Warrants exercised	66,200	-	66,200
Cash generated by financing activities	676,241	-	676,241
Increase (decrease) in cash	(131,656)	-	(131,656)
Cash, beginning of year	186,280	-	186,280
Cash, end of year	54,624	-	54,624

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12. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Notes to Reconciliations

(a) Reclassification within Equity Section

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its contributed surplus account and concluded that as at the Transition Date, the entire balance would be allocated between contributed surplus reserve and equity settled share-based payments reserve. Equity settled share-based payments reserve would correspond to stock-based compensation relating to outstanding stock options as at the Transition Date. The remaining amount would be allocated to contributed surplus reserve. As a result, the Company believes that a reclassification is necessary in the equity section between contributed surplus and contributed surplus reserve of \$1,730,689 and equity settled share-based payments reserve of \$Nil, totalling \$1,730,689.

In addition the warrants balance of \$307,417 was reclassified into warrants reserve and the accumulated other comprehensive income balance of \$(800) was reclassified into the investment revaluation reserve.