



**Interim Financial Statements  
For the period ended October 31, 2011**

**GOLDEN BAND RESOURCES INC.**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**For the three and six months ended October 31, 2011**

Notice to Reader

Management has prepared the unaudited interim financial statements for Golden Band Resources Inc. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended October 31, 2011.

**GOLDEN BAND RESOURCES INC.**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**(Unaudited)**

	As at October 31, 2011	As at April 30, 2011
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 771,202	\$ 3,427,168
Accounts receivable	3,003,063	2,461,303
Prepaid expenses	211,647	304,194
Inventories (Note 4)	3,103,475	3,187,580
	7,089,387	9,380,245
Reclamation bond (Note 9)	923,115	386,071
Mine, mill and equipment (Note 5)	84,932,017	81,905,285
	\$ 92,944,519	\$ 91,671,601
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 17,277,727	\$ 14,077,492
Notes payable (Note 6)	-	6,713,501
Lease and property tax payable (Note 7)	-	110,826
	17,277,727	20,901,819
Future income tax liability (Note 8)	4,887,510	2,967,305
Asset retirement obligation (Note 9)	814,879	795,004
	\$ 22,980,116	\$ 24,664,128
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	77,019,137	77,019,137
Contributed surplus	9,676,806	9,030,418
Deficit	(16,731,540)	(19,042,082)
	\$ 69,964,403	\$ 67,007,473
	\$ 92,944,519	\$ 91,671,601
Going concern (Note 1)		

See accompanying notes to financial statements.

Approved by the Board:

"Robert G. Ingram"

Director

"A. Robson Garden"

Director

**GOLDEN BAND RESOURCES INC.**  
**INTERIM STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Unaudited)

	Three months ended October 31		Six months ended October 31	
	2011	2010	2011	2010
<b>Gold sales</b>	\$ 20,682,904	\$ -	\$ 35,638,716	\$ -
<b>Cost of sales</b>				
Operating expenses	10,755,726	-	19,794,660	-
Depletion and amortization	3,686,764	-	6,600,509	-
	6,240,414	-	9,243,547	-
General and administrative expenses	453,572	596,667	981,164	1,019,299
Wages and benefits	320,397	139,795	691,253	265,180
Exploration expenses	414,501	-	687,352	-
Share-based compensation	395,162	172,680	646,388	343,032
Amortization	151,297	376,465	291,426	433,273
<b>Income (loss) from operations</b>	4,505,485	(1,285,607)	5,945,964	(2,060,784)
Gain on sale of assets	-	-	-	20,533
Other (expenses) income	(463,244)	356	(471,197)	597
Increase in fair value of notes payable	(241,194)	(1,106,249)	(1,244,020)	(1,106,249)
<b>Income (loss) before income taxes</b>	3,801,047	(2,391,500)	4,230,747	(3,145,903)
Future income tax (expense) recovery (Note 8)	(1,483,035)	501,676	(1,920,205)	631,050
<b>Net and comprehensive income (loss)</b>	\$ 2,318,012	\$ (1,889,824)	\$ 2,310,542	\$ (2,514,853)
<b>Basic and diluted earnings (loss) per share (Note 11)</b>	\$ 0.01	\$ (0.01)	\$ 0.01	\$ (0.01)

See accompanying notes to consolidated financial statements.

**GOLDEN BAND RESOURCES INC.**  
**INTERIM STATEMENT OF SHAREHOLDERS' EQUITY**  
**(Unaudited)**

	Common shares		Contributed	Accumulated	Total
	Shares	Amount	surplus	deficit	
<b>Balance, May 1, 2010</b>	198,458,618	\$ 49,157,118	\$ 5,276,082	\$ (13,536,982)	\$ 40,896,218
Private placements, net of costs	17,184,857	5,398,517	-	-	5,398,517
Exercise of warrants, net of costs	22,491,415	6,537,922	(167,573)	-	6,370,349
Exercise of options, net of costs	936,451	298,290	-	-	298,290
Future income tax on share costs	-	173,558	-	-	173,558
Share-based compensation	-	-	343,032	-	343,032
Total comprehensive loss for the period	-	-	-	(2,514,853)	(2,514,853)
<b>Balance, October 31, 2010</b>	<b>239,071,341</b>	<b>\$ 61,565,405</b>	<b>\$ 5,451,541</b>	<b>\$ (16,051,835)</b>	<b>\$ 50,965,111</b>
<b>Balance, May 1, 2011</b>	284,717,355	\$ 77,019,137	\$ 9,030,418	\$ (19,042,082)	\$ 67,007,473
Share-based compensation	-	-	646,388	-	646,388
Total comprehensive loss for the period	-	-	-	2,310,542	2,310,542
<b>Balance, October 31, 2011</b>	<b>284,717,355</b>	<b>\$ 77,019,137</b>	<b>\$ 9,676,806</b>	<b>\$ (16,731,540)</b>	<b>\$ 69,964,403</b>

See accompanying notes to financial statements.

**GOLDEN BAND RESOURCES INC.**  
**INTERIM STATEMENT OF CASH FLOWS**  
**(Unaudited)**

	Three months ended October 31,		Six months ended October 31,	
	2011	2010	2011	2010
<b>Cash flows from (used in) operating activities:</b>				
Income (loss) and comprehensive income (loss) for the period	\$ 2,318,012	\$ (1,889,823)	\$ 2,310,542	\$ (2,514,853)
Items not involving cash				
Stock compensation	395,162	172,680	646,388	343,032
Amortization, depletion and accretion	3,952,522	376,465	6,849,166	433,273
Unrealized foreign exchange loss (gain) on notes payable	641,415	(255,717)	793,189	(255,717)
Change in fair value of notes payable	241,194	1,106,249	1,244,020	1,106,249
Future income tax expense (recovery) (Note 8)	1,483,035	(501,676)	1,920,205	(631,050)
	9,031,340	(991,822)	13,763,510	(1,519,066)
<b>Change in non-cash working capital items:</b>				
Accounts receivable	(974,172)	26,906	(541,760)	(157,171)
Prepaid expenses	15,945	(228,302)	92,547	(218,738)
Inventory	(387,304)	-	84,105	-
Accounts payable	1,238,014	110,170	3,200,235	852,992
Property tax payable	-	-	(110,826)	-
	8,923,823	(1,083,048)	16,487,811	(1,041,983)
<b>Cash flows (used in) from financing activities:</b>				
Issuance of share capital, net of issue costs	-	9,366,208	-	12,955,508
Issuance of notes payable	-	7,395,471	-	7,395,471
Repayment of note payable	(4,782,403)	-	(8,750,710)	-
	(4,782,403)	16,761,679	(8,750,710)	20,350,979
<b>Cash flows used in investing activities:</b>				
Expenditures on resource properties	(2,693,720)	(3,416,020)	(4,239,081)	(8,013,648)
Reclamation bond	(2,320)	(194)	(537,044)	(389)
Purchases of capital assets	(3,064,807)	(7,446,058)	(5,616,942)	(9,206,644)
	(5,760,847)	(10,862,272)	(10,393,067)	(17,220,681)
<b>Increase (decrease) in cash and cash equivalents</b>	(1,619,427)	4,816,359	(2,655,966)	2,088,315
Cash and cash equivalents, beginning of period	2,390,629	1,050,070	3,427,168	3,778,114
Cash and cash equivalents, end of period	\$ 771,202	\$ 5,866,429	\$ 771,202	\$ 5,866,429

See accompanying notes to consolidated financial statements.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements For the three and six months ended October 31, 2011

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### 1. Going Concern

These financial statements have been prepared on a going concern basis which assumes that Golden Band Resources Inc. (the "Company") will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. As of October 31, 2011, the Company had cash and cash equivalents of \$771,202, working capital deficit of \$10,188,340 and an accumulated deficit of \$16,731,540. Golden Band Resources Inc. is a gold mining and exploration company and its ability to continue as a going concern is dependent on its ability to achieve future profitable operations.

### 2. Nature of Operations

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, future profitable production from the properties, or proceeds from disposition.

Prior to the year ended April 30, 2011, the company was in the development stage. With the Roy Lloyd Mine entering production on April 1, 2011, the company is operating and producing gold from the Roy Lloyd Mine, and is continuing to develop its other principal projects and properties.

### 3. Significant Accounting Policies and Pronouncements

#### (a) Basis of preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including International Accounting Standard (IAS) 34, Interim Financial Reporting and IFRS 1, *First-Time Adoption of International Financial Reporting Standards*. The accounting policies in these interim financial statements are the same as those applied in the Company's interim financial statements for the quarter ended July 31, 2011.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of November 24, 2011, the date of the Board of Directors approved these statements.

Note 15 provides reconciliations and descriptions of the effect of the transition to IFRS on equity at October 31, 2010 and comprehensive loss for the three and six months ended October 31, 2010.

These interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended April 30, 2011, prepared in accordance with GAAP and the Company's interim financial statements for the quarter ended July 31, 2011, prepared in accordance with IFRS.

#### (b) Future accounting changes

IFRS 9, Financial Instruments, will replace IAS 39, Financial Instruments: Recognition and Measurement. This standard has a mandatory effective date of January 1, 2015, with early adoption permitted. The new standard uses a single approach in determining whether a financial asset is measured at fair value or amortized cost.

IFRS 13, Fair Value Measurement, was issued in May 2011, with an effective date of January 1, 2013, with early application permitted. This standard defines fair value and establishes a single source of guidance for measuring fair value.

The Company is currently assessing the impact of these pronouncements on its financial statements.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements

For the three and six months ended October 31, 2011

### 4. Inventories

	October 31, 2011	April 30, 2011
Supplies	\$ 10,180	\$ 150,988
Broken ore	1,078,217	32,392
Gold-in-circuit	991,552	3,004,200
Finished gold	1,023,526	-
<b>Total inventories</b>	<b>\$ 3,103,475</b>	<b>\$ 3,187,580</b>

### 5. Mine, mill and equipment

Mine, mill and equipment consist of the following:

#### Six months ended October 31, 2011

Cost	Plant and equipment	Producing property	Assets under construction	Exploration and evaluation assets (a)	Total
Balance, beginning of period	\$26,874,276	\$32,373,751	\$ 360,633	\$ 24,257,969	\$83,866,629
Additions	1,468,378	4,117,588	30,975	4,239,081	9,856,022
Disposals	-	-	-	-	-
Transfers	319,895	32,348	(352,243)	-	-
<b>Balance at October 31, 2011</b>	<b>\$28,662,549</b>	<b>\$36,523,687</b>	<b>\$ 39,365</b>	<b>\$ 28,497,050</b>	<b>\$93,722,651</b>
<b>Accumulated depreciation</b>					
Balance, beginning of period	\$ 798,410	\$ 1,162,934	\$ -	\$ -	\$1,961,344
Charge for the period	1,180,872	5,648,418	-	-	6,829,290
Disposals	-	-	-	-	-
<b>Balance at October 31, 2011</b>	<b>\$ 1,979,282</b>	<b>\$ 6,811,352</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$8,790,634</b>
<b>Net book value at October 31, 2011</b>	<b>\$ 26,683,267</b>	<b>\$29,712,335</b>	<b>\$ 39,365</b>	<b>\$ 28,497,050</b>	<b>\$84,932,017</b>

#### Year ended April 30, 2011

Cost	Plant and equipment	Producing property	Assets under construction	Exploration and evaluation assets (a)	Total
Balance, beginning of period	\$4,009,063	\$ 320,977	\$ 30,490	\$ 35,137,422	\$39,497,952
Additions	19,276,020	264,354	330,143	31,359,967	51,230,484
Disposals	(94,264)	-	-	-	(94,264)
Transfers	3,683,457	31,788,420	-	(42,239,420)	(6,767,543)
<b>Balance at April 30, 2011</b>	<b>\$26,874,276</b>	<b>\$32,373,751</b>	<b>\$ 360,633</b>	<b>\$ 24,257,969</b>	<b>\$83,866,629</b>
<b>Accumulated depreciation</b>					
Balance, beginning of period	\$ 515,796	\$ -	\$ -	\$ -	\$ 515,796
Charge for the period	376,878	1,162,934	-	-	1,539,812
Disposals	(94,264)	-	-	-	(94,264)
<b>Balance at April 30, 2011</b>	<b>\$ 798,410</b>	<b>\$ 1,162,934</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,961,344</b>
<b>Net book value at April 30, 2011</b>	<b>\$26,075,866</b>	<b>\$31,210,817</b>	<b>\$ 360,633</b>	<b>\$ 24,257,969</b>	<b>\$81,905,285</b>

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements For the three and six months ended October 31, 2011

### 5. Mine, mill and equipment (continued)

#### (a) Exploration and evaluation assets

Subject to compliance with the Provincial Mineral Disposition Regulations, the Company holds the rights to explore for and to develop mineral resources on various Crown property dispositions. These rights are classified as resource property interests for financial statement purposes.

The Company has acquired certain mineral properties, interests and rights through direct ownership or under option, the costs of which are as follows:

	Acquisition costs	Exploration Costs	Total October 31, 2011	Total April 30, 2011
Greater Waddy Lake	\$ 6,179,345	\$ 10,477,298	\$ 16,656,643	16,656,643
Jolu	240,284	-	240,284	240,284
Komis	-	5,331,639	5,331,639	1,092,531
Decade	-	415,461	415,461	415,435
Golden Heart	-	896,463	896,463	896,463
EP	-	1,735,471	1,735,471	1,735,471
Other Properties <sup>1</sup>	881,218	2,339,871	3,221,089	3,221,142
<b>Total</b>	<b>\$ 7,300,847</b>	<b>\$ 21,196,203</b>	<b>\$ 28,497,050</b>	<b>\$ 24,257,969</b>

<sup>1</sup> Other properties include Churchill River, Greywacke, RKN, Birch Crossing, Waddy Lake, Tower East, Memorial, Kaslo, Corner Lake, Star Lake, Niko, Charlie's Eye.

### 6. Notes Payable

	October 31, 2011	April 30, 2011
Notes Payable	\$ -	\$ 6,713,501

On August 25, 2010, the Company issued \$US 7,000,000 in loan notes to Sprott Asset Management L.P. (the Gold Loan). Gold Loan holders were also granted 3,000,000 warrants. Each warrant is exercisable into one common share of the Company for a period of three years after the closing date. The exercise price of the warrants was \$0.40 per common share during the first year and \$0.50 per common share for the last two years. These warrants were fair valued at \$112,646. The warrants were valued using a valuation model with the following assumptions: (i) volatility – 45%, (ii) risk free rate –1.61%, (iii) term – 366 days and (iv) dividends –nil. The note was fair valued using a valuation model with the following assumptions: i) gold spot rate – \$1,564 ii) volatility – 16% iii) risk free rate – 0.0%, iii) credit spread – 14.82%.

The Gold Loan repayment period commenced January 1, 2011 and was completed on October 4, 2011. The payments were made in eight monthly instalments. Each cash payment was equivalent in value to 900 ounces of gold except for the last payment where the payment is equivalent to 135.29 ounces of gold (a total of 8,235.29 ounces).

The amount of the gold price was determined using the SPDR Gold Trust shares net asset value which is an exchange traded fund which predominantly invests in gold.

The Company guaranteed the Gold Loan holders a minimum rate of return of 5% per annum and the Gold Loan was secured by a perfected first ranking charge over all assets of the company. As the

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements For the three and six months ended October 31, 2011

### 6. Notes Payable (continued)

Gold Loan was repaid in the quarter, the Company is in the process of discharging this security interest.

The overall transaction price for the loan and warrants has been allocated using a relative fair value approach.

Loan proceeds at issuance:

Loan proceeds at issuance	\$ 7,395,471
Value attributed to warrants	(112,646)
Loan carrying value	\$ 7,282,825

The table below reflects the fair value of the loan note whose fair value is determined using a valuation model for which all of the inputs are not market observable. The loan was initially recognized on the balance sheet at its transaction price based on a relative fair value approach to value the loan and the warrants. The valuation was obtained from an appropriate discounted cash flow model which will be used to estimate fair value on a recurring basis. The table below shows the total difference still to be recognized at the beginning and end of the period and a reconciliation of the movements in the period:

	October 31, 2011	April 30, 2011
Balance at beginning of period	\$ 6,713,501	\$ -
Issuance of note payable	-	7,282,825
Increase in fair value of note payable during the period since initial recognition	1,244,020	3,884,315
Unrealized foreign exchange (gain) on note payable	-	(793,189)
Realized foreign exchange loss	793,189	
Repayments during the period	(8,750,710)	(3,660,450)
Balance at end of period	\$ -	\$ 6,713,501

### 7. Lease and Property Taxes Payable

The Company acquired the surface and mineral leases for the Jolu Mill from CDG Investments Inc. by assuming the liability to the Province of Saskatchewan for leases and property taxes outstanding at the time of the acquisition. The amount has been paid in full at the balance sheet date.

### 8. Income Taxes

The Company has incurred expenditures on its mineral exploration properties which are identified as Canadian Exploration Expenses (CEE) and Canadian Development Expenses (CDE) for income tax purposes. The cumulative CEE and CDE expenditures and loss carry forwards may be used to reduce future years' taxable income earned by the Company.

For the six months ended October 31, 2011, the Company recognized \$1,920,205 (April 30, 2011 – (\$495,656)) as a future income tax expense.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements

For the three and six months ended October 31, 2011

### 8. Income Taxes (continued)

The Company's CEE and CDE totaling \$39,134,393 (April 30, 2011 – \$30,761,974) can be carried forward indefinitely. The non-capital loss totaling \$13,549,667 (April 30, 2011 – \$13,549,667) are carried forward for tax purposes and are available to reduce taxable income of future years. These losses expire as follows:

Year	Non-Capital Losses
2014	447,272
2015	589,255
2026	575,964
2027	927,032
2028	2,920,745
2029	2,510,754
2030	2,708,175
2031	2,870,470
Balance, October 31, 2011	\$13,549,667

The detail of the future income tax liability is as follows:

Balance, April 30, 2011	\$ 2,967,305
Tax expense recognized in current period	1,920,205
Balance, October 31, 2011	\$ 4,887,510

### 9. Asset Retirement Obligation

	October 31, 2011	April 30, 2011
Balance, beginning of period	\$ 795,004	\$ 673,900
Change in estimate	-	83,246
Accretion expense	19,875	37,856
Balance, end of period	\$ 814,879	\$ 795,004

In accordance with the Saskatchewan Mineral Industry Environment Protection Regulation, 1993, the Company assumed the financial liability to cover all existing and future costs for decommissioning and reclamation of the lands leased under the surface lease.

The Company's total undiscounted amount of the estimated cash flows required to settle the retirement obligations is \$920,316, which has been discounted using a rate of 5%. The Company's estimate is based on a variety of assumptions regarding estimated amount of cash flows, related timing of cash flows and discount rates. As a result, the actual obligation may vary from the estimate due to the uncertainties in these assumptions.

With regards to the asset retirement obligation, a term deposit of \$923,115 (April 30, 2011 – \$386,071) has been pledged as security to a financial institution for their irrevocable letter of credit in favour of the Province of Saskatchewan. The letter of credit is to provide financial assurance for the decommissioning costs of the mill, Roy Lloyd and Komis.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements For the three and six months ended October 31, 2011

### 10. Share Capital

The common shares of the Company are entitled to one vote per share at meetings of the shareholders of the Company, and upon dissolution or any other distribution of assets, to receive pro rata such assets of the Company as are distributable to the holders of the common shares.

The Company is authorized to issue the following shares:

- Unlimited common shares without par value
- Unlimited preferred shares without par value

The Company's issued share capital is as follows:

	October 31, 2011		April 30, 2011	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	284,717,355	\$ 77,019,137	198,458,618	\$ 49,157,118
Issued for property	-	-	-	-
Private placements	-	-	31,241,377	13,587,133
Fair value of warrants issued	-	-	-	(4,247,372)
Fair value of warrants issued to agents	-	-	-	(394,024)
Exercise of warrants	-	-	38,199,794	13,875,816
Exercise of stock options	-	-	1,842,316	554,097
Share issue cost on warrants	-	-	-	292,770
Future income tax recognized on share issue costs	-	-	-	351,293
Share issue costs	-	-	-	(1,197,200)
Flow-through shares	-	-	14,975,250	5,039,506
Balance, end of period	284,717,355	\$ 77,019,137	284,717,355	\$ 77,019,137

### Options

The Company has established an incentive stock option plan, pursuant to which, options to purchase common shares may be granted to certain officers, directors, and employees of the Company, as well as persons providing ongoing services to the Company. The incentive stock options are a means of rewarding optionees for future services provided to the Company. The exercise price of the options equals the market price of the Company's stock on the date prior to the grant. Stock options are for a five-year term in accordance with Company policy. Up to 10 percent of the Company's outstanding common shares may be granted to the Company's directors, officers, employees and consultants. As of October 31, 2011 the aggregate number of common shares that may be issued under the stock option plan shall not exceed 28,471,736.

The following table provides a continuity of stock options outstanding and the weighted average share prices for which shares have been reserved.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements

For the three and six months ended October 31, 2011

### 10. Share Capital (continued)

	October 31, 2011		April 30, 2011	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of period	18,522,593	\$0.38	17,118,361	\$0.36
Granted	4,200,000	\$0.32	5,785,000	\$0.56
Expired	(170,000)	\$0.31	(2,391,577)	\$0.37
Forfeited	(117,500)	\$0.44	(146,875)	\$0.30
Exercised	-	-	(1,842,316)	\$0.30
Outstanding, end of period	22,435,093	\$0.36	18,522,593	\$0.38

The following summarizes information about stock option outstanding at October 31, 2011;

Exercise Price per Share	Number of Options	Outstanding		Exercisable		
		Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
\$0.15 - \$0.24	1,271,653	\$0.21	2.46	1,271,653	\$0.21	2.46
\$0.25 - \$0.34	13,403,440	\$0.29	3.53	9,914,802	\$0.28	3.09
\$0.35 - \$0.44	1,588,750	\$0.41	1.66	1,295,000	\$0.41	1.03
\$0.45 - \$0.54	1,966,250	\$0.47	1.93	1,669,375	\$0.47	1.53
\$0.55 - \$0.64	4,205,000	\$0.60	4.06	2,661,250	\$0.60	4.01
	22,435,093	\$0.36	3.30	16,812,080	\$0.35	2.88

### Warrants

A summary of the status of the share purchase warrants is as follows:

	October 31, 2011		April 30, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	45,074,980	\$0.56	44,914,928	\$0.38
Issued	-	-	41,373,347	\$0.57
Expired	(250,524)	\$0.65	(3,013,501)	\$0.62
Exercised	-	-	(38,199,794)	\$0.35
Outstanding, end of period	44,824,456	\$0.56	45,074,980	\$0.56

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements

For the three and six months ended October 31, 2011

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### 11. Earnings per Share

Basic earnings per common share is computed by dividing the earnings applicable to common shares by the weighted average number of common shares issued and outstanding for the relevant period. Diluted earnings per common share is computed by dividing the earnings applicable to common shares by the sum of the weighted average number of common shares issued and outstanding, and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

	<b>October 31, 2011</b>	<b>October 31, 2010</b>
Weighted average basic and diluted shares outstanding	<u>284,717,355</u>	<u>217,862,816</u>

Excluded from the calculation of diluted earnings per common share were the effects of outstanding options and warrants as the effect on basic earnings per share would be anti-dilutive.

### 12. Capital Disclosures

The Company's objectives for managing capital are to ensure the Company's ability to continue as a going concern so that it can move towards the short term goal of profitable operations and long term goal of continued successful exploration efforts.

The Company considers the items included in shareholders' equity to be capital. The Company relies on equity financing in order to fund future exploration and development and makes adjustments to the Company's capital structure based on financing needs, as well as in response to economic conditions and the risk characteristics of the underlying assets. Management makes adjustments to its capital structure by issuing new shares or acquiring or disposing of assets.

The Company facilitates the management of capital through the preparation of annual expenditure budgets and cash forecasts that are updated as necessary.

The Company currently has sufficient capital resources to meet its planned exploration activities. Additional funding will be required in order to undertake planned development and production activities; however management believes it will be able to raise the necessary funds. Management acknowledges that there are inherent risks in obtaining financing that may be beyond their control.

The Company currently does not have any externally imposed capital requirements.

### 13. Financial Instruments

Financial instruments measured at fair value are categorized into a hierarchy based on the technique used to value the instrument.

Level 1 – The fair value is measured using unadjusted quoted prices in active markets for identical financial assets or financial liabilities;

Level 2 – The fair value is estimated using inputs other than quoted prices that are market observable for the financial asset or financial liability

Level 3 – The fair value is estimated using a model which makes use of inputs that are not based upon observable market data.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements

For the three and six months ended October 31, 2011

### 13. Financial Instruments (continued)

The Company has the following financial instruments which are measured at fair value on the balance sheet and are categorized accordingly, within the fair value hierarchy:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 771,202	\$ -	\$ -
Reclamation bond	923,115	-	-
Notes payable	-	-	-
Total	\$ 1,694,317	\$ -	\$ -

A reconciliation of changes in the loan fair value, which has been categorized as a Level 3 instrument due to the use of some non market observable inputs in estimating the fair value:

	Level 3
Balance at beginning of period	\$ 6,713,501
Change in value on statement of operations	2,037,209
Repayment on note payable	(8,750,710)
Balance end of period	\$ -

Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at amortized cost. Due to the short term nature of accounts payable and accrued liabilities, carrying amounts approximate fair value.

The Company has designated a note payable at fair value through profit and loss. Gains and losses arising from changes in the fair value of the loan are recorded in the income statement and are reported as net gains and losses on financial instruments classified as fair value through profit and loss.

For this note payable, fair value is established using a valuation technique, such as discounted cash flows using market observable data, where available. Some of the inputs to the valuation are not directly market observable and are, therefore, estimated based on assumptions. Management uses a consistent process to estimate the fair value of the instruments and adjusts the inputs to take account of market observable data or other factors which are estimated to impact the fair value of these financial instruments.

The Company uses the fair value of the consideration (the "transaction price") as the best evidence of fair value in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act unless the fair value is more readily determinable in reference to other observable market transactions in the same financial instrument or observable market data.

The Company has entered into a note payable, whose fair value on a recurring basis is estimated using a valuation model which has both market observable and unobservable inputs. As such, the loan is initially recognized on the balance sheet at the transaction price amount. As the valuation model results in a different estimate of fair value on initial recognition compared to the transaction price, the 'day one loss' is not recognized immediately in the income statement due to the presence of unobservable market inputs. The deferred 'day one loss' is recognized over the estimated term of the loan. The loan is subsequently measured on the balance sheet at fair value, adjusted for the deferred unrecognized day one loss. Subsequent changes in the fair value of the loan are recognized immediately in the statement of operations.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements For the three and six months ended October 31, 2011

### 13. Financial Instruments (continued)

#### Management of Financial Risk

##### Credit Risk

Credit risk is the risk that counterparties will not be able to satisfy their contractual obligations to the Company.

The Company's cash is held through a large Canadian financial institution. Receivables are largely attributable to gold sales and GST due from the federal government. The Company considers this risk to be very remote.

##### Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its financial obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure it will have sufficient liquidity to meet its obligations.

Accounts payable and accrued liabilities and notes payable are due within the current operating period. The Company has sufficient resources to meet these obligations as they become due. As of October 31, 2011 the Company has current assets of \$7,089,387 to settle current liabilities of \$17,277,727, which is explained further in Note 1.

##### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices. As the Company is now producing gold which is sold in US dollars and entered into a note payable in US dollars with an embedded derivative linked to gold prices, it is subject to foreign exchange risk as well as commodity price risk. The Company has not entered into agreements or purchased any instruments to hedge possible currency or commodity risks at this time.

### 14. Related Party Transactions

General and administrative and exploration expenses for the three months ended October 31, 2011 include \$106,744 (six months ended October 31, 2011 - \$186,417) for fees paid to key management personnel and companies controlled by key management personnel for consulting and other services. General and administrative expenses for the three months ended October 31, 2010 included \$78,248 (six months ended October 31, 2010 - \$216,008).

#### Key management personnel compensation

Key management includes directors and other key officers of the Company. The compensation paid to these key management personnel outlined below:

	Three months ended		Six months ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Salaries and other short-term benefits	\$ 137,050	\$ 92,050	\$ 274,100	\$ 184,100
Share-based payments	\$ 296,331	\$ 79,388	\$ 463,359	\$ 199,069
	\$ 433,381	\$ 171,438	\$ 737,459	\$ 383,169

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements For the three and six months ended October 31, 2011

### 15. Explanation of transition to IFRS

The Company adopted IFRS effective May 1, 2011, with a date of transition of May 1, 2010. The impact of this transition on the opening balance sheet at May 1, 2010, the statement of financial position at April 30, 2011 and the statement of operations and comprehensive loss for the year ended April 30, 2011 are included in the notes to the July 31, 2011 interim financial statements. The effect of the adoption to IFRS on the financial position at October 31, 2010 and the comprehensive income for the three and six months ended October 31, 2010 is presented below:

#### Reconciliation of statement of financial position

(In thousands of Canadian dollars)

		As at October 31, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>Current assets</b>				
Cash		\$ 5,866	\$ -	\$ 5,866
Accounts receivable		343	-	343
Prepaid expenses		260	-	260
Inventory		-	-	-
		6,469	-	6,469
Reclamation bond		386	-	386
Mine, mill and equipment	a)	57,445	318	57,763
		\$ 64,300	\$ 318	\$ 64,618
<b>Current liabilities</b>				
Accounts payable	b)	\$ 2,122	\$ 1,001	\$ 3,123
Notes payable		8,436	-	8,436
Lease and property tax payable		227	-	227
		10,785	1,001	11,786
Asset retirement obligation	a)	356	318	674
Deferred tax liability		1,193	-	1,193
		12,334	1,319	13,653
<b>Shareholders' equity</b>				
Share capital	b)	62,404	(839)	61,565
Contributed surplus	c)	5,212	239	5,451
Deficit	b), c)	(15,650)	(401)	(16,051)
		\$ 64,300	\$ 318	\$ 64,618

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements For the three and six months ended October 31, 2011

### Reconciliation of comprehensive loss

In thousands of Canadian dollars

	Note	Three months ended October 31, 2010			Six months ended October 31, 2010		
		GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS
<b>Expenses</b>							
General and administrative expenses		\$ 597	\$ -	\$ 597	\$ 1,019	\$ -	\$ 1,019
Share-based compensation	c)	206	(33)	173	403	(60)	343
Wages and benefits		140	-	140	265	-	265
Amortization		376	-	376	433	-	433
<b>Loss from operations</b>		1,319	(33)	1,286	2,120	(60)	\$ 2,060
Other income		-	-	-	(21)	-	(21)
Increase in fair value of notes payable		1,106	-	1,106	1,106	-	1,106
<b>Loss before income taxes</b>		2,425	(33)	2,392	3,205	(60)	\$ 3,145
Future income tax recovery		(502)	-	(502)	(631)	-	(631)
<b>Net and comprehensive loss</b>		\$ 1,923	\$ (33)	\$ 1,890	\$ 2,574	\$ (60)	\$ 2,514

### Notes to the reconciliations:

#### a) Asset retirement obligation

Under IFRS, an asset retirement obligation and the related asset are to be measured at the best estimate of the expenditure to be incurred. The provision is discounted at a rate which reflects the risks specific to the asset retirement. This obligation is adjusted each period for any changes in the amount or timing of cash flows, changes in the discount rate and the unwinding of the discount.

The Company recorded an adjustment to the opening asset retirement obligation and the related asset at May 1, 2010. Both the asset and obligation were increased by \$317,570 due to a change in the discount rate used to value the obligation.

#### b) Flow-through shares

IFRS requires a liability to be recognized for the difference in the amount received for flow-through shares over the fair value of the shares at the time of the issuance. When the related expenses are renounced, the premium is recorded as income and a deferred tax liability is recognized for the effect of the renunciation. IFRS requires the corresponding amount to be recorded as an expense in the statement of loss and comprehensive loss, whereas Canadian GAAP required a reduction to share capital.

The Company recorded an increase to share capital and a decrease to the accumulated deficit in the amount of \$162,287 at the date of transition. A liability was recognized at October 31, 2010 for the premium received for flow-through shares issued in fiscal 2011 in the amount of \$1,001,000, with an equivalent reduction in share capital.

# GOLDEN BAND RESOURCES INC.

## Notes to Interim Financial Statements

For the three and six months ended October 31, 2011

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### c) Share-based payments

Under Canadian GAAP, stock options which were subject to graded vesting were accounted for as one award transaction. Under IFRS, each vesting tranche is recorded as a separate award transaction and each tranche is amortized over its vesting period. This results in an accelerated recognition of share-based compensation expense. Also, IFRS requires compensation expense to be adjusted for options that are not expected to vest, such as forfeited options.

The Company recorded an increase to contributed surplus and accumulated deficit at May 1, 2010 of \$299,275. Share-based compensation expense and contributed surplus decreased by \$33,459 and \$60,002 for the three and six months ended October 31, 2011, respectively.