

GOLDBROOK VENTURES INC.
CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2011
(Expressed in Canadian Dollars)

(Unaudited)

UNAUDITED INTERIM FINANCIAL STATEMENTS

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

NOTICE TO READER

The interim statement of financial position as at October 31, 2011 and the interim statements of operations and comprehensive loss, and the interim statements of cash flows for the six-month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Villeneuve & Venne S.E.N.C..

The condensed interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

/s/ David Baker

David Baker, Director
December 22, 2011

/s/ Earl Terris

Earl Terris, Director
December 22, 2011

GOLDBROOK VENTURES INC.
INTERIM STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	October 31, 2011 <i>(Unaudited)</i>	April 30, 2011 <i>(First time adoption of IFRS -Note 3)</i>	May 1, 2010 <i>(First time adoption of IFRS -Note 3)</i>
ASSETS			
Current Assets			
Cash	\$ 1,139,673	\$ 109,531	\$ 4,644,286
Cash for exploration	-	-	9,406,238
Accounts receivable (Note 4)	155,275	207,006	6,525,402
Subscription receivable (Note 4)	494,594		
Prepaid expenses	232,355	232,795	64,325
Prepaid exploration contribution	487,188	338,393	-
Inventory	-	-	1,148,664
Total Current Assets	2,509,085	887,725	21,788,915
Non-current Assets			
Marketable Securities (Note 5)	5,250	5,100	3,450
Investment (Note 8)	1,751,160	1,751,160	-
Investment in Company Subject to Significant Influence (Note 8)	-	-	2,544,660
Participation in Joint Venture (Note 9)	36,482,894	36,482,894	-
Deposits on Mineral Properties	-	-	181,273
Exploration and evaluation assets (Note 7)	37,860	37,791	33,651,831
Property and Equipment, net (Note 6)	55,908	53,022	70,370
Total Non-current Assets	38,333,072	38,329,967	36,451,584
TOTAL ASSETS	\$ 40,842,157	\$ 39,217,692	\$ 58,240,499
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 790,078	\$ 1,708,815	\$ 842,206
Deferred exploration contribution	-	-	17,532,405
	790,078	1,708,815	18,374,611
Shareholders' Equity			
Authorized: unlimited common shares and unlimited preferred shares	50,291,190	45,632,690	45,340,032
Common share purchase warrants outstanding (Note 10(e))	11,705,962	10,673,150	10,689,400
Contributed surplus	4,729,201	4,497,201	4,412,051
	66,726,353	60,803,041	60,441,483
Deficit	(26,674,274)	(23,294,164)	(20,575,595)
Total Shareholders' Equity	40,052,079	37,508,877	39,865,888
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 40,842,157	\$ 39,217,692	\$ 58,240,499

APPROVED ON BEHALF OF THE BOARD:

("sgd") "David Baker"

("sgd") "Earl Terris"

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

GOLDBROOK VENTURES INC.
INTERIM STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended Oct. 31		Six months ended Oct. 31	
	<u>2011</u>	<u>2010</u> <i>(First time adoption of IFRS -Note 3)</i>	<u>2011</u>	<u>2010</u> <i>(First time adoption of IFRS -Note 3)</i>
GENERAL & ADMINISTRATIVE EXPENSES				
Depreciation on property and equipment	\$ 3,491	\$ 4,337	\$ 6,982	\$ 8,674
Consulting fees (Note 13)	138,700	146,857	271,520	296,536
Financing costs (Note 7(b))	-	-	-	220,108
Management fees	134,841	137,570	298,325	297,450
Office and general expenses (Note 13)	132,442	133,298	255,379	264,352
Professional fees (Note 13)	882,568	116,000	1,697,030	192,516
Regulatory fees & services	17,184	6,518	40,328	10,163
Shareholders' communication, travel & promotion (Note 13)	94,022	117,146	180,527	237,559
Stock option compensation	240,000	-	240,000	-
Wages and benefits	196,322	70,320	390,169	118,138
Total General and Administration Expenses	<u>(1,839,570)</u>	<u>(732,046)</u>	<u>(3,380,260)</u>	<u>(1,645,496)</u>
LOSS BEFORE OTHER ITEMS	(1,839,570)	(732,046)	(3,380,260)	(1,645,496)
OTHER ITEMS				
Interest income	-	-	-	50
Share of loss of company subject to significant influence (Note 8)	-	-	-	(793,500)
NET LOSS BEFORE COMPREHENSIVE INCOME	<u>(1,839,570)</u>	<u>(732,046)</u>	<u>(3,380,260)</u>	<u>(2,438,946)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) from marketable securities	(1,500)	(300)	150	(1,350)
COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$(1,841,070)</u>	<u>\$ (732,346)</u>	<u>\$(3,380,110)</u>	<u>\$ (2,440,296)</u>
Loss Per Share, Basic and Diluted			\$ (0.017)	\$ (0.014)
Weighted Average Common Shares Outstanding			207,827,426	183,020,983

The accompanying notes are an integral part of these financial statements

GOLDBROOK VENTURES INC.
INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended Oct. 31		Six months ended Oct. 31	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		<i>(First time adoption of IFRS -Note 3)</i>		<i>(First time adoption of IFRS -Note 3)</i>
CASH FLOWS DERIVED FROM (Applied to)				
Operating Activities				
Comprehensive loss for period	\$(1,841,070)	\$(732,346)	\$(3,380,110)	\$(2,440,296)
Items not involving cash				
Depreciation on property and equipment	3,491	4,337	6,982	8,674
Financing costs by issuing common shares	-	-	-	107,608
Share of loss of company subject to significant influence	-	-	-	793,500
Stock option compensation	240,000	-	240,000	-
Other comprehensive loss (income)	1,500	300	(150)	1,350
	(1,596,079)	(727,709)	(3,133,278)	(1,529,164)
Changes in non-cash working capital balances				
(Increase) Decrease in accounts receivable	(467,950)	3,734,760	(442,863)	6,983,406
Increase in prepaid expenses	10,195	(7,621)	(148,355)	(14,182)
Increase in inventory	-	(1,347,000)	-	(198,336)
Increase (Decrease) in accounts payable	596,401	(1,476,539)	(918,737)	864,264
Deferred exploration contribution	-	(11,193,674)	-	(14,219,277)
	(1,457,433)	(11,017,783)	(4,643,233)	(8,113,289)
Investing Activities				
Deposits for mining camp services	-	1,984,795	-	131,273
Exploration and evaluation assets	-	-	(69)	-
Purchase of capital assets	-	-	(9,868)	-
	-	1,984,795	(9,937)	131,273
Financing Activities				
Common shares issued	1,783,362	56,450	5,683,312	56,450
Cash, Increase (Decrease) during the period	325,929	(8,976,538)	1,030,142	(7,925,566)
CASH, BEGINNING OF PERIOD				
Cash	813,744	4,948,332	109,531	4,644,286
Cash for exploration	-	10,153,164	-	9,406,238
Total cash, beginning of period	813,744	15,101,496	109,531	14,050,524
CASH, END OF PERIOD				
Cash	1,139,673	4,370,035	1,139,673	4,370,035
Cash for exploration	-	1,754,923	-	1,754,923
Total cash, beginning of period	\$ 1,139,673	\$ 6,124,958	\$ 1,139,673	\$ 6,124,958

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

GOLDBROOK VENTURES INC.
INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars, except number of shares)
(Unaudited)

	SHARE CAPITAL		SHARE			TOTAL
	SHARES	AMOUNT	CONTRIBUTED SURPLUS	PURCHASE WARRANTS	DEFICIT	
Balance, May 1, 2010	182,654,041	\$ 45,340,032	\$ 4,412,051	\$10,689,400	\$(20,575,595)	\$ 39,865,888
Common shares issued as finder's fee	489,130	107,608				107,608
Stock options exercised	85,000	18,950				18,950
Warrants exercised	125,000	37,500				37,500
Valuation adjustments on options exercised		9,850	(9,850)	-	-	-
Valuation adjustments on warrants exercised		16,250		(16,250)	-	-
Other comprehensive loss for the period	-	-	-		(1,350)	(1,350)
Net loss for the period	-	-	-		(2,438,946)	(2,438,946)
Balance, October 31, 2010	183,353,171	\$ 45,530,190	\$ 4,402,201	\$10,673,150	\$ (23,015,891)	\$ 37,589,650
Stock options exercised	500,000	62,500				62,500
Valuation adjustments on stock options	-	40,000	95,000	-		135,000
Other comprehensive loss for the period	-	-	-		3,000	3,000
Net loss for the period	-	-	-		(281,273)	(281,273)
Balance, April 30, 2011	183,853,171	\$ 45,632,690	\$ 4,497,201	\$10,673,150	\$ (23,294,164)	\$ 37,508,877
Common shares issued through private placement	38,313,000	5,670,812				5,670,812
Valuation adjustments on warrants issued	-	(1,032,812)	-	1,032,812	-	-
Stock options exercised	100,000	12,500				12,500
Valuation adjustments on stock options		8,000	232,000	-	-	240,000
Other comprehensive loss for the period	-	-	-		150	150
Net loss for the period	-	-	-		(3,380,260)	(3,380,260)
Balance, October 31, 2011	222,266,171	\$ 50,291,190	\$ 4,729,201	\$11,705,962	\$ (26,674,274)	\$ 40,052,079

GOLDBROOK VENTURES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2011
(Unaudited)

Note 1. Nature of Operations and Going Concern

The Company was incorporated as Goldbrook Explorations Inc. on May 20, 1983, in the Province of Ontario, Canada. On July 22, 2002, the Company changed its name to Goldbrook Ventures Inc. On April 14, 2003, the Company was granted a Certificate of Continuation under the Company Act of British Columbia. The Company's registered and records office in British Columbia is Suite 1550, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6.

The Company is a development stage enterprise in the process of exploring properties and has not yet determined whether the properties contain economically recoverable ore reserves. The recovery of the amounts shown as acquisition costs of mineral properties and the related deferred exploration costs is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mining claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. No feasibility studies have been undertaken on mining properties. However a NI43-101 report prepared in September 2009 and updated on November 2010.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") on a going concern assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception of \$26,674,274, and the Company will need additional funds to continue to explore and, if exploration is successful, to develop its properties. These factors create substantial doubt as to the ability of the Company to continue as a going concern unless sufficient funds are raised for ongoing operations. The Company intends to raise funds by private placements. Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

Note 2. Summary of Significant Accounting Policies

Statement of Compliance

These unaudited interim condensed financial statements of the Company were prepared by management in accordance with IFRS, as issued by the IASB. As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards. These unaudited interim condensed financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its annual financial statements for the year ended April 30, 2012. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time.

GOLDBROOK VENTURES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2011
(Unaudited)

Note 2. Summary of Significant Accounting Policies (cont'd)

Statement of Compliance (cont'd)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in the preparation of an opening IFRS statement of financial position as at May 1, 2010, as required by IFRS 1.

Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP.

Basis of Measurement

The financial statements have been prepared on the historical cost, except for the revaluation of financial assets and financial liabilities at fair value in accordance with IFRS.

Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the functional and presentation currency.

(a) Translation of Foreign Currency

The Company translates assets, liabilities, revenues and expenses in a manner that retains their basis of measurement in terms of the Canadian dollar, which is used as the unit of measurement. In particular:

- (i) monetary items are translated at the rate of exchange in effect at the balance sheet date;
- (ii) non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the rate of exchange in effect at the balance sheet date;
- (iii) revenue and expense items are translated at the rate of exchange in effect on the dates they occur;
- (iv) depreciation or amortization of assets translated at historical exchange rates are translated at the same exchange rates as the assets to which they relate;
- (v) exchange gains or losses arising on conversion are included in other income or expense.

GOLDBROOK VENTURES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2011
(Unaudited)

Note 2. Summary of Significant Accounting Policies (cont'd)

(b) Financial Instruments

Recognition and Measurement

Financial asset and financial liability are measured initially at their fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For the purpose of measuring a financial asset after initial recognition, the Company classifies financial assets as either “held-to-maturity”, “available-for-sale”, “held for trading” or “loans and receivables” categories. Financial assets “held to maturity”, “loans and receivables” and “other liabilities” are measured at amortized cost. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as “at fair value through profit or loss” are measured at fair value with unrealized gains and losses recognized on the statement of loss.

Cash is comprised in the “at fair value through profit or loss” category. Marketable securities are comprised in the “available-for-sale” category. The investment in Joint Venture is measured at cost. Accounts payable and accrued liabilities are comprised in the “other liabilities” category.

Impairment and uncollectibility of financial assets

At the end of each reporting period, the Company assesses whether there is any objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognized.

For “loans and receivables”, an impairment loss is recognized in profit or loss for the difference between the asset's carrying amount and the present value of estimated future cash flows. For unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, an impairment loss is recognized in profit or loss for the difference between the carrying amount of the financial asset and the present value of estimated future cash flows. Such impairment losses cannot be reversed. When a decline in the fair value of an “available-for-sale” financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Comprehensive Income

The Company's financial statements include a Statement of Comprehensive Loss integrated with the statement of operations, which includes the components of comprehensive income. For the Company, other comprehensive income (“OCI”) is comprised of the unrealized gains on available-for-sale financial assets arising during the period.

GOLDBROOK VENTURES INC.
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(Unaudited)

Note 2. Summary of Significant Accounting Policies (cont'd)

(b) Financial Instruments (cont'd)

Hedges

The Company has not designated any hedging relationships.

Capital Management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its exploration properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended October 31, 2011. The Company is not subject to externally imposed capital requirements.

Financial Instruments - Disclosures and presentation

The Company quantified the impact of credit risk when calculating the fair value of financial assets and liabilities.

As at October 31, 2011, the Company's financial instruments consisted of cash, marketable securities, accounts payable, and accrued liabilities. With respect to all of these financial instruments, the Company estimates that the fair value of these financial instruments approximates the carrying values as at October 31, 2011.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

Cash and cash equivalents are subject to floating interest rates. As at October 31, 2011, if interest rates had decreased/increased by 1% with all other variables held constant, there will be no significant impact on the financial statements.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of mineral commodities. As of October 31, 2011, the Company was not in the production phase. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

GOLDBROOK VENTURES INC.
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Note 2. Summary of Significant Accounting Policies (cont'd)

(b) Financial Instruments (cont'd)

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 currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

i) Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company places its investment in public company shares in several financial instruments and, limits the amount of credit exposure. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of October 31, 2011, both the carrying and fair value amounts of the Company's financial instruments are the same.

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. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

iii) Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they fall due. The Company holds marketable securities and investment available for sale. All liabilities are currently due.

The management objective is to maintain sufficient cash and cash equivalents to ensure that the Company has at its disposal sufficient sources of financing. The Company also establishes budget and liquidity forecasts to ensure that it has to its disposal sufficient funds to meet its financial obligations.

iv) Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

GOLDBROOK VENTURES INC.
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Note 2. Summary of Significant Accounting Policies (cont'd)

(b) Financial Instruments (cont'd)

The measurement at fair value of cash uses Level 2 valuation technique. The measurement at fair value of marketable securities uses Level 1 valuation technique. There have been no transfers between fair value levels during the current period.

v) Foreign Currency Risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency. The velocity of the foreign currency is monitored and foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments recorded on its balance sheet.

(c) Environmental Issues

The Company is not aware of any environmental studies made and of any present or past obligations.

The operations of the company may in the future be affected from time to time to varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the company vary greatly and are not predictable. The company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

(d) Recognition Criteria

Items recognized in these financial statements are accounted for in accordance with the accrual basis of accounting which recognizes the effect of transactions and events in the period in which they occurred. Operator's fees revenue are generally recognized when performance is achieved and reasonable assurance regarding measurement and collectibility of the consideration exists. Gains are generally recognized when realized. Expenses and losses are generally recognized when an expenditure or previously recorded asset has no future economic benefit.

(e) Valuation of Inventory

The Company has evaluates of inventories at the lower of cost and replacement cost

GOLDBROOK VENTURES INC.
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Note 2. Summary of Significant Accounting Policies (cont'd)

(f) Exploration and Evaluation Assets

Expenditures incurred before the Company has obtained the legal rights to explore a specific area are expensed. Expenditures related to the development of mineral resources are not recognized as exploration and evaluation assets. Expenditures related to the development are accounted as an asset only when the technical feasibility and commercial viability of a specific area are demonstrable and when recognition criteria of IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets are satisfied.

All costs associated with property acquisition and exploration activities are capitalized as exploration and evaluation assets. Costs that are capitalized are limited to costs related to acquisition and exploration activities that can be associated with finding specific mineral resources, and are not include costs related to production (lifting costs), and administrative expenses and other general indirect costs. Exploration and evaluation expenditures are capitalised when the following criteria are satisfied:

- are held for use in the production of mineral resources,
- properties have been acquired and expenses have been incurred with the intention of being used on a continuing basis; and
- are not intended for sale in the ordinary course of business.

Costs related to the acquisition of mining properties and to exploration and evaluation expenditures are capitalized by property until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets are reclassified as mining assets under development. Exploration and evaluation assets are assessed for impairment before reclassification, and any impairment loss recognised.

The Company reconsiders periodically facts and circumstances in IFRS 6 that require testing exploration and evaluation assets for impairment. When facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the asset is test for impairment. The recoverable amount is the higher of fair value less costs to sell and value in use of the asset (present value of the future cash flows expected). When the recoverable amount of an exploration and evaluation asset is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss.

The recoverable amount of exploration and evaluation assets depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The carrying amount of exploration and evaluation assets do not necessarily represents present-time or future values.

GOLDBROOK VENTURES INC.
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Note 2. Summary of Significant Accounting Policies (cont'd)

(g) Participation In The Joint Venture

The Company recognizes its interests in the Joint Venture by using the equity method.

(h) Stock Option Compensation

The Company records for all stock options granted to non-employees and employees by applying the fair value based method of accounting. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Stock options are accounted immediately as expenses at the time they are granted without any delay for the rights.

(i) Property and Equipment

The Company depreciates its equipment on the declining balance method, at the following rates per year based upon their estimated useful lives.

Office equipment and leasehold improvement	20%
Computer equipment	30%

Leasehold improvement is being depreciated on 5-year straight line basis.

(j) Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, which consist primarily of property and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying values of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

(k) Asset Retirement Obligations

Future obligations to retire an asset include dismantling, remediation and ongoing treatment and monitoring of the site are discounted to their net present value using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted to full value over time through periodic charges to earnings. The amount of the asset retirement liability initially recognized is capitalized as part of the asset's carrying value and amortized over the asset's estimated useful life. Future asset retirement obligations are only recorded when the timing or amount of remediation costs can be reasonably estimated.

The future asset retirement obligations are unknown at this time. An environmental study will be conducted for the Joint Venture properties in the 2011 exploration program.

Note 2. Summary of Significant Accounting Policies (cont'd)

GOLDBROOK VENTURES INC.
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(l) Income Taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed on a regular basis and adjusted, if necessary, by use of valuation allowances to reflect the estimated realizable amount.

(m) Loss Per Common Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the year. During the six months ended October 31, 2011, all of the outstanding stocks are antidilutive (Note 12).

(n) Mining Properties Options Agreement

When the venturers are not related prior to the transfer to a joint venture, the transfer by the Company to a joint venture of a working interest in its mining properties constitutes a change in the risk of the cash flows the Company expects to receive. Accordingly, the transfer has commercial substance and is measured at fair value. For working interest in mining properties in exploration and evaluation phase, the Company considers that the carrying amount of net assets transferred by venturers to the joint-venture provide a good indication of fair value.

(o) Future Accounting Policies

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 – Financial Instruments

IFRS establishes the requirements for recognizing and measuring financial assets and financial liabilities. On August 4, 2011, IASB issued an exposure draft proposing to change the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015 rather than being required to apply them for annual periods beginning on or after January 1, 2013 as is currently the case.

Note 2. Summary of Significant Accounting Policies (cont'd)

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(o) Future Accounting Policies (cont'd)

*IFRS 10 - Consolidated Financial Statements and IAS 27 - Separate Financial Statements
(as amended in 2011)*

IFRS 10 introduces a single consolidation model for all entities based on the concept of control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Concerning IAS 27, the requirements relating to separate financial statements will remain unchanged and will be included in the amended IAS 27. The other portions of IAS 27 will be replaced by IFRS 10. The new IFRS 10 and the IAS 27 amended standards are effective for reporting period beginning on or after January 1, 2013.

IFRS 11 - Joint Arrangements and IAS 28 – Investments in Associates and Joint Venture

The new IFRS 11 cancels and replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities” – Non-Monetary Contributions by Venturers”. IFRS 11 introduces new accounting requirements for joint arrangements. The option to apply the proportional consolidation method when accounting for jointly controlled entities, that allow the parent company to record in its consolidated financial statements (balance sheet and comprehensive income) its interest’s pro rata is removed. The equity method of accounting now applies to joint ventures. The IAS 28 as amended in 2011 now entitled “Investments in Associates and Joint Ventures” supersedes the current IAS 28 “Interests in Joint Ventures”. IAS 28 is amended to conform with changes adopted based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This new standard is effective January 1, 2013 with earlier application permitted.

IAS 12 - Income Taxes

IAS 12 addresses the recovery of underlying assets. This amendment is effective January 1, 2012 with earlier application permitted.

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Note 3. First Time Adoption of IFRS

Effective May 1, 2011, the Company adopted IFRS with a transition date of May 1, 2010.

The guidance for the first time adoption of IFRS is set out in IFRS 1 “First-time Adoption of International Financial Reporting Standards”. Under IFRS 1, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated May 1, 2010.

a) Business Combinations

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 taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after May 1, 2010. There is no adjustment required to the May 1, 2010 statement of financial position on the transition date.

b) Share-based Payments

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 May 1, 2010.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated May 1, 2010:

Estimates - In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP. The Company’s IFRS estimates as of May 1, 2010 are consistent with its GAAP estimates for the same date.

In accordance with IFRS 1, if a company elects to apply IFRS 3 “Business Combinations” retrospectively, IAS 27 “Consolidated and Separate Financial Statements” (as amended in 2008) must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS employs a conceptual framework similar to Canadian GAAP. Significant differences between IFRS and Canadian GAAP exist in certain matters of recognition, measurement and disclosure. However, the adoption of IFRS had no significant impact on periods presented in these financial statements and therefore no reconciliations were necessary.

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Note 3. First Time Adoption of IFRS (cont'd)

c) Flow-through Shares

During the fiscal years 2003 to 2008, the Company issued flow-through shares, capitalized eligible expenditures to its Raglan properties, and renounced the expenses to investors. During the year ended April 30, 2011, the Company transferred the Raglan properties to the joint venture.

Pre-changeover Canadian GAAP includes guidance on accounting for flow-through shares but on transition to IFRSs, this guidance is withdrawn. IFRSs do not specifically address the accounting for flow-through shares or the related tax consequences arising from such transactions. The Company has decided not to apply retrospectively the non-authoritative view point published in May 2011 by the Mining Industry Task Force created by the Canadian Institute of Chartered Accountants and the Prospectors and Developers Association of Canada relatively to the accounting treatment for flow-through shares. It is the management's opinion that the proposed method of accounting for the flow-through financing provided by this point of view would not establish reliable and more relevant information from the one previously reported. A retrospective application could have resulted in modified values for capital shares and deficit compared to the one previously recorded at the transition date but without net impact on shareholders' equity. In the absence of an IFRS that specifically applies to flow-through shares transaction, management decides that pre-changeover GAAP described in EIC-146, "Flow-through Shares" is relevant to the economic decision-making needs of users, reliable and represent faithfully the financial position, financial performance and cash flows of the entity. In making this judgement, management consider that the position in EIC-146 does not conflict with other IFRSs and comply with IFRS conceptual framework.

Note 4. Accounts Receivable and Subscription Receivable

The followings are included in accounts receivable:

	<u>October 31, 2011</u>	<u>April 30, 2011</u>
GST/HST receivable	\$ 153,793	\$ 207,006
QST receivable	1,482	-
Total	\$ 155,275	\$ 207,006

On October 31, 2011, the Company closed a non-brokered private placement (Note 10(b)). \$494,594 subscription proceeds were not received as at October 31, 2011 and included in the subscription receivable. All those subscription receivables were received subsequently.

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Note 5. Marketable Securities

As at October 31, 2011, the Company had available for sale securities as follows:

	October 31, 2011			April 30, 2011		
	<u># of shares</u>	<u>Cost</u>	<u>Market value</u>	<u># of shares</u>	<u>Cost</u>	<u>Market value</u>
<u>Common Shares</u>						
Resolve Ventures Inc.	15,000	\$33,000	\$5,250	15,000	\$33,000	\$5,100

Note 6. Property and Equipment

	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
<i>Cost</i>				
Balance as at May 1, 2010	\$35,153	\$85,398	\$29,497	\$150,048
Balance as at April 30, 2011	\$35,153	\$85,398	\$29,497	\$150,048
Acquisitions	-	9,868	-	9,868
Balance as at October 31, 2011	\$35,153	\$95,266	\$29,497	\$159,916
<i>Accumulated depreciation</i>				
Balance as at May 1, 2010	\$18,207	\$58,521	\$2,950	\$79,678
Depreciation	3,388	8,060	5,900	17,348
Balance as at April 30, 2011	21,595	66,581	8,850	97,026
Depreciation	1,356	3,562	2,064	6,982
Balance as at October 31, 2011	22,951	70,143	\$10,914	\$104,008
<i>Net book value</i>				
Balance as at April 30, 2011	\$13,558	\$18,187	\$20,647	\$53,022
Balance as at October 31, 2011	\$12,202	\$25,123	\$18,583	\$55,908

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Note 7. Exploration and Evaluation Assets

(a) Onaman River Property

For the year ended April 30, 2002, these mining leases and patents claims were carried at a nominal value of \$1.00 and represented a 80% interest in the Onaman River Property, Onaman Lake Township, Ontario, subject to 30% net profits royalties on one group and a 10% net profits royalties on the balance of leased claims. The Company wrote-off the nominal value of \$1.00 in the year ended April 30, 2003. As at October 31, 2011, there are seven patents and 33 lease claims which are in good standing. Costs incurred to date include:

	Balance, April 30, 2011	Increased in the six months ended October 31, 2011	Balance, October 31, 2011
(a) Onaman River			
Acquisition costs	\$ 25,845	\$ -	\$ 25,845
Deferred exploration costs			
- Claims maintenance & staking	11,946	69	12,015
Total deferred exploration costs	11,946	69	12,015
Total Onaman River	37,791	69	37,860

(b) Raglan Area Properties – District of Northern Quebec

Since January 31, 2011, the Company has a 50% investment in a Joint Venture that is holding mineral properties in Raglan area, Quebec with total 6,459 claims (647,654 acres).

As at January 31, 2011, Jilin Jien Nickel Industry Co. Ltd. (“Jilin Jien”), the option and joint venture partner, has provided funding of \$45 million to the Company, \$12.5 million of which was for the expenditures of the first year, \$15 million of which was for the second year, and \$17.5 million is part of the funding for the third year. In the year ended April 30, 2011, the Raglan exploration project also received \$3,631,975 Quebec 2009 tax credits that have been claimed by Jilin Jien. On July 20, 2011, the Company paid back its pro rata shares of the over-refunded 2009 Quebec tax credit plus interest in the amount of \$941,201.45 according to the arbitration award and order and the subsequent ruling (Note 8).

Jilin Jien's option was exercised on January 31, 2011 and that a Joint Venture was formed between Jilin Jien and the Company on that date. As such, the Company transferred all its Raglan district properties to the Joint Ventures on January 31, 2011 (Note 9). Effective February 1, 2011, the Joint Venture partner became the operator and the management of the new Joint Venture is under the partner's responsibility. The Company will not earn operator's fees from year 2012.

9,692,171 common shares of the Company have been issued (6,974,999 of which were issued in 2009, 2,228,042 of which were issued in 2010, and 489,130 of which were issued in 2011) and a \$1,132,500 cash finder's fee has been paid (\$505,000 of which was paid in 2009, \$515,000 of which was paid in 2010, and \$112,500 of which was paid in 2011) to a third party in connection with the Shareholder, Joint Bid, and Operating Agreement (“Agreement”) and in accordance with the policies of the TSX Venture Exchange. The value of the common shares issued in lieu of finder's fee and the cash finder's fee have been recorded as financing costs.

Note 7. Exploration and Evaluation Assets (cont'd)

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(b) Raglan Area Properties – District of Northern Quebec (cont'd)

In August 2011, the Joint Venture approved the 2011 exploration program budget of \$2.7 million. No cash call is expected as the budgeted expenditures are expected to be fully covered by the Quebec mineral exploration credits refund.

(c) Mineral Exploration Credits

As at October 31, 2011, \$7,602,467 Quebec corporate tax credits and Quebec mining duties credits for 2009, 2010, and 2011 have been claimed by the Raglan project, \$2,400,404 of which were received by Jilin Jien (Note 8).

Note 8. Investment In Company Subject To Significant Influence

On August 7, 2009, the Company announced that it had entered into an Agreement with Jilin Jien, and its wholly-owned subsidiary Jien International Investment Ltd. (“Jien International”), to make an all-cash take-over bid for Canadian Royalties Inc. (“Canadian Royalties”) to acquire all of its outstanding common shares and all of the outstanding 7% convertible senior unsecured debentures due March 31, 2015

On January 13, 2010, the acquisition was completed and Jien Canada Mining Ltd. (“Jien Canada”), a company jointly owned by the Company (25%) and Jien International (75%) now owns 100% of the outstanding shares of Canadian Royalties.

On November 13, 2009, the Company tendered the 4,750,000 Canadian Royalties shares held as “available-for-sale” securities to Jien Canada as its investment in Jien Canada. The fair market value of those shares was \$3,752,500 (based on the closing price of November 13, 2009 on TSX at \$0.79 per share) which has been recorded as “Investment in Company Subject To Significant Influence” as non-current assets on Balance Sheet. The Company also acquired 25 class A shares and 1 class B share of Jien Canada for cash consideration of \$26, and those are also included in “Investment in Company Subject To Significant Influence”.

On September 21, 2010, the Company announced that at a meeting of the Directors of Jien Canada, the nominees of Jilin Jien had purported to approve an issuance of 494 voting common shares of Jien Canada that would reduce the Company’s percentage of voting shares from 25% to 4.21% and increase Jilin Jien’s percentage of voting shares from 75% to 95.79% (“September 21 Resolution”). The Company had informed Jilin Jien that this shares issuance is not permitted under the Agreement between the parties that governs the operation of Jien Canada. The Company has discussed this matter with its legal counsel and has informed Jilin Jien that any issuance of voting shares requires its approval under the Agreement and that such issuance is also in contravention of other provisions of the Agreement. The Company intends to vigorously defend its rights under the Agreement.

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Note 8. Investment In Company Subject To Significant Influence (cont'd)

Up till July 31, 2010, by using the equity method, the Company included 25% of the net income or net loss of Jien Canada (consolidated with Canadian Royalties) in the Company's financial statements by adjusting the carrying value of "Investment in Company Subject To Significant Influence" at the balance sheet and by adjusting its net income or net loss.

After July 31, 2010, the Company reclassified its investment in Jien Canada from "Investment in Company Subject To Significant Influence" to "Investment" (financial asset) based on the fact that Jien Canada's issuance of voting shares without the Company's approval. The value of the investment in Jien Canada is measured at cost, which is the consolidated value as at July 31, 2010. Uncertainty exists relating to the measurement of the fair value of the investment as there is no quoted market price for Jien Canada. ". If the Company re-establishes its significant influence in the future, its investment in Jien Canada will be recorded at the consolidated value at the carrying value at the date of the recovery of the significant influence.

As at October 31, 2011, the Company has investment available for sale as follows:

	October 31, 2011		April 30, 2011	
	<u># of shares</u>	<u>Carrying amount</u>	<u># of shares</u>	<u>Carrying amount</u>
Class A shares.	25		25	
Class B shares	4,750,001		4,750,001	
		\$1,751,160		\$1,751,160

The Company considers that the equity method value of \$1,751,160 as at July 31, 2010 represents the best estimate of the fair value for the initial measurement of this financial asset. Since this investment do not have a quoted market price in an active market and its fair value cannot be reliably measured, subsequent measurement is at cost.

o *Arbitration – the Company's 25% Voting Share of Jien Canada*

On October 20, 2010, the Company announced that it had commenced arbitration proceedings in British Columbia against Jilin Jien in respect of Jilin Jien's purported issuance of voting common shares of Jien Canada that would reduce the Company's percentage of voting shares, and consequently Company's interest in the Nunavik Nickel Project, from 25% to 4.21%. The Company is seeking remedies, including declarations that the share issuance violated the terms of the Agreement between the parties and that the Company continues to hold 25% of the voting shares of Jien Canada.

On July 20, 2011, the Arbitration Tribunal issued a partial final award (the "July 20 Award") in respect of this arbitration announced by the Company on October 20, 2010. The Arbitration Tribunal found that the Company is entitled under the Agreement to be the holder of 25% of the voting shares of Jien Canada and that the issuance of 494 voting shares that would have effected the dilution was not authorized by, and was contrary to, the Agreement.

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Note 8. Investment In Company Subject To Significant Influence (cont'd)

The Tribunal further directed that if the Company intends to seek an award directing the steps to be taken to restore its 25% shareholding beyond the declarations made in the Award that the Tribunal requires submissions from the parties on that issue. The Tribunal has reserved its jurisdiction to decide all matters relating to costs until any further submissions have been made.

The Company intends to pursue any further steps necessary in order to restore its 25% interest in the Nunavik Nickel Project.

A consent resolution of Jien Canada has been proposed to cancel the 494 voting common shares issued in order to restore the Company's 25% shareholding of Jien Canada.

On September 19, 2011, Jilin Jien and its affiliates filed a petition in British Columbia Supreme Court seeking an order granting leave to appeal the July 20 Award.

Pursuant to section 31 of the British Columbia Commercial Arbitration Act, in order to obtain leave to appeal, Jilin Jien and its affiliates must establish that the appeal sought is on a question of law arising out of the Award. If Jilin Jien and its affiliates are able to establish that the appeal sought is on a question of law, the petition provides that they must also establish (i) that the importance of the result of the arbitration to the parties justifies the intervention of the court, (ii) that determination of the point of law may prevent a miscarriage of justice, and (iii) that granting of leave is an appropriate exercise of judicial discretion.

The Company will oppose the petition for leave to appeal the July 20 Award.

On September 27, 2011, the Arbitration Tribunal issued a further partial final award on the supplementary issues (the "September 27 Award"). In the September 27 Award, the Arbitration Tribunal found that Jilin Jien and Jien International breached the Agreement by proposing and taking the benefit of the September 21 Resolution. The Arbitration Tribunal also found that Jien Canada breached the Agreement by approving the September 21 Resolution.

In the September 27 Award, the Arbitration Tribunal further declared that the units issued pursuant to the September 21 Resolution are invalid, null and void and directed the parties to discuss the steps that should be taken to cancel the units, and to use their best efforts to agree on and implement those steps. The Arbitration Tribunal continues to reserve its jurisdiction to determine any further steps that the parties must take in light of that declaration for a further 30 days. The Arbitration Tribunal also continues to reserve its jurisdiction to decide all matters relating to the costs of this proceeding.

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Note 8. Investment In Company Subject To Significant Influence (cont'd)

○ *Arbitration – Jilin Jien Became Operator of the Joint Venture*

On March 8, 2011, Jilin Jien and Jien International commenced arbitration in respect of a matter in dispute between Jilin Jien and the Company arising out of the Option and Joint Venture Agreement dated August 28, 2008 between the Company and Jilin Jien. This dispute arises out of whether Jilin Jien has vested its interest in the joint venture and become operator of the project. On May 31, 2011, the Arbitration Tribunal declared that Jilin Jien's option was deemed to have been exercised on January 31, 2011 and that a joint venture was formed between Jilin Jien and the Company on that date. The Tribunal also made orders relating to the formation of the joint venture, including that the parties will each pay their pro rata shares of excess rebates that were paid into the project and subsequently reassessed. The Arbitration Tribunal confirmed in a subsequent ruling dated July 14, 2011 that the award is payable immediately.

Effective February 1, 2011, the Joint Venture partner became the operator, and the Company will not earn operator's fees from year 2012.

On July 20, 2011, the Company paid its pro rata shares of the over-refunded 2009 Quebec tax credit plus interest in the amount of \$941,201.45 according to the arbitration award and order and the subsequent ruling.

The Arbitration Tribunal also ordered that the Company pay the costs of the Arbitration.

On July 20, 2011, the Company paid \$175,000 to Jilin Jien in satisfaction of that order as well as \$15,498 to cover the costs of the July 14 subsequent ruling.

○ *Arbitration – Purported Approval of Loan*

On March 30, 2011, the Company commenced arbitration proceeding in British Columbia against Jilin Jien in respect of Jilin Jien's purported approval of a loan of up to \$357,497,576 from Jilin Jien's affiliate JHG International Capital Inc. ("JHG") to finance the 2011 program and budget of Jien Canada. The terms of the loan facility include that from six months following project completion, JHG will be entitled to a "cash sweep" of 100% of the cash flow available from Canadian Royalties, the wholly owned operating subsidiary of Jien Canada. The Company's position is that the purported approval of the terms of the related party loan facility is contrary to the Agreement dated August 6, 2009. The Company is seeking remedies, including damages and a declaration that the unanimous consent of the Jien Canada Board was required to approve the financing under the Agreement (Note 15 & 16).

○ *Petition*

On April 18, 2011, the Company filed a petition in the Supreme Court of British Columbia against Jien Canada, Jilin Jien, Jien International, and Canadian Royalties seeking a declaration that the affairs of Jien Canada have been and are being conducted in a manner that is oppressive or unfairly prejudicial to the Company or which unfairly disregards the interests of the Company (Note 15).

Note 8. Investment In Company Subject To Significant Influence (cont'd)

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○ *Arbitration – Mineral Exploration Credits Refunds*

On September 6, 2011, the Company announced that it commenced arbitration proceedings in British Columbia against Jilin Jien and its affiliates in respect of Jilin Jien's handling of mineral exploration credits refunds received from the Quebec government for expenditures on the property (the "Property") subject to the Agreement between the Company and Jilin Jien and other disputes relating to Jilin Jien's actions as Operator of the joint venture between the Company and Jilin Jien. The Company is seeking remedies in the arbitration proceedings including orders declaring Jilin Jien in breach of the Agreement and damages (Note 15).

In 2009, Jilin Jien received mineral exploration credits refunds in the amount of \$3,631,975 from the Quebec government in respect of 2008 expenditures on the Property (the "2008 Refunds"). The 2008 Refunds were used for expenditures on the project. The amount payable in respect of 2008 Refunds was later reassessed and reduced, and both the Company and Jilin Jien paid \$937,426 to remedy the overpayment. In a prior arbitration proceeding relating to the establishment of the joint venture, the Tribunal ordered that future refunds received in respect of 2008 and 2009 expenditures must be used to fund expenditures on the project. In August 2011, Jilin Jien received \$2,400,404.47 from the Quebec government in respect of 2009 expenditures (the "2009 Refunds"). Jilin Jien proposes to unilaterally establish an environmental contingency fund and to appropriate the 2009 Refunds to be contributed to that fund. The Company's position is that the establishment of the environmental contingency fund and appropriation of the funds thereto is not authorized, and is contrary to the Agreement. The Company further takes the position that the arbitration order requires that the 2009 Refunds be used for expenditures on the project, including reimbursement of funds previously advanced by the Company and Jilin Jien towards project expenditures.

There is no basis for the creation of an "environmental contingency fund" at the Raglan joint venture property. The Agreement permits an environmental contingency fund to be created in conjunction with a mine maintenance or mine closure plan. This project has not yet progressed to the feasibility stage, much less to a mine maintenance or closure situation. In addition, the 2011 Program and Budget put forward by Jilin Jien as Operator, and approved by the Management Committee on August 5, 2011, did not contemplate an environmental contingency fund, nor was the topic raised at the August 5 meeting.

The Company is seeking remedies, including damages, an order that Jilin Jien use the 2009 Refunds to pay the Company \$1,062,933 in respect of expenditures incurred on the Property by the Company during the currency of the option, and an order that the remaining balance of the 2009 Refunds (\$1,337,471.47) be used to repay the Company and Jilin Jien for the amount each advanced to the project to remedy the overpayment in the 2008 Refunds. If this order is granted, the Company would be entitled to one half of the remaining balance of the 2009 Refunds, or \$668,735.73. The Company also seeks an order that Jilin Jien pay the Company the sum of \$487,188 in respect of expenditures incurred on the Property by the Company following the deemed establishment of the Joint Venture.

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Note 9. Participation in Joint Venture

On January 31, 2011, Jilin Jien's option was exercised and a Joint Venture was formed between Jilin Jien and the Company on that date (Note 7). As of October 31, 2011, the Company's participation in the Joint Venture are as follows:

Mineral properties transferred from the Company to Joint Venture:	\$ 33,852,090
Mineral properties transferred from Jien to Joint Venture:	37,364,088
Other net liabilities elements transferred from the Company to Joint Venture	<u>(132,792)</u>
Total mineral properties of Joint Venture as at April 30, 2011	\$ 71,083,386
Less: Jien's Joint Ventures interest	<u>(35,541,693)</u>
The Company's Joint Venture interest	<u>35,541,693</u>
The Company's pro rata share of the over-refunded 2009 tax credits (Note 8)	<u>941,201</u>
Participation in Joint Venture, April 30, 2011	36,482,894
Participation in Joint Venture, October 31, 2011	<u>\$ 36,482,894</u>

Upon the time of the Joint Venture was formed, the Company transferred the balance of deficit to the Joint Venture including the followings:

Fuel inventory	\$1,915,534
Cash	101,936
GST and QST receivable	20,917
Accounts payable	(155,229)
Tax credits receivable	5,619,962
Deferred exploration contribution	<u>(7,635,912)</u>
	<u><u>\$(132,792)</u></u>

The Joint Venture becomes a related party to the Company, as well as Jien, the Joint Venture partner.

The recording of the proportionate results of the Joint Venture as of October 31, 2011 was not based on its audited financial statements but from the interim information. The Joint Venture did not have any revenue or expenses as of October 31, 2011. The activities of the Joint Venture between January 31, 2011 to October 31, 2011 are not significant as the effective date of the exercise option was decided by the arbitration award dated May 31, 2011 (Note 8). As at October 31, 2011, the Joint Venture had assets of \$71,083,386.

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Note 10. Capital Stock

(a) Authorized: unlimited common shares and unlimited preference shares

(b) Private Placement

On May 17, 2011, the Company closed a non-brokered private placement and issued 26,000,000 units at a price of \$0.15 per unit for gross proceeds of \$3,900,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from the closing at an exercise price of \$0.25.

On October 31, 2011, the Company announced that it had closed a non-brokered private placement to issue 12,313,000 units at a price of \$0.15 per unit for aggregate gross proceeds of \$1,846,950. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional common share for a period of one year from the closing of the offering at an exercise price of \$0.25. Finders' fees totaling \$76,096 in cash were paid and 507,307 finders' warrants were issued with respect to the private placement. Each finders' warrant is exercisable into one common share of the Company at a price of \$0.25 per share for a period of 1 year from the closing date.

(c) Shareholder Rights Plan

On November 17, 2005, the Board of Directors of the Company proposed a shareholder right plan (the "Plan"). The Plan was approved by the shareholders of the Company at the Annual General Meeting held on December 22, 2005.

Under the Plan, the Company has issued one right for no consideration in respect of each outstanding common share of the Company to all holders of record on November 17, 2005. All common shares issued by the Company during the term of the Plan will have one right represented by the certificates representing the common shares of the Company. The term of the Plan is three years, subject to re-approval by the shareholders of the Company at their 2008 Annual Meeting. At the recent Annual General Meeting held on November 18, 2008, the Plan was ratified and extended.

The Plan is intended to provide the Board of Directors with adequate time to consider value enhancing alternatives to a take-over bid and allow competing bids to emerge, and to provide the shareholders of the Company adequate time to properly assess a take-over bid without undue pressure. The Plan is also intended to ensure that the shareholders of the Company are provided equal treatment under a takeover bid. The Company is not currently aware of any pending or threatened take-over bid for the Company.

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Note 10. Capital Stock (cont'd)

(c) Shareholder Rights Plan (cont'd)

The Rights issued under the Plan become exercisable only if a person acquires 20% or more of the common shares of the Company without complying with the “permitted bid” provisions in the Plan or without the approval of the Board of Directors of the Company. Should such an acquisition occur, rights holders (other than the acquiring person or related persons) can purchase common shares of the Company at half the prevailing market price (as defined in the Plan) at the time the Rights become exercisable. Each Right, upon exercise, would permit the purchase of shares of the Company at a substantial discount to the market price.

“Permitted bids” under the Plan must be made to all shareholders for all shares of the Company, and must be open for acceptance for a minimum of 60 days. If at least 50% of the outstanding shares have been tendered and not withdrawn after 60 days, if at least 50% of the outstanding shares have been tendered and not withdrawn after 60 days, the bidder may take up the shares, but must make a public announcement of that take-up and extend the bid for a further 10 days to allow other shareholders to tender to the bid.

(d) Stock Options – Common Shares

The Company, in accordance with a Stock Option Plan approved by shareholders and accepted by the TSX Venture Exchange, is authorized to grant options to directors, officers and employees to acquire up to 10% of issued and outstanding common stock. The exercise price of each option equals the market price of the Company’s stock on the date of grant.

On March 23, 2011, the Company granted an aggregate of 1,500,000 incentive stock options, pursuant to its stock option plan, to a senior officer of the Company. The options have an exercise price of \$0.20 with a five year term.

During the year ended April 30, 2011, 585,000 stock options were exercised, 100,000 stock options were cancelled, and 920,000 stock options expired without exercise.

On September 29, 2011, the Company granted an aggregate of 1,500,000 incentive stock options, pursuant to its stock option plan, to a director of the Company. The options have an exercise price of \$0.26 with a five year term.

During the six months ended October 31, 2011, 350,000 stock options were cancelled and 100,000 stock options were exercised at \$0.125.

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Note 10. Capital Stock (cont'd)

(d) Stock Options – Common Shares (cont'd)

A summary of the Company's outstanding stock options as of October 31, 2011 and the changes during the period are presented below:

	Number of Shares Under Stock Options	Weighted Average Exercise Price Per Share
Balance Outstanding, April 30, 2011	17,833,000	\$ 0.245
Granted	1,500,000	\$ 0.26
Cancelled	(350,000)	\$ 0.31
Exercised	(100,000)	\$ 0.125
Balance Outstanding, October 31, 2011	<u>18,883,000</u>	

Incentive stock options outstanding at October 31, 2011 to directors, officers and employees are as follows:

Number of options Outstanding and exercisable	Expiry date	Exercise price
2,393,000	June 27, 2012	\$ 0.360
4,500,000	January 13, 2013	\$ 0.210
3,485,000	July 17, 2013	\$ 0.125
5,505,000	April 28, 2015	\$ 0.310
1,500,000	March 21, 2016	\$ 0.200
1,500,000	September 28, 2016	\$ 0.260
<u>18,883,000</u>		

The fair value of the 1,500,000 stock options granted on September 29, 2011 are estimated on the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Dividend Yield	Nil
Expected volatility	73%
Risk free rate of return	0.92%
Expected life of options	5 years

The weighted average fair value of the 1,500,000 options granted on September 29, 2011 was \$0.16 per option granted. Those stock options resulted in a stock option compensation of \$240,000 which is expensed during the six months ended October 31, 2011.

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Note 10. Capital Stock (cont'd)

(e) Share Purchase Warrants – Common Shares

	<u>Warrants</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
	2,000,000	June 19, 2012	\$0.35
	2,000,000	August 16, 2012	\$0.35
Balance Outstanding, April 30, 2011	4,000,000		
Issued	26,000,000	May 16, 2012	\$0.25
Issued	12,820,037	October 30, 2012	\$0.25
Balance Outstanding, October 31, 2011	42,820,037		

(f) Share Reserved – Common Shares

	<u>Number of shares</u>	
	<u>October 31, 2011</u>	<u>April 30, 2011</u>
Stock options	18,883,000	17,833,000
Share Purchase Warrants	42,820,037	4,000,000
Total	<u>61,703,037</u>	<u>21,833,000</u>

Note 11. Related Party Transactions

The Company retains the services of certain directors and officers of the Company, or by companies controlled by directors, officers, and related parties. Fees are paid for these services on a month-by-month basis without formal agreements.

\$83,853 is due to directors and officers, or companies controlled by directors and officers that is included in accounts payable and accrued liabilities at October 31, 2011 (April 30, 2011 - \$5,613).

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Note 11. Related Party Transactions (cont'd)

During the six months ended October 31, 2011 and 2010, the Company was charged the following amounts by directors and officers of the Company and their immediate family, or by companies controlled by directors, officers, and related parties:

	Six months ended October 31	
	2011	2010
Consulting fees		
- Financial – paid/accrued to two directors	\$ 24,250	\$ 18,000
- Marketing – paid/accrued to two directors	33,900	33,900
- Shareholders' communication – paid to a company controlled by the spouse of the Chairman	48,000	48,000
Equipment rental – paid to a company controlled by the Chairman	43,594	43,594
Management fees – paid/accrued to the Chairman	150,000	150,000
Management fees – paid/accrued to an officer	148,325	147,450
Professional fees – paid to an officer	48,000	48,000
Rent – paid/accrued to the Chairman	36,000	36,000
Salaries – paid/accrued to the President	120,000	60,000
Salaries – paid to an officer	125,000	-
Website fees – paid to a director	23,850	23,850
Deferred exploration costs – paid to the President	-	60,000
Total	\$ 800,919	\$ 668,794

All transactions with related parties were concluded in the normal course of operation at the amount established and accepted by the parties.

As at October 31, 2011, there are no short-term employee benefits, post-employment benefits, other long-term benefits, or termination benefits outstanding with the related parties.

As at October 31, 2011, the related parties had the following stock options that are outstanding and exercisable:

<u>Stock options</u>	<u>Year of expiry</u>
1,523,000	2012
5,535,000	2013
4,380,000	2015
3,000,000	2016

As at October 31, 2011, the related parties had the following share purchase warrants that are outstanding and exercisable:

<u>Share purchase warrants</u>	<u>Year of expiry</u>
600,000	2012

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Note 12. Loss per Common Share

	<u>Six months ended October 31, 2011</u>	
	Weighted Average Common Shares Outstanding	Loss Per Common Share
Basic	<u>207,827,426</u>	<u>\$ 0.017</u>
Effect of stock options	17,898,217	
Effect of stock purchase warrants	<u>27,950,110</u>	
Diluted	<u>253,675,753</u>	<u>\$ 0.017</u>
Anti Dilutive	<u>207,827,426</u>	

The diluted loss per common share does not increase above the basic loss per common share, due to anti-dilutive factors.

Note 13. General and Administrative Expenses

	<u>Six months ended October 31</u>	
	<u>2011</u>	<u>2010</u>
<u>Consulting fees</u>		
Financial	\$ 32,650	\$ 40,029
Geology	1,570	-
Shareholders' communication	62,400	69,400
Corporate administration	120,000	120,000
Marketing	54,900	67,107
	<u>\$ 271,520</u>	<u>\$ 296,536</u>
	<u>Six months ended October 31</u>	
	<u>2011</u>	<u>2010</u>
<u>Office and general expenses</u>		
Bank charges and interest	\$ 1,407	\$ 1,434
Insurance	25,590	-
Services	18,218	35,338
Supplies	9,442	15,861
Postage and couriers	1,192	5,602
Rent and telephone	152,198	156,444
Equipment rental	46,325	46,977
Other	1,007	2,696
	<u>\$ 255,379</u>	<u>\$264,352</u>

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Note 13. General and Administrative Expenses (cont'd)

	Six months ended October 31,	
	2011	2010
<u>Professional fees</u>		
Accounting and audit fees	\$ 127,680	\$ 51,690
Legal fees	1,569,350	140,826
	\$ 1,697,030	\$ 192,516

	Six months ended October 31,	
	2011	2010
<u>Shareholder communication, travel and promotion</u>		
Advertising & promotion	\$ 5,850	\$ 45,704
Conferences & shows	1,523	2,939
Mail-out & couriers	2,272	2,111
Press releases	4,288	12,713
Printing	2,814	9,567
Telephone, internet, website	69,957	73,285
Travel & entertainment	93,823	91,010
Other	-	230
	\$ 180,527	\$ 237,559

Note 14. Commitments

1) The Company has entered into a sublease agreement for the current office space since May 1, 2010 with a basic rent of \$133,900 per annum. This sublease agreement is expiring on March 30, 2012, subject to early termination or possible extension to up to March 30, 2017.

2) Starting from January 31, 2011, the date the Joint Venture formed (Note 8), the Company is obligated to fund 50% of expenditures of the Joint Venture. The Company's Joint Venture interest will be diluted if the Company fails to make any funding payment.

Note 15. Contingencies

As at October 31, 2011, the Company involved in the following arbitration and litigation that are still outstanding at the date of this report:

1) Arbitration commenced by the Company on March 30, 2011 against Jilin Jien in respect of Jilin Jien's purported approval of a loan of up to \$357,497,576 from JHG to finance the 2011 program and budget of Jien Canada (Note 8 & 16).

2) A petition filed by the Company on April 18, 2011 in the Supreme Court of British Columbia against Jien Canada, Jilin Jien, Jien International, and Canadian Royalties seeking a declaration that the affairs of Jien Canada have been and are being conducted in a manner that is oppressive or unfairly prejudicial to the Company or which unfairly disregards the interests of the Company (Note 8). The petition seeks relief including that Jilin Jien be required to purchase the Company's shares in Jien Canada at fair value.

Note 15. Contingencies (cont'd)

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The Company does not expect any quantitative impact on this financial statement from those arbitration and litigation results as the subjects are not quantified. However, subsequent legal fees associated with those arbitration and litigation are expected.

3) Arbitration commenced by the Company on September 6, 2011 against Jilin Jien and its affiliates in respect of Jilin Jien's handling of mineral exploration credits refunds received from the Quebec government for expenditures on the property (the "Property") subject to the Agreement between the Company and Jilin Jien and other disputes relating to Jilin Jien's actions as Operator of the joint venture between the Company and Jilin Jien (Note 8).

4) A proposed class proceeding is brought in the Ontario Superior Court of Justice against Canadian Royalties and Jien Canada and its co-defendants. It is asserted on behalf of a proposed global class action of all persons and entities, with some exceptions, who acquired Canadian Royalties' securities between June 21, 2007 and August 5, 2008 and who held some or all of those securities as of August 5, 2008. The claim seeks general damages in the amount of \$500 million and punitive damages in the amount of \$20 million. The bases for the proceeding are alleged material misrepresentations made by Canadian Royalties in its July 18, 2007 and March 12, 2008 prospectus offerings. The only material misrepresentations alleged in the claim relate to the issue of access to the Donaldson Airstrip. Since issuing the claim, the plaintiff has taken no steps to prosecute this proceeding or to have it certified by a court as a class proceeding. Canadian Royalties opposes certification of this matter as a class proceeding, and will otherwise continue to vigorously defend this action. Canadian Royalties denies any liability with respect to this proceeding. At this early stage of the litigation external counsel cannot estimate with certainty the possibility that Canadian Royalties may be found liable in any degree or for any amount. It is also not possible to estimate when final resolution – through trial or otherwise – will occur. As such, at this early stage, the Company cannot evaluate the impact of this claim to the fair value of the Company's investment in Jien Canada, and in Canadian Royalties.

Note 16. Subsequent Events

- On November 30, 2011, the Company announced that it received from Jilin Jien a request for the Company's consent to make a CAD\$0.30 cash offer to the Company's shareholders to acquire all of the issued and outstanding shares of the Company. The Company has declined to provide the consent for the reasons stated below.

The request for consent is required in light of the restriction imposed on Jilin Jien in the Shareholder, Joint Bid and Operating Agreement between the Company and Jilin Jien with respect to the Nunavik Nickel Project. The requirement for the Company to consent was negotiated to ensure that the Company's shareholders would have full information and receive a bona fide offer for fair value for their shares if Jilin Jien, as operator of the Nunavik Nickel Project, wished to make an offer to purchase all of the shares of the Company.

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Note 16. Subsequent Events (cont'd)

Following receipt of the request for consent, the Company's Board of Directors formed a special committee (the "Special Committee") of independent directors comprised of William R. LeClair (Chair) and J. Earl Terris to evaluate the request and to provide a recommendation to the Board. The Special Committee retained McCarthy Tétrault LLP as independent legal counsel and engaged Raymond James Ltd. as independent financial advisor.

The Special Committee requested additional information from Jilin Jien relating to the Nunavik Nickel Project, particularly relating to the ongoing construction, financing, capital and operating expenditures and projected output for the project. Certain information was provided by Jilin Jien which allowed the committee and its advisors to more fully evaluate the request for consent. However, the Committee and its advisors continue to be hampered by significant incomplete information. The Company's Chairman, Mr. Baker, Mr. LeClair and independent counsel also met with representatives of Jilin Jien in Beijing to further understand the nature of the request for consent and to provide to Jilin Jien its views with respect to fair value for the issued and outstanding shares of the Company based on available information.

After due deliberation and consultation with its legal and financial advisors, the Special Committee concluded that the request for consent and potential offer, if made, are opportunistic, coercive and lack key material terms including providing certainty of financing and certainty of proceeding or completion of any offer if it were to be forthcoming. Accordingly, the Special Committee recommended that the Company reject the request for consent. The Board subsequently adopted the Special Committee's recommendation and has rejected the request for consent.

In reaching this conclusion, the Special Committee considered a number of factors including, but not limited to, the following:

- The potential offer price in light of the Company's depressed share price which it believes arises from the lack of information provided by Jilin Jien with respect to the ongoing construction, financing, capital and operating expenditures and projected output for the Nunavik Nickel Project.
- The need for complete financial information in light of Jilin Jien's unique position as 75% partner in the Nunavik Nickel Project.
- The potential offer price would not appear to represent the intrinsic value of a 25% carried interest in a near-term operating sulphide nickel mine and a 50% interest in prospective exploration lands with identified resources which are nearby.
- According to Jilin Jien, commencement of commercial production is now scheduled for March 2013.

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Note 16. Subsequent Events (cont'd)

- The request for consent and potential offer, if made, are opportunistic and coercive and Jilin Jien was unable to provide adequate assurances with respect to the funding and certainty of proceeding or completion of an offer if it were to be forthcoming.

No further discussions are currently planned with Jilin Jien. The Company will continue to protect shareholder's interests through vigorous application of the various arbitration processes arising under the joint venture and joint bid and operating agreements. The Company will continue to keep shareholders apprised with information as it becomes available and will continue to request additional information from Jilin Jien relating to the construction, financing, capital and operating expenditures and projected output for the Nunavik Nickel Project.

- On December 16, 2011, the Company's shareholders held the annual general and special meeting. David Baker, J. Earl Terris, Martin Auyeung, William R. LeClair, Brian Grant, and Edward T. Gardner were elected as members of the Company's board of directors. The Company's shareholders also re-approved and ratified the Company's Stock Option Plan and Shareholder Rights Plan.
- On December 20, 2011, the Company received a Final Award in respect of the Arbitration proceeding it commenced on March 30, 2011 against Jilin Jien, Jien International, and Jien Canada in respect of Jien Canada's purported approval of a loan of up to \$357,497,576 from Jilin Jien's affiliate JHG (Note 8 & 16).

The unanimous Final Award of the Arbitral Panel declared that Jien Canada breached the Shareholder's Agreement by purporting to approve the JHG loan facility without the unanimous consent of the Jien Canada board. The Tribunal further declared that Jien Canada breached the Agreement by failing to provide information, including the executed commitment letter for the JHG loan facility to the Company's nominee directors. In addition, the Tribunal has made an award of costs in favor of the Company whereby Jien Canada will pay to the Company 75% of the Company's actual reasonable legal fees and expenses related to this Arbitration, including the Company's share of the Arbitrator's remuneration and expenses.