

**PACIFIC BOOKER MINERALS INC.**

**FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**YEAR ENDED JANUARY 31, 2012**

<b>Contents</b>	<b>Page #</b>
Management's Responsibility for Financial Reporting	3
Auditor's Report	4 to 6
Statements of Financial Position	7
Statements of Comprehensive Loss	8
Statements of Changes in Equity	9
Statements of Cash Flows	10
Notes to the Financial Statements	11 to 34

## **Management's Responsibility**

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To the Shareholders of Pacific Booker Minerals Inc.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Pacific Booker Minerals Inc. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Pacific Booker Minerals Inc.'s external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

May 7, 2012

*"Greg Anderson"*

Chief Executive Officer

*"Ruth Swan"*

Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Pacific Booker Minerals Inc.:**

We have audited the accompanying financial statements of Pacific Booker Minerals Inc., which comprise the statements of financial position as at January 31, 2012, January 31, 2011, and February 1, 2010, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended January 31, 2012 and 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific Booker Minerals Inc. as at January 31, 2012, January 31, 2011, and February 1, 2010, and the results of their operations and their cash flows for the years ended January 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 of these financial statements, which states that Pacific Booker Minerals Inc. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 2, indicates the existence of a material uncertainty which may cast doubt about the ability of Pacific Booker Minerals Inc. to continue as a going concern.



MNP LLP

Chartered Accountants

May 7, 2012  
Vancouver, BC

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of **Pacific Booker Minerals Inc.** (the “Company”):

We have audited the Company's internal control over financial reporting as of January 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on the criteria established in the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, the internal control over financial reporting as of January 31, 2012 is not considered effective due to the following material weaknesses:

- There are elements in the control environment of the Company that have not been fully implemented or do not operate effectively. Management is currently in the process of revising the entity level policies for Board's approval, and subsequently will be implementing those policies and controls considered appropriate for the Company's business environment and personnel.
- There is a lack of segregation of duties in the Company due to the small number of personnel dealing with general administrative and financial matters. Management believes that any potential benefits of adding personnel to clearly segregate duties do not justify the additional costs associated with the increase in staffing.
- Access controls to some of the Company's information systems do not operate effectively. Management expects that some deficiencies will continue into the future, until the necessary upgrade of information systems and control policy are in place.



MNP LLP  
Chartered Accountants

May 7, 2012  
Vancouver, BC

**PACIFIC BOOKER MINERALS INC.**  
**STATEMENT OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	January 31, 2012	January 31, 2011 (Note 19)	February 1, 2010 (Note 19)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 647,371	\$ 1,799,650	\$ 3,342,974
Receivables	38,004	71,228	84,147
Prepaid expenses and deposits	39,401	40,490	32,455
	724,776	1,911,368	3,459,576
<b>Mineral property interests</b> (Note 5)	4,832,500	4,832,500	4,832,500
<b>Exploration and evaluation assets</b> (Note 6)	23,797,860	22,664,614	20,788,465
<b>Equipment, vehicles and furniture</b> (Note 7)	41,837	63,708	89,415
<b>Reclamation deposits</b>	123,600	123,600	123,600
<b>Total assets</b>	\$ 29,520,573	\$ 29,595,790	\$ 29,293,556
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 232,007	\$ 355,451	\$ 606,163
Amounts owing to related parties (Note 10)	22,305	27,329	22,873
	254,312	382,780	629,036
<b>Shareholders' equity</b>			
Share Capital (Note 8)	48,727,168	47,367,605	45,489,248
Contributed surplus (Note 8)	8,586,499	6,104,170	5,314,122
Deficit	(28,047,406)	(24,258,765)	(22,138,850)
	29,266,261	29,213,010	28,664,520
<b>Total liabilities and shareholders' equity</b>	\$ 29,520,573	\$ 29,595,790	\$ 29,293,556

Approved by the Board of Directors and authorized for issue on May 7, 2012:

“William Deeks”  
William Deeks, Chairman

“Greg Anderson”  
Gregory R. Anderson, CEO

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

**PACIFIC BOOKER MINERALS INC.**  
**STATEMENT OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	2012	2011 (Note 19)
<b>OPERATING EXPENSES</b>		
Consulting fees	\$ 600	\$ -
Consulting fees - Share based payments (Note 8)	484,233	226,680
Depreciation	20,007	29,115
Directors fees	18,500	12,500
Directors fees - Share based payments (Note 8)	1,439,826	551,388
Filing and transfer agent fees	72,236	66,360
Foreign exchange (gain)loss	(6,340)	7,102
Finance income	(11,390)	(14,610)
Investor relations – related party (Note 10)	250,804	255,864
Investor relations fees - Share based payments (Note 8)	749,746	277,715
Loss on disposal of fixed asset	1,059	-
Office and miscellaneous	69,512	81,822
Office rent	91,705	85,487
Professional fees (Note 10)	238,895	313,395
Professional fees - Share based payments (Note 8)	192,403	43,421
Shareholder information and promotion	74,576	85,949
Telephone	18,151	17,542
Travel	43,860	46,250
Wages and benefits	29,324	28,734
Wages and benefits - Share based payments (Note 8)	10,934	5,201
<b>Loss from operations</b>	<b>(3,788,641)</b>	<b>(2,119,915)</b>
Income tax expense	-	-
<b>Loss and comprehensive loss for the period</b>	<b>(3,788,641)</b>	<b>(2,119,915)</b>
<b>Basic and diluted loss per share</b> (Note 9)	<b>\$ (0.31)</b>	<b>\$ (0.18)</b>

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

**PACIFIC BOOKER MINERALS INC.**  
**STATEMENT OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital Amount	Contributed Surplus (Note 19)	Deficit (Note 19)	Total
<b>Balance, February 1, 2010</b>	11,640,289	45,489,248	5,314,122	(22,138,850)	28,664,520
Exercise of stock options	380,000	1,564,000	-	-	1,564,000
Share based payments	-	314,357	790,048	-	1,104,405
Loss for the period	-	-	-	(2,119,915)	(2,119,915)
<b>Balance, January 31, 2011</b>	12,020,289	47,367,605	6,104,170	(24,258,765)	29,213,010
Exercise of stock options	181,000	964,750	-	-	964,750
Share based payments	-	394,813	2,482,329	-	2,877,142
Loss for the period	-	-	-	(3,788,641)	(3,788,641)
<b>Balance, January 31, 2012</b>	12,201,289	\$ 48,727,168	\$ 8,586,499	\$ (28,047,406)	\$ 29,266,261

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

**PACIFIC BOOKER MINERALS INC.**  
**STATEMENT OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	2012	2011 (Note 19)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	(3,788,641)	\$ (2,119,915)
Items not affecting cash:		
Depreciation	20,007	29,115
Share based payments	2,877,142	1,104,405
Changes in non-cash working capital items:		
(Increase) decrease in receivables	33,224	12,919
(Increase) decrease in prepaids and deposits	1,089	(8,035)
Increase (decrease) in accounts payable and accrued liabilities	(8,248)	11,668
Increase (decrease) in amounts owing to related parties	(5,024)	4,713
<b>Net cash used in operating activities</b>	<b>(870,451)</b>	<b>(965,130)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of Share Capital	964,750	1,564,000
<b>Net cash provided by financing activities</b>	<b>964,750</b>	<b>1,564,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral property interests and Exploration and evaluation costs (net of recovery)	(1,248,137)	(2,137,956)
Purchase of equipment, vehicles or furniture	-	(4,238)
Disposal of vehicle	1,559	-
<b>Net cash used in investing activities</b>	<b>(1,246,578)</b>	<b>(2,142,194)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>(1,152,279)</b>	<b>(1,543,324)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,799,650</b>	<b>3,342,974</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 647,371</b>	<b>\$ 1,799,650</b>

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

## **1. CORPORATE INFORMATION**

The Company was incorporated on February 18, 1983 under the Company Act of British Columbia as Booker Gold Explorations Limited. On February 8, 2000, the Company changed its name to Pacific Booker Minerals Inc. The address of the Company's corporate office and principal place of business is located at Suite #1702 - 1166 Alberni Street, Vancouver, British Columbia, Canada.

The Company's principal business activity is the exploration of its mineral property interests, with its principal mineral property interests located in Canada. The Company is listed on the TSX Venture Exchange ("TSX-V") and the NYSE Amex Equities Exchange ("AMEX") under the symbols "BKM" and "PBM", respectively.

## **2. BASIS OF PRESENTATION**

### **(a) Statement of compliance**

These financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company adopted International Financial Reporting Standards ("IFRS") in accordance with IFRS 1, First-Time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was February 1, 2010. In accordance with IFRS, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of February 1, 2010 as required; and,
- applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters. (Note 19)

The Company's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 19 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity and loss and comprehensive loss along with line by line reconciliations of the statements of financial position as at February 1, 2010 and January 31, 2011, and the statements of loss and comprehensive loss for the ended January 31, 2011.

The significant accounting policies applied in these annual financial statements are based on IFRS issued and outstanding on May 7, 2012, the date on which the Board of Directors approved the annual financial statements.

### **(b) Going concern of operations**

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing.

**2. BASIS OF PRESENTATION (cont'd)**

**(b) Going concern of operations (cont'd)**

The ability of the Company to realize the costs it has incurred to date on its mineral property interests is dependent upon the Company being able to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the mineral property interest. To date, the Company has not earned any revenue and is considered to be in the advanced exploration stage.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

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	January 31, 2012	January 31, 2011 (Note 19)	February 1, 2010 (Note 19)
Working capital	\$ 470,464	\$ 1,528,588	\$ 2,830,540
Deficit	28,047,406	24,258,765	22,138,850

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**(c) Basis of Measurement**

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value through profit or loss.

**(d) Functional and presentation currency**

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

**(e) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of these financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**2. BASIS OF PRESENTATION (cont'd)**

**(e) Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are as follows:

**(i) Recoverability of asset carrying values for equipment, vehicles and furniture**

The declining balance depreciation method used reflects the pattern in which management expects the asset's future economic benefits to be consumed by the Company. The Company assesses its equipment, vehicles and furniture for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least, at every reporting period as described in Note 3(d). Such indicators include changes in the Company's business plans and evidence of physical damage.

**(ii) Share based payments**

The Company has an equity-settled share-based compensation plan for directors, officers, employees and consultants. Services received are measured by reference to the fair value of the equity instruments and are recognized as share-based compensation expense over the vesting period of the equity instruments with a corresponding increase to equity. The fair value of share options are estimated on the date of grant by using the Black-Scholes option-pricing model, based on certain assumptions. Those assumptions are described in Note 8 of the annual financial statements and include, among others, expected volatility, expected life of the options and number of options expected to vest.

**(iii) Taxes**

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

**(iv) Exploration and evaluation assets**

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Recovery of amounts indicated under mining properties and the related exploration and evaluation assets are subject to the discovery of economically recoverable reserves, the Company's ability to obtain the financing required to complete development and profitable future production or the proceeds from the sale of such assets. At January 31, 2012, management determined that the net carrying value of mining properties represented the best estimate of their net recoverable value. Significant assumptions and estimates used by management to determine the recoverable value are included in Note 3(c).

**(v) Restoration and close down provisions**

The Company recognizes reclamation and close down provisions based on "Best Estimate" which can be based on internal or external costs. Significant assumptions used by management to ascertain the provision are described in Note 3(e).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently, to all periods presented in these financial statements. The significant accounting policies adopted by the Company are as follows:

#### **(a) Foreign currency translation**

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated to functional currency at the rate of exchange at the reporting date and non-monetary items are translated using the exchange rate at the date of the transaction. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of profit or loss.

#### **(b) Cash and cash equivalents**

Cash includes cash on hand and demand deposits. Cash equivalents includes short-term, highly liquid investments that are readily convertible to known amounts of cash and have a maturity date of less than 90 days and are subject to an insignificant risk of change in value.

#### **(c) Mineral property interests and Exploration and evaluation assets**

All costs related to the acquisition of mineral properties are capitalized as Mineral Property interest. The recorded cost of mineral property interests is based on cash paid and the value of share consideration issued for mineral property interest acquisitions.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred include appropriate technical and administrative overheads. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets. Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. When a property is abandoned, all related costs are written off to operations.

#### **(d) Impairment**

##### **(i) Financial assets**

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(d) Impairment (cont'd)**

**(ii) Non-financial assets**

The carrying amounts of equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale. If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(e) Restoration and close down provision**

The Company records the present value of estimated costs of legal and constructive obligations required to restore locations in the period in which the obligation is incurred with a corresponding increase in the carrying value of the related mining asset. The obligation is generally considered to have been incurred when mine assets are constructed or the ground environment is disturbed at the production location. The discounted liability is adjusted at the end of each period to reflect the passage of time, based on the discount rates that reflect current market assessments and the risks specific to the liability, and changes in the estimated future cash flows underlying the obligation.

The Company also estimates the timing of the outlays, which is subject to change depending on continued operation or newly discovered reserves.

The periodic unwinding of the discount is recognized in earnings as a finance cost. Additional disturbances or changes in restoration costs will be recognized as changes to the corresponding assets and asset retirement obligation when they occur.

The Company has determined that it has no restoration obligations as at January 31, 2012.

**(f) Equipment, vehicles and furniture**

Equipment, vehicles and furniture are recorded at cost. Depreciation is calculated on the residual value, which is the historical cost of an asset less the allowances made. Depreciation methods, useful life and residual value are reviewed at each financial year-end and adjusted, if appropriate. Where an item of equipment, vehicles and furniture is comprised of major components with different useful lives, the components are accounted for as separate items. The Company currently provides for depreciation annually as follows:

Automobile	30% declining balance
Computer equipment	30% to 45% declining balance
Office furniture and equipment	20% declining balance
Trailers	30% declining balance

**(g) Share based payments**

The Company has an equity settled share based compensation plan that grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is estimated at the grant date, using the Black-Scholes option pricing model and recorded as share based payments expense in statement of profit and loss and credited to contributed surplus within shareholders' equity, over the vesting period of the stock options, based on the Company's estimate of the number of stock options that will eventually vest.

**(h) Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. The weighted average number of common shares outstanding for the period ended January 31, 2012 do not include the nil (2011 – nil) warrants outstanding and the 2,198,057 (2011 – 2,008,057) stock options outstanding as the inclusion of these amounts would be anti-dilutive. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(i) Income taxes**

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

**(i) Current income tax**

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(ii) Deferred income tax**

Deferred income taxes are the taxes expected to be payable or recoverable between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred income tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

**(j) Financial Instruments**

**(i) Financial assets**

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

*Fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the statement of comprehensive loss. Cash and cash equivalents are included in this category of financial assets.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(j) Financial Instruments (cont'd)**

**(i) Financial assets (cont'd)**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of amounts receivable and security deposits and due from related parties.

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

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur.

**(ii) Financial liabilities**

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the profit and loss statement over the period to maturity using the effective interest method.

Other financial liabilities include accounts payable and accrued liabilities, convertible debentures, and long term debt.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**(k) Equity Instruments**

Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

**(l) Leases**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leases in terms of which the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases, which are recognised as an expense on a straight-line basis over the lease term.

**(m) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(n) Finance costs**

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the income statement using the effective interest method.

**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after January 31, 2012. Pronouncements that are not applicable or are not expected to have a significant impact on the Company have not been included below.

**(a) IFRS 9, Financial Instruments**

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with earlier adoption permitted. The Company has not early-adopted the standard and is currently assessing the impact it will have on the financial statements.

**(b) IFRS 13, Fair Value Measurements**

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of the standard on its financial statements.

**(c) Amendments to IAS 1, Presentation of Financial Statements**

The amendments introduce changes to presentation of items of other comprehensive income. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss. The amendments are to be applied effective July 1, 2012 and may be early adopted. The amendments are to be applied retroactively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

**5. MINERAL PROPERTY INTERESTS**

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Canada.

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Morrison claims, Canada	2012	2011	2010
Balance, beginning and end of period	\$ 4,832,500	\$ 4,832,500	\$ 4,832,500

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**Morrison claims**

On April 19, 2004, the Company and Noranda Mining and Exploration Inc, "Noranda" (which was subsequently acquired by Falconbridge Limited, "Falconbridge", which was subsequently acquired by Xstrata LLP, "Xstrata") signed an agreement whereby Noranda agreed to sell its remaining 50% interest to the Company such that the Company would have a 100% interest in the Morrison claims. In order to obtain the remaining 50% interest, the Company agreed to:

- i) on or before June 19, 2004, pay \$1,000,000 (paid to Noranda), issue 250,000 common shares (issued to Noranda) and issue 250,000 share purchase warrants exercisable at \$4.05 per share until June 5, 2006 (issued to Noranda);
- ii) pay \$1,000,000 on or before October 19, 2005 (paid to Falconbridge);
- iii) pay \$1,500,000 on or before April 19, 2007 (paid to Falconbridge); and
- iv) issue 250,000 common shares on or before commencement of commercial production.

In the event the trading price of the Company's common shares is below \$4.00 per share, the Company is obligated to pay, in cash, the difference between \$1,000,000 and the average trading price which is less than \$4.00 per share multiplied by 250,000 common shares.

The Company agreed to execute a re-transfer of its 100% interest to Falconbridge if the Company fails to comply with the terms of the agreement. This re-transfer is held by a mutually acceptable third party until the final issue of shares has been made.

The Company has also acquired a 100% interest in certain mineral claims adjacent to the Morrison claims, subject to 1.5% NSR royalty. On January 7, 2005, the Company signed an agreement to acquire an option for a 100% interest in additional claims in the Omineca District of B.C. As consideration, the Company issued 45,000 common shares at a value of \$180,000.

**Hearne Hill claims**

The Company held a 100% interest in the Hearne Hill claims located in the Omineca District of the Province of British Columbia ("B.C."). During the year ended January 31, 2006, management decided not to continue with the Hearne Hill claims and wrote off the property to operations. The Hearne Hill claims were subject to a legal claim, which was settled in during the year ended January 31, 2009. Pursuant to the settlement, the Company retains the right, title and interest in and to all claims that were the subject of the action, with the exception of Mineral Tenure No. 242812 (the "Hearne 1 Claim") and Mineral Tenure No. 242813 (the "Hearne 2 Claim"), which were transferred to the plaintiff optionors. No cash payment was made to the plaintiffs and all claims in the action have been dismissed.

**5. MINERAL PROPERTY INTERESTS (cont'd)**

**Copper claims**

The Company holds a 100% interest in certain mineral claims located in the Granisle area of B.C., subject to a 3% NSR royalty. These claims are located near the Morrison claims. The Company has met its requirements to maintain its recorded interest in the mineral claims with the Province of B.C. until 2016 and there are no other payments required until that year. During the year ended January 31, 2005, management decided not to continue with these claims and therefore, the amounts were written-off to operations.

**CUB claims**

The Company holds a 100% interest in certain mineral claims located in the Granisle area of B.C., subject to a 3% NSR royalty. These claims are located near the Morrison claims. The Company has met its requirements to maintain its recorded interest in the mineral claims with the Province of B.C. until 2016 and there are no other payments required until that year. During the year ended January 31, 2005, management decided not to continue with these claims and therefore, the amounts were written-off to operations.

**6. EXPLORATION AND EVALUATION ASSETS**

Morrison claims, Canada	2012	2011	2010
<b>Balance, beginning of period</b>	<b>\$ 22,664,614</b>	<b>\$ 20,788,465</b>	<b>\$ 17,606,430</b>
<b>Exploration and evaluation costs</b>			
Additions			
Depreciation	305	830	1,185
Staking and recording	-	833	-
Supplies and camp	18,195	18,392	18,000
Community consultation			
Geological and geophysical	153	234	783
Sub-contracts and labour	20,625	19,575	45,056
Supplies and general	-	4,411	3
Travel	-	2,254	1,610
Environmental			
Assays	65,900	90,018	19,960
Geological and geophysical	662,632	1,000,313	247,960
Promotion and education	766	4,796	480
Sub-contracts and labour	675	11,440	2,465
Supplies and general	22,272	104,328	5,534
Travel	2,527	7,408	3,873
Metallurgical			
Assays	600	450	-
Geological and geophysical	11,630	6,100	(14,387)
Scoping/Feasibility study			
Assays	-	10,064	531
Drilling	-	151,284	128,402
Geological and geophysical	7,500	18,583	2,175,454
Staking and recording	-	520	1,144
Sub-contracts and labour	223,034	317,301	321,457
Sub-contracts and labour - related parties	96,000	96,000	118,001
Supplies and general	432	3,519	70,510
Travel	-	7,496	34,014
<b>Total Exploration and evaluation costs for the period</b>	<b>\$ 1,133,246</b>	<b>\$ 1,876,149</b>	<b>\$ 3,182,035</b>
<b>Balance, end of period</b>	<b>\$ 23,797,860</b>	<b>\$ 22,664,614</b>	<b>\$ 20,788,465</b>

**PACIFIC BOOKER MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JANUARY 31, 2012 and 2011**

**7. EQUIPMENT, VEHICLES AND FURNITURE**

	Balance February 1, 2011	Additions for period	Disposals for period	Balance January 31, 2012
<b>Trailers</b>				
Value at Cost	\$ 25,000	\$ -	\$ -	\$ 25,000
Accumulated Depreciation	(24,899)	(30)	-	(24,929)
<b>Net book value</b>	<b>\$ 101</b>	<b>\$ (30)</b>	<b>\$ -</b>	<b>\$ 71</b>
<b>Automobile</b>				
Value at Cost	\$ 80,160	\$ -	\$ (12,840)	\$ 67,320
Accumulated Depreciation	(38,271)	(12,292)	11,281	(39,282)
<b>Net book value</b>	<b>\$ 41,889</b>	<b>\$ (12,292)</b>	<b>\$ (1,559)</b>	<b>\$ 28,038</b>
<b>Office furniture and equipment</b>				
Value at Cost	\$ 50,528	\$ -	\$ -	\$ 50,528
Accumulated Depreciation	(43,809)	(1,344)	-	(45,153)
<b>Net book value</b>	<b>\$ 6,719</b>	<b>\$ (1,344)</b>	<b>\$ -</b>	<b>\$ 5,375</b>
<b>Computer equipment</b>				
Value at Cost	\$ 88,283	\$ -	\$ -	\$ 88,283
Accumulated Depreciation	(73,284)	(6,646)	-	(79,930)
<b>Net book value</b>	<b>\$ 14,999</b>	<b>\$ (6,646)</b>	<b>\$ -</b>	<b>\$ 8,353</b>
<b>Totals</b>	<b>\$ 63,708</b>	<b>\$ (20,312)</b>	<b>\$ (1,559)</b>	<b>\$ 41,837</b>

	Balance February 1, 2010	Additions for period	Disposals for period	Balance January 31, 2011
<b>Trailers</b>				
Value at Cost	\$ 25,000	\$ -	\$ -	\$ 25,000
Accumulated Depreciation	(24,856)	(43)	-	(24,899)
<b>Net book value</b>	<b>\$ 144</b>	<b>\$ (43)</b>	<b>\$ -</b>	<b>\$ 101</b>
<b>Automobile</b>				
Value at Cost	\$ 80,160	\$ -	\$ -	\$ 80,160
Accumulated Depreciation	(20,317)	(17,954)	-	(38,271)
<b>Net book value</b>	<b>\$ 59,843</b>	<b>\$ (17,954)</b>	<b>\$ -</b>	<b>\$ 41,889</b>
<b>Office furniture and equipment</b>				
Value at Cost	\$ 50,528	\$ -	\$ -	\$ 50,528
Accumulated Depreciation	(42,130)	(1,679)	-	(43,809)
<b>Net book value</b>	<b>\$ 8,398</b>	<b>\$ (1,679)</b>	<b>\$ -</b>	<b>\$ 6,719</b>
<b>Computer equipment</b>				
Value at Cost	\$ 84,045	\$ 4,238	\$ -	\$ 88,283
Accumulated Depreciation	(63,015)	(10,269)	-	(73,284)
<b>Net book value</b>	<b>\$ 21,030</b>	<b>\$ (6,031)</b>	<b>\$ -</b>	<b>\$ 14,999</b>
<b>Totals</b>	<b>\$ 89,415</b>	<b>\$ (25,707)</b>	<b>\$ -</b>	<b>\$ 63,708</b>

**8. SHARE CAPITAL, SHARE BASED PAYMENTS AND CONTRIBUTED SURPLUS**

Authorized: 100,000,000 common shares without par value

**Share based payments**

During the fiscal year ended January 31, 2004, the Company adopted an equity settled stock option plan whereby the Company can reserve approximately 20% of its outstanding shares for issuance to officers and directors, employees and consultants. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. These options can be granted for a maximum term of 10 years, and are subject to a vesting provision whereby 12.5% are exercisable on the date of the grant and 12.5% become exercisable every three months thereafter. All options will be vested after twenty one months.

During the period ended January 31, 2012, 181,000 stock options (2011 - 380,000; 2010 - 240,000) with an exercise price of \$5.33 (2011 - \$4.12; 2010 - \$3.87) were exercised for total proceeds of \$964,750 (2011 - \$1,564,000; 2010 - \$928,800).

Stock option transactions are summarized as follows:

	2012		2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,008,057	\$ 8.02	2,000,357	\$ 7.34	2,065,357	\$ 7.08
Granted	1,014,827	7.42	387,700	7.70	190,000	5.75
Cancelled	(558,827)	10.40	-	-	(15,000)	7.80
Exercised	(181,000)	5.33	(380,000)	4.12	(240,000)	3.87
Expired	(85,000)	5.81	-	-	-	-
Outstanding, end of year	2,198,057	\$ 7.44	2,008,057	\$ 8.02	2,000,357	\$ 7.34
Options exercisable, end of year	1,340,511	\$ 7.44	1,741,994	\$ 8.09	1,804,415	\$ 7.42
Weighted average fair value per option granted		\$ 3.48		\$ 3.52		\$ 2.12
Weighted average remaining life of outstanding options granted in years		4.46		2.71		2.15

**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)**

**Stock options (cont'd)**

The following stock options were outstanding at January 31, 2012:

Number of Options Outstanding	Number Currently Exercisable	Exercise Price	Expiry Date
617,530	617,530	\$ 7.81	June 23, 2013
180,000	180,000	\$ 5.75	July 13, 2014 (5,000 exercised subsequently)
385,700	337,487	\$ 7.70	June 30, 2017
606,827	227,558	\$ 7.44	May 16, 2018
408,000	153,000	\$ 7.40	June 20, 2018

**Share based payment expense**

The fair value of stock options granted during the period ended January 31, 2012 was \$3,530,914 (2011 – \$1,364,869; 2010 - \$403,773) which will be recognized as share based payments over their vesting periods.

Total share based payments recognized during the period ended January 31, 2012 was \$2,877,142 (2011 – \$1,104,405; 2010 - \$1,590,297) which has been recorded in the statements of operations as Share based payments with corresponding contributed surplus recorded in shareholders' equity.

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

	2012	2011	2010
Risk-free interest rate	2.36%	2.32%	1.89%
Expected life of options	5 years	3 years	3 years
Annualized volatility	53.15%	49.98%	52.57%
Dividends	0.00%	0.00%	0.00%

**Warrants**

No share purchase warrants were outstanding at January 31, 2012, 2011 and 2010.

**PACIFIC BOOKER MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JANUARY 31, 2012 and 2011**

**9. LOSS PER SHARE**

The weighted average number of common shares outstanding for the period ended January 31, 2012 do not include the nil (2011 – nil; 2010 - nil) warrants outstanding and the 2,198,057 (2011 – 2,008,057; 2010 - 2,000,357) stock options outstanding as the inclusion of these amounts would be anti-dilutive. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

	2012		2011		2010	
Basic and diluted loss per common share	\$	(0.31)	\$	(0.18)	\$	(0.23)
Weighted average number of common shares outstanding		12,129,481		11,799,679		11,438,239

**10. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING TO**

The Company entered into the following transactions with related parties:

	2012			2011			2010		
	Amounts paid or payable	Share based payment	Owed at year end	Amounts paid or payable	Share based payment	Owed at year end	Amounts paid or payable	Share based payment	Owed at year end
director for investor relations	\$ 118,804	\$ 364,665	\$ 5,350	\$ 123,864	\$ 138,858	\$ 6,406	\$ 135,910	\$ 140,872	\$ 5,792
director for investor relations (a)	132,000	385,081	9,454	132,000	138,858	12,023	132,000	140,872	10,212
director for consulting services (a)	96,000	385,080	4,621	96,000	138,858	4,480	116,000	140,872	4,200
spouse of a director (b)	312	12,390	-	1,092	225	-	780	6,421	-
officer of the company (c)	30,893	192,403	1,151	31,913	43,420	3,057	28,208	28,746	2,126
owed to a director for expenses	-	-	1,729	-	-	1,363	-	-	543
	<u>\$ 378,009</u>	<u>\$ 1,339,619</u>	<u>\$ 22,305</u>	<u>\$ 384,869</u>	<u>\$ 460,219</u>	<u>\$ 27,329</u>	<u>\$ 412,898</u>	<u>\$ 457,783</u>	<u>\$ 22,873</u>

- a) fees for project management services which have been capitalized to subcontracts on the Morrison claims and stock based payments which have been allocated to operating expenses.
- b) wages for administrative assistant services which have been capitalized to subcontracts on the Morrison claims and stock based payments which have been allocated to operating expenses.
- c) for accounting and management services.

These transactions were in the normal course of operations and have been measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts owing are non-interest bearing, unsecured and have no fixed terms of repayment.

**10. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING TO (cont'd)**

**Compensation of key management personnel**

Key management personnel includes Directors and Executives of the Company. The compensation paid or payable to key management personnel is as follows:

	2012	2011
Remuneration or fees	\$ 396,197	\$ 396,277
Share-based payments	2,767,055	1,011,382
Total compensation paid to key management personnel	\$ 3,163,252	\$ 1,407,659

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2012	2011	2010
Non-cash transactions were as follows:			
deferred exploration expense recorded as accounts payable	\$ 158,509	\$ 273,705	\$ 536,085
deferred exploration expense recorded as owing to related parties	\$ 4,000	\$ 4,000	\$ 4,257
recorded Depreciation expense on property and equipment as Exploration and evaluation assets	\$ 305	\$ 830	\$ 1,185

**12. INCOME TAXES**

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the "expected" income tax expense and the actual income tax provision are summarized as follow:

	2012	2011
Income/(loss) before income taxes	\$ (3,788,641)	\$ (2,119,915)
Canadian statutory income tax rate	26.4%	28.3%
Computer "expected" income tax expense	(1,000,201)	(552,050)
Differences resulting from:		
Share based payments	759,565	264,661
Other non-deductible items	3,610	3,352
Change in enacted rate	10,826	34,262
Expiry of loss carryforwards	-	78,775
Increase in deferred tax assets not recognized	226,200	171,000
Provision for income taxes	\$ -	\$ -

**12. INCOME TAXES (cont'd)**

The tax effects of deductible and taxable temporary differences that give rise to the Company's future tax assets and liabilities are as follows:

	2012	2011	2010
Deferred income tax assets-Canada			
Non-capital loss carry forwards	\$ 1,518,000	\$ 1,298,000	\$ 1,134,000
Mineral property interests and deferred exploration costs	1,723,000	1,723,000	1,723,000
Property and equipment	47,000	41,000	34,000
<b>Total deferred income tax asset not recognized</b>	<b>\$ 3,288,000</b>	<b>\$ 3,062,000</b>	<b>\$ 2,891,000</b>

The Company has Canadian non-capital loss carry forwards which expire as follows:

2015	\$ 438,676
2026	605,469
2027	808,472
2028	942,980
2029	466,936
2030	957,373
2031	974,551
2032	876,759
<b>Total</b>	<b>\$ 6,071,216</b>

Deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred income tax assets.

**13. COMMITMENT**

The Company has entered into an operating lease agreement for office premises. The annual lease commitment under the lease is as follows:

Year ending January 31,	Amount
2013	\$ 67,318
<b>Total</b>	<b>\$ 67,318</b>

The Company has signed an agreement with a hunting lodge in the area of the project, which, conditional on the receipt of applicable permits and licences, requires the Company to pay \$100,000 (plus sales tax if required) as full and final compensation for any loss of business which the lodge may suffer in connection with the construction, development and overall operation of the mine. This payment is required to be made three months prior to commencement of construction.

**14. SEGMENTED INFORMATION**

The Company has determined that it had only one operating segment, i.e. mining exploration. The Company's mining operations are centralized whereby the Company's head office is responsible for the exploration results and to provide support in addressing local and regional issues. As at January 31, 2012, 2011 and 2010, the Company's assets are all located in Canada (Notes 5 and 7).

**15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company's financial instruments include cash and cash equivalents, receivables and deposits, and accounts payable and accrued liabilities and reclamation deposits. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable primarily relates to Harmonized Sales Tax input tax credits and accrued interest. Accordingly, the Company views credit risk on accounts receivable as minimal.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company anticipates it will have adequate liquidity to fund its financial liabilities through cash on hand and future equity contributions.

As at January 31, 2012, the Company's financial liabilities were comprised of accounts payable and accrued liabilities which have a maturity of less than one year.

**15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)**

**(c) Market risk**

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

- (i) Currency risk--Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and United States dollar. As most of the Company's transactions are denominated in Canadian dollars, the Company is not exposed to foreign currency exchange risk at this time.
- (ii) Commodity price risk--Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.
- (iii) Interest rate risk--Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Company has no debt or interest-earning investments, it is not exposed to interest rate risk at this time.

**16. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral 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 Company defines capital that it manages as share capital.

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

The Company is in the business of mineral exploration and has no source of operating revenue. Operations are financed through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the year ended January 31, 2012.

**17. CONTINGENCY**

During the fiscal year ended January 31, 2011, the Company was served with a Notice of Civil Claim by Rescan Environmental Services Ltd. (Rescan). The claim stems from Rescan's demand for payment of \$191,997.54 in outstanding invoices, which the Company disputes. The Company filed its Response to the Notice of Civil Claim served by Rescan in September 2010. The Company has filed a Counterclaim against Rescan seeking damages for professional negligence, misrepresentation, and breach of contract. Subsequent to the end of the fiscal year, Rescan submitted an amended response to the counterclaim. Substantially all of the outstanding invoice amounts claimed by Rescan have been paid into trust with the Company's solicitors pending resolution of this claim. The ultimate liability or recovery, if any, arising from this claim is not presently determinable and will be recorded at the time of that determination.

**18. EVENTS AFTER REPORTING DATE**

Subsequent to the end of the period, the Company has issued 15,000 common shares on exercise of options for total proceeds of \$105,750 and a reclassification of Contributed surplus to capital stock in the amount of \$45,830. The Company has not granted any options or announced any private placements.

**19. TRANSITION TO IFRS**

For all periods up to and including January 31, 2011, the Company prepared its financial statements in accordance with Canadian GAAP. These financial statements for the year ended January 31, 2012 are the first annual financial statements the Company has prepared in accordance with IFRS as in effect as at January 31, 2012, as detailed in the accounting policies described in Note 3. In preparing these financial statements, the Company's opening statement of financial position was prepared as at February 1, 2010, the Company's date of transition to IFRS.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to deficit unless certain exemptions are applied.

This note explains the principal adjustments made by the Company in restating its Canadian GAAP consolidated statements of financial position as at February 1, 2010 and its previously published Canadian GAAP financial statements for the year ended January 31, 2011.

The transition from Canadian GAAP to IFRS had no impact on cash flows generated by the Company. Therefore, a reconciliation of cash flows has not been presented.

**19. TRANSITION TO IFRS (cont'd)**

**(a) IFRS transition elections**

The Company has elected to apply the following optional exemptions from full retrospective application:

**(i) Share-based payments**

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, Share-based Payments ("IFRS 2"), to equity instruments that were granted on or before November 7, 2002, or equity instruments granted after November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected to avail itself of the exemption provided under IFRS 1 and has not applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its transition date.

Under Canadian GAAP, awards with graded vesting provisions are treated as a single award for both measurement and recognition purposes. IFRS 2 requires that such awards be treated as a series of separate grants, with fair value measured and recognized separately for each tranche within a grant that has a different vesting date

The adjustments for IFRS 2 on the share based payments (previously called stock based compensation expense) and contributed surplus results in a change of balances as follows:

	Contributed Surplus increase/(decrease)	Operating expense/ Deficit (increase)/decrease
For periods ended January 31, 2010	\$ 329,275	\$ (329,275)
Impact for period ended January 31, 2011	169,207	(169,207)
As at January 31, 2011	<u>\$ 498,482</u>	<u>\$ (498,482)</u>

**(ii) Property, plant and equipment**

IAS 16 provides the option for an entity to use the cost model for the valuation of property, plant, and equipment, or the revaluation model. The revaluation model requires the restatement of property, plant and equipment to fair market values on an annual basis. The Company has elected to use the cost model for valuation.

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 February 1, 2010:

**(iii) 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, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of February 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

**PACIFIC BOOKER MINERALS INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
FOR THE YEARS ENDED JANUARY 31, 2012 and 2011

**19. TRANSITION TO IFRS (cont'd)**

Reconciliation of statement of financial position as at February 1, 2010

	Canadian GAAP as at February 1, 2010		Effect of Transition to IFRS	IFRS
<b>ASSETS</b>				
Current Assets	\$ 3,459,576	\$		\$ 3,459,576
Mineral property interests	4,832,500			4,832,500
Exploration and evaluation assets	20,788,465			20,788,465
Equipment, vehicles and furniture	89,415			89,415
Reclamation deposits	123,600			123,600
<b>Total assets</b>	<b>\$29,293,556</b>	<b>\$</b>	<b>-</b>	<b>\$29,293,556</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 606,163	\$		\$ 606,163
Amounts owing to related parties	22,873			22,873
	629,036		-	629,036
<b>Shareholders' equity</b>				
Share Capital	45,489,248			45,489,248
Contributed surplus (i)	4,984,847		329,275	5,314,122
Deficit (i)	(21,809,575)		(329,275)	(22,138,850)
	28,664,520		-	28,664,520
<b>Total liabilities and shareholders' equity</b>	<b>\$29,293,556</b>	<b>\$</b>	<b>-</b>	<b>\$29,293,556</b>

(i) Under Canadian GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards.

**PACIFIC BOOKER MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JANUARY 31, 2012 and 2011**

**19. TRANSITION TO IFRS (cont'd)**

Reconciliation of statement of financial position as at January 31, 2011

	Canadian GAAP as at January 31, 2011	Effect of Transition to IFRS	IFRS
<b>ASSETS</b>			
Current assets	\$ 1,911,368	\$ -	\$ 1,911,368
Mineral property interests	4,832,500		4,832,500
Exploration and evaluation assets	22,664,614		22,664,614
Equipment, vehicles and furniture	63,708		63,708
Reclamation deposits	123,600		123,600
<b>Total assets</b>	<b>\$29,595,790</b>	<b>\$ -</b>	<b>\$29,595,790</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 355,451	\$ -	\$ 355,451
Amounts owing to related parties	27,329		27,329
	382,780	-	382,780
<b>Shareholders' equity</b>			
Share Capital	47,367,605		47,367,605
Contributed surplus (i)	5,605,688	498,482	6,104,170
Deficit (i)	(23,760,283)	(498,482)	(24,258,765)
	29,213,010	-	29,213,010
<b>Total liabilities and shareholders' equity</b>	<b>\$29,595,790</b>	<b>\$ -</b>	<b>\$29,595,790</b>

(i) Under Canadian GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards.

**PACIFIC BOOKER MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JANUARY 31, 2012 and 2011**

**19. TRANSITION TO IFRS (cont'd)**

Reconciliation of statement of comprehensive loss for the year ended January 31, 2011

	Canadian GAAP as at January 31, 2011	Effect of Transition to IFRS	IFRS
<b>OPERATING EXPENSES</b>			
Consulting fees-Share based payments (i)	\$ 211,290	\$ 15,390	\$ 226,680
Depreciation	29,115	-	29,115
Directors fees	12,500	-	12,500
Directors fees-Share based payments (i)	446,285	105,103	551,388
Filing and transfer agent fees	66,360	-	66,360
Foreign exchange (gain)loss	7,102	-	7,102
Finance income	(14,610)	-	(14,610)
Investor relations-related party	255,864	-	255,864
Investor relations fees-Share based payments (i)	239,301	38,414	277,715
Office and miscellaneous	81,822	-	81,822
Office rent	85,487	-	85,487
Professional fees	313,395	-	313,395
Professional fees-Share based payments (i)	33,887	9,534	43,421
Shareholder information and promotion	85,949	-	85,949
Telephone	17,542	-	17,542
Travel	46,250	-	46,250
Wages and benefits	28,734	-	28,734
Wages and benefits-Share based payments (i)	4,435	766	5,201
<b>Loss from operations</b>	<b>(1,950,708)</b>	<b>(169,207)</b>	<b>(2,119,915)</b>
Income tax expense	-	-	-
<b>Loss and comprehensive loss for the year</b>	<b>(1,950,708)</b>	<b>(169,207)</b>	<b>(2,119,915)</b>

(i) Under Canadian GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards.