(An Exploration Stage Company)

Condensed Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

Expressed in Canadian Dollars

(Unaudited)

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Comprehensive Loss
Expressed in Canadian Dollars
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
		(Note 15)
Operating Expenses		
Administration	$ 6,717	$ 26,790
Consulting	1,500	16,665
General exploration	-	9,171
Independent directors' fees	-	9,000
Interest	1,396	1,945
Investor relations	11,909	15,467
Mineral property exploration expenditures (Note 7(h))	125,871	38,357
Office and general	11,204	6,583
Professional fees	33,073	24,945
Regulatory fees and taxes	7,408	6,038
Shareholders communications	561	630
Transfer agent	1,494	2,420
Travel and promotion	9,653	781
Total Operating Expenses	**210,786**	**158,792**
Future income tax recovery - flow-through shares	(95,673)	(190,239)
Future income tax expense (recovery) - investment	(3,000)	375
Net Loss (Income) for the Period	**112,113**	**(31,072)**
Other comprehensive income		
Adjustment for fair value of investment	(21,000)	(2,000)
Comprehensive Loss (Income) for the Period	**91,113**	**(33,072)**
Earnings per share - basic and diluted	$ 0.00	$ 0.00
Weighted average number of common shares outstanding	62,692,266	37,740,970

The accompanying notes are an integral part of these condensed interim financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Financial Position
Expressed in Canadian Dollars
(Unaudited)

(Unaudited)	Note		March 31, 2011		December 31 2010		January 1 2010
					(Note 15)		(Note 15)
Assets							
Current							
Cash		$	1,096,961	$	250,111	$	587,199
Receivables			27,604		43,155		11,828
Prepaid and deposits			19,437		14,290		2,081
Investment	6		54,000		-		-
			1,198,002		**307,556**		**601,108**
Non-Current							
Mineral properties	7		471,812		259,897		186,826
Investment	6		-		30,000		20,000
Reclamation bonds	8		45,000		45,000		45,000
			516,812		**334,897**		**251,826**
Total Assets		**$**	**1,714,814**	**$**	**642,453**	**$**	**852,934**
Liabilities							
Current							
Bank indebtedness	9	$	194,875	$	197,619	$	197,808
Accounts payable and accrued liabilities			159,033		197,270		147,498
Due to related parties	10		169,122		189,370		463,737
			523,030		**584,259**		**809,043**
Shareholders' Equity							
Share capital			10,587,474		9,443,488		8,458,736
Contributed surplus			558,261		477,544		462,129
Accumulated other comprehensive income (loss)			24,750		3,750		(5,000)
Deficit			(9,978,701)		(9,866,588)		(8,871,974)
Total Shareholders' Equity			**1,191,784**		**58,194**		**43,891**
Total Liabilities and Equity		**$**	**1,714,814**	**$**	**642,453**	**$**	**852,934**

Nature and continuance of operations (Note 1)
Commitments (Notes 7 and 14)
Subsequent events (Note 16)

Approved on behalf of the Board

"Lawrence Page"	*"Derek Page"*
Lawrence Page, Q.C. Director	Derek Page Director

The accompanying notes are an integral part of these condensed interim financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Changes in Equity
Expressed in Canadian Dollars
(Unaudited)

Common Shares	Number of Shares		Amount		Contributed Surplus		Deficit		Accumulated Other Comprehensive Income (Loss)		Total Shareholders' Equity
Balance as at January 31, 2010 (Note 15)	**37,682,543**	**$**	**8,458,736**	**$**	**462,129**	**$**	**(8,871,974)**	**$**	**(5,000)**	**$**	**43,891**
Issued											
Shares for mineral property payment	150,000		6,000		-		-		-		6,000
Subtotal	150,000		6,000		-		-		-		6,000
Value assigned to warrants, mineral property payment	-		-		2,841		-		-		2,841
Tax benefit of renunciation of flow-through expenditures	-		(190,239)		-		-		-		(190,239)
Unrealized gain on investment, net of taxes	-		-		-		-		2,375		2,375
Net loss for the period	-		-		-		31,072		-		31,072
Balance as at March 31, 2010 (Note 15)	**37,832,543**	**$**	**8,274,497**	**$**	**464,970**	**$**	**(8,840,902)**	**$**	**(2,625)**	**$**	**(104,060)**
Issued											
Private placements - non-flow-through	16,773,319		838,666		-		-		-		838,666
Private placements - flow-through	7,810,000		390,500		-		-		-		390,500
Shares issued for finders' fees	250,000		12,500		-		-		-		12,500
Subtotal	24,833,319		1,241,666		-		-		-		1,241,666
Share issue costs	-		(58,163)		-		-		-		(58,163)
Value assigned to finders' options	-		(14,512)		14,512		-		-		-
Value of options expired	-		-		(1,938)		1,938		-		-
Unrealized gain on investment, net of taxes	-		-		-		-		6,375		6,375
Net loss for the period	-		-		-		(1,027,624)		-		(1,027,624)
Balance as at December 31, 2010 (Note 15)	**62,665,862**	**$**	**9,443,488**	**$**	**477,544**	**$**	**(9,866,588)**	**$**	**3,750**	**$**	**58,194**
Issued											
Private placements - non-flow-through	18,124,460		906,224		-		-		-		906,224
Private placements - flow-through	8,220,000		411,000		-		-		-		411,000
Shares for mineral property payment	925,000		47,250		-		-		-		47,250
Subtotal	27,269,460		1,364,474		-		-		-		1,364,474
Share issue costs	-		(72,107)		-		-		-		(72,107)
Value assigned to finders' warrants	-		(52,708)		52,708		-		-		-
Value assigned to warrants, mineral property payment	-		-		28,009		-		-		28,009
Tax benefit of renunciation of flow-through expenditures	-		(95,673)		-		-		-		(95,673)
Unrealized gain on investment, net of taxes	-		-		-		-		21,000		21,000
Net loss for the period	-		-		-		(112,113)		-		(112,113)
Balance as at March 31, 2011	**89,935,322**	**$**	**10,587,474**	**$**	**558,261**	**$**	**(9,978,701)**	**$**	**24,750**	**$**	**1,191,784**

The accompanying notes are an integral part of these condensed interim financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Cash Flows
Expressed in Canadian Dollars
(Unaudited)

	March 31, 2011	2010
Cash provided by (used for):		
		(Note 15)
Operating Activities		
Net income (loss) for the period	$ (112,113)	$ 31,072
Item not involving cash:		
Future income tax recovery	(98,673)	(189,864)
	(210,786)	(158,792)
Changes in Non-Cash Working Capital		
Receivables	15,551	3,949
Prepaid and deposits	(5,147)	(15,424)
Bank indebtedness	(2,744)	(1,425)
Accounts payable and accrued liabilities	(38,237)	(31,832)
Due to related parties	(20,248)	126,150
	(50,825)	81,418
Cash Used in Operating Activities	**(261,611)**	**(77,374)**
Investing Activity		
Expenditures on mineral properties	(136,656)	(2,046)
Cash Used in Investing Activity	**(136,656)**	**(2,046)**
Financing Activities		
Common shares issued for cash	1,317,224	-
Share issuance costs	(72,107)	-
Cash Provided by Financing Activities	1,245,117	-
Increase (Decrease) in Cash During the Period	**846,850**	**(79,420)**
Cash, Beginning of the Period	250,111	587,199
Cash, End of the Period	**$ 1,096,961**	**$ 507,779**

Supplemental cash flow information (Note 13)

The accompanying notes are an integral part of these condensed interim financial statements

1. Nature and Continuance of Operations

Valterra Resource Corporation (the "Company") is an exploration stage company. The Company was incorporated in Alberta, continued to the Yukon on May 8, 1997 and subsequently continued to British Columbia on February 22, 2008. The Company's shares are listed on the Canadian National Stock Exchange ("CNSX"). The Company's mineral properties are located in British Columbia, Canada.

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties. The Company has yet not determined whether any of its mineral properties contain ore reserves.

These financial statements were prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Currently the Company is unable to self-finance operations, has limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property projects.

The Company had a net working capital of $674,972 as at March 31, 2011 (December 31, 2010: net working capital deficiency $276,703). The Company does not hold any revenue generating properties and thereby continues to incur losses. As at March 31, 2011, the Company has an accumulated deficit of $9,978,701 (December 31, 2010: $9,866,588).

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of share capital to finance future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to continue as a going concern may require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

2. Comparatives

Certain comparative amounts have been reclassified to conform to the current period's presentation.

3. Summary of Significant Accounting Policies and Future Accounting Changes

(a) Basis of Presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1").

These condensed interim financial statements do not include all the information and notes required by IFRS for complete financial statements for year-end reporting purposes. The accounting principles applied in the preparation of these condensed interim financial statements included herein have been applied consistently for each of the periods presented, including January 1, 2010, the Company's transition date, and are based on IFRS issued and outstanding as of June 24, 2011, the date the Board of Directors approved the condensed interim financial statements. Any subsequent changes to IFRS that are reflected in the Company's financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

Note 15 includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, and reconciliations of equity, comprehensive loss and cash flows for comparative periods and equity at the date of transition, January 1, 2010.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

These condensed interim financial statements have been prepared on an accrual basis except for the cash flow information.

The Company's functional and reporting currency is the Canadian dollar and all dollar amounts are in Canadian dollars, unless otherwise indicated.

3. Summary of Significant Accounting Policies and Future Accounting Changes, continued

(b) Mineral Property

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold, or abandoned. The costs incurred to date do not necessarily reflect present or future values. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to the statement of comprehensive loss in that period.

All expenditures related to the exploration and development of mineral properties are expensed to the statement of comprehensive loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are capitalized as part of acquisition costs. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in the statement of comprehensive loss.

All capitalized mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value.

(c) Reclamation Bonds

Reclamation bonds are non-interest-bearing, recorded at cost, and held by Canadian government agencies or in trust.

3. Summary of Significant Accounting Policies and Future Accounting Changes, continued

(d) Financial Instruments

(i) Categories

Financial instruments are classified as one of the following five categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recognized in profit and loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss and classified as a component of shareholders' equity until the investment is no longer recognized or is impaired, at which time the amounts are included in profit and loss.

(ii) Impairment of Financial Instruments

Financial instruments, other than those classified as fair value through profit and loss, are assessed for indicators of impairment at each period-end. Financial instruments are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial instrument, the estimated future cash flows have been impacted. The carrying value of all financial instruments are directly reduced by an impairment loss.

For financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate.

With the exception of available-for-sale financial instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of comprehensive loss. On the date of impairment reversal, the carrying amount of the financial instrument cannot exceed its amortized cost had impairment not been recognized.

(e) Share Capital

The Company uses the residual value method with respect to the issue of units, wherein the fair value of the common shares is determined by the market value on the date of issuance and the balance, if any, is allocated to the attached warrants. Financing costs associated with private placements are deferred until the shares are issued.

3. Summary of Significant Accounting Policies and Future Accounting Changes, continued

(e) Share Capital, continued

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

(f) Flow-Through Shares

Flow-through shares entitle a company that incurs certain exploration expenditures in Canada to renounce the expenditures to the investors who purchased the flow-through shares. The renounced expenditures can be deducted for income tax purposes by the investors. The proceeds from shares issued under flow-through share financing agreements are credited to share capital. The tax impact to the Company of the renouncement is recorded on the date the renunciation is filed with the taxation authorities, through an offset to share capital and the recognition of a future tax liability.

(g) Loss (Earnings) per Share

Basic loss (earnings) per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and, accordingly, basic and diluted loss per share are the same.

(h) Share-Based Payments

Share-based payments for employees are measured at fair value of the instruments issued and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of the options is charged to profit and loss using the graded vesting method, with the offset credit to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from contributed surplus to share capital. Upon expiry, related fair value calculated is transferred from contributed surplus to deficit.

3. Summary of Significant Accounting Policies and Future Accounting Changes, continued

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are determined and recognized based on differences between the financial statement carrying values and their respective income tax basis. Deferred income tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of comprehensive loss in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized, including the benefit of income tax losses available for carry-forward, is recognized only to the extent that it is more likely than not to be realized. A valuation allowance is provided against deferred income tax assets when it is more likely than not that the income tax asset will not be utilized.

(j) Significant Accounting Estimates and Judgments

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

Critical Accounting Estimates

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

- restoration, rehabilitation, and environmental provisions;
- accrued liabilities;
- determination of the valuation allowance for future income tax assets; and
- the assumptions used in the calculation of the fair value assigned to stock-based payments.

3. Summary of Significant Accounting Policies and Future Accounting Changes, continued

(j) Significant Accounting Estimates and Judgments, continued

Critical Accounting Judgments

Management must make judgments given the various options available as per accounting standards for items included in the financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- the determination of the categories in which financial assets and financial liabilities are classified;
- the determination of environmental obligations;
- the impairment and recoverability of capitalized mineral property acquisition costs; and
- the rate and timing of depreciation.

(k) Restoration, Rehabilitation, and Environmental Obligations

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive, or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit and loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision.

Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded. At present, the Company has determined that it has no material obligations of this nature to record in the financial statements.

3. Summary of Significant Accounting Policies and Future Accounting Changes, continued

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Segmented Information

The Company reports segmented information based on its operating and geographic segments.

(n) Future Accounting Changes

In 2011, the IASB issued four new IFRSs and IASs, which will come into effect for reporting periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will evaluate the impact of these new standards on its financial statements when applicable. The new IFRSs and IASs are as follows:

- IFRS 9: *Financial Instruments* to replace IAS 39: *Financial Instruments: Recognition and Measurement*.
- IFRS 10: *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 supersedes IAS 27: *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*.
- IFRS 11: *Joint Arrangements* is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers* .

Expressed in Canadian Dollars

3. Summary of Significant Accounting Policies and Future Accounting Changes, continued

(n) Future Accounting Changes, continued

- IFRS 12: *Disclosure of Interests in Other Entities*, which combines, enhances, and replaces the disclosure requirements for subsidiaries, joint arrangements, associates, and unconsolidated structured entities.
- IFRS 13: *Fair Value Measurement,* which defines fair value, sets out in a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements.
- IAS 27 *Separate Financial Statements (as amended in* 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. In completing IFRS 10, the IASB removed from IAS 27 all requirements relating to consolidated financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

4. Financial Instruments

(a) Categories of Financial Instruments

The Company's financial instruments include cash, reclamation bonds, investment, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties. Receivables consist of amounts due from the government and are excluded as a financial instrument. The Company has classified its financial instruments into the following categories:

	March 31, 2011		
Financial Assets	**Held-for-trading**	**Available-for-sale**	**Loans and receivables**
Cash	$ 1,096,961	$ -	$ -
Investment	-	54,000	-
Reclamation bonds	-	-	45,000
	$ 1,096,961	$ 54,000	$ 45,000

Expressed in Canadian Dollars

4. Financial Instruments

(a) Categories of Financial Instruments, continued

		March 31, 2011
Financial Liabilities		**Other Financial Liabilities**
Bank indebtedness	$	194,875
Accounts payable and accrued liabilities		159,033
Due to related parties		169,122
	$	523,030

(b) Fair Value

The carrying values of cash, amounts due to related parties, bank indebtedness, and accounts payable and accrued liabilities estimate their fair values due to the short period to maturity. The fair value of the investment is based on its quoted market price in an active market as at March 31, 2011. Reclamation bonds are non-interest-bearing and recorded at their fair value.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investment	$ 54,000	$ -	$ -	$ 54,000

(c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities and through management of its capital structure.

4. Financial Instruments

(c) Financial Risk Management, continued

(i) Liquidity Risk, continued

As at March 31, 2011, the cash balance of $1,096,961 would be sufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests, and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations (Note 16(a)).

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

In May 2008, the Company entered into an option agreement to acquire a 100% undivided interest in Star claims group (the "Star Property"), whereby the Company is required to make further payments totaling US $255,000 with the next payment of US $25,000 due May 13, 2011 (Note 16(c)). An appreciation or depreciation of the US dollar by 10% can affect the Company's cash flow by $24,725 over the remaining term of the agreement.

As at March 31, 2011, the Company had no amounts receivable or payable in foreign currencies.

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(iii) Interest Rate Risk

The Company is exposed to interest rate risk on its bank indebtedness, as the payments fluctuate with changes in interest rates. Based on the current balance of the bank indebtedness, an assumed 0.5% increase or decrease in interest rates would not have a significant effect on the Company's results of operations.

(iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash position of $ 1,096,961, which is all held with Canadian financial institutions. The Company mitigates credit risk by risk management policies that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

(v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk through its investment, as disclosed in Note 6. Assuming all other variables remain constant, a 10% decrease or increase in the market price of the Company's investment would result in a $5,400 decrease or increase in the Company's statement of comprehensive loss.

5. Capital Management

The capital of the Company consists of components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. The Company's objectives of capital management are to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of its mineral properties, and support any expansionary plans. The Company's primary process for managing capital consists of the ongoing assessment of current capital resources against budgeted exploration and administrative expenditures. In order to maintain or adjust the capital structure, the Company may issue new shares. There can be no assurance that the Company will be able to obtain equity capital in the case of operating cash deficits.

Expressed in Canadian Dollars

5. Capital Management, continued

As the Company is in the exploration stage, its operations have been funded by the issuance of common shares. The Company will continue to rely on share issuances for future funding depending upon market and economic conditions at the time.

There have been no changes in the Company's approach to capital management during the year ended March 31, 2011. The Company is not subject to externally imposed capital requirements other than those related to its credit facility, as disclosed in Note 9. The Company is in compliance with the externally imposed capital requirements.

6. Investment

The Company acquired 100,000 common shares in Tosca Mining Corporation ("Tosca") and they are classified as an available-for-sale financial instrument. The closing price for Tosca shares as at March 31, 2011 was $0.54 per share (December 31, 2010: $0.30 per share). The Tosca shares were obtained in consideration for payments required pursuant to an earn-in agreement on the Swift Katie property, located in the Nelson Mining Division, British Columbia, Canada. The Company holds less than 1% of the total number of outstanding shares of Tosca at each reporting period.

7. Mineral Properties

The Company has interests in four mineral properties called Star, Swift Katie, Toughnut, and Rozan. All the properties are located near the towns of Nelson and Salmo, British Columbia. All acquisition costs are capitalized until such time these mineral properties are placed into commercial production, sold, or abandoned. A summary of total mineral property acquisition costs as at March 31, 2011 is as follows:

Mineral Properties	Toughnut $	Star $	Swift Katie $	Rozan $	Total $
Acquisition costs					
Balance as at December 31, 2009	19,453	33,484	133,889	-	186,826
Additions during the year	34,349	26,479	2,753	9,490	73,071
Balance as at December 31, 2010	53,802	59,963	136,642	9,490	259,897
Additions during the period	38,142	2,320	109,264	62,189	211,915
Capitalized assets as at March 31, 2011	**91,944**	**62,283**	**245,906**	**71,679**	**471,812**

7. Mineral Properties, continued

(a) Star Property

Pursuant to an agreement dated May 13, 2008, the Company can earn a 100% undivided interest in the Star Property subject to a net smelter return royalty ("NSR") of 3% with a buy-down option to 2% before the commencement of commercial production for US $1,500,000. To earn a 100% undivided interest in the Star Property, the Company is required to make staged payments totaling US $300,000 and incur total exploration expenditures of $400,000 as follows:

(i) US $20,000 and incur in the aggregate a minimum of $100,000 in exploration expenditures on or before May 13, 2009 (paid and incurred);
(ii) US $25,000 and incur in the aggregate a minimum of $200,000 in exploration expenditures on or before May 13, 2010 (paid and incurred);
(iii) US $25,000 and incur in the aggregate a minimum of $300,000 in exploration expenditures on or before May 13, 2011 (paid, see Note 16(c), and incurred);
(iv) US $30,000 and incur in the aggregate a minimum of $400,000 (incurred) in exploration expenditures on or before May 13, 2012; and
(v) US $40,000 on or before May 13, 2013, 2014 and 2015; US $50,000 on or before May 13, 2016; and US $30,000 on or before May 13, 2017.

In order to facilitate the Star option payment on May 13, 2010, as per the option agreement, the Company issued promissory notes to one director/officer and three consultants of the Company for $25,494. As at March 31, 2011, the remaining amount outstanding is $7,625 included in due to related parties.

(b) Swift Katie Property

Pursuant to an agreement dated July 21, 2006 (the "Option Agreement") as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by the President of the Company, acquired an option from the optionors to purchase the Swift Katie Property. The option was assigned by Manex to the Company for $2,500.

Pursuant to the amended option agreement dated December 18, 2008, the Company owns a 60% interest in the Swift Katie Property and expects to increase its interest in 2011 to 100% by making cash payments, incur exploration expenditures, and issue shares to the optionors as follows:

(i) Pay $60,000, incur $350,000 in exploration expenditures and issue 225,000 common shares on or before December 31, 2010 (paid, incurred, and issued); and
(ii) Pay an additional $60,000, incur an additional $350,000 in exploration expenditures, and issue an additional 225,000 common shares on or before December 31, 2011.

7. Mineral Properties, continued

(b) Swift Katie Property, continued

The optionors of the property retain a 2% NSR on the property if the Company earns a 60% interest and a 3% NSR if the Company earns a 100% interest in the property. The Company has the option to purchase one-half of the NSR for $1,000,000 per 1% at any time prior to the commencement of commercial production.

Beginning December 31, 2010 and annually thereafter, the Company is required to make an annual advance minimum royalty ("AMR") payment of $35,000, increasing to $50,000 annually in December 2012 and thereafter. These payments will be adjusted annually according to the Consumer Price Index ("CPI") base of December 31, 2006. Annual AMR payments are deductible from future NSR royalty payments. On March 23, 2011, the Company paid the AMR due December 31, 2010 of an amount of $37,600. The CPI base was calculated to be 1.074.

In addition to the NSR and the AMR, if the Company completes a positive feasibility study, the Company will issue 250,000 common shares to the optionors and if the Company achieves commercial production, the Company will issue 500,000 common shares to the optionors.

On August 21, 2009, the Company entered into an option agreement with JRTL Capital Corp. ("JRTL") on the Swift Katie Property. On December 3, 2009, JRTL changed its name to Tosca. In December 2010, Tosca terminated the option agreement.

(c) Toughnut Property

On March 10, 2009, the Company entered into an option agreement to acquire a 100% undivided interest in the Toughnut Property, comprising nine mineral claims and one Crown grant (the "Toughnut Property").

On March 16, 2009 and March 4, 2010, the agreement was amended for the requirements on cash payments, exploration expenditures, and share issuances. Pursuant to the amended agreement to acquire a 100% interest in the Toughnut Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,250,000, and issue 450,000 of its common shares to the optionors over five years as follows:

(i) Pay $5,000 and issue 100,000 common shares on March 9, 2009 (paid and issued);
(ii) Issue 100,000 common shares on or before March 10, 2010 (issued);
(iii) Pay $30,000 on or before August 1, 2010 (paid);
(iv) Incur not less than $300,000 of exploration expenditures on or before September 30, 2010 (incurred);
(v) Pay $35,000, issue 50,000 common shares and incur not less than an aggregate $500,000 of exploration expenditures on or before March 10, 2011 (paid, issued, and incurred);

7. Mineral Properties, continued

(c) Toughnut Property, continued

- **(vi)** Pay $40,000, issue 50,000 common shares and incur not less than an aggregate $750,000 of exploration expenditures on or before March 10, 2012;
- **(vii)** Pay $40,000, issue 50,000 common shares and incur not less than an aggregate $1,000,000 of exploration expenditures on or before March 10, 2013; and
- **(viii)** Pay $50,000, issue 100,000 common shares and incur not less than an aggregate $1,250,000 of exploration expenditures on or before March 10, 2014.

The optionors of the Toughnut Property retain a 1% NSR on three mineral claims and 2% NSR on the reminder of the property. The Company has the option to purchase one-half of the optionors' NSR by making a payment of $1,000,000.

In addition to the optionors' NSR of 1% on the three mineral claims, there is an underlying royalty, pursuant to which third parties are entitled to a 1% NSR on these three mineral claims, up to a maximum aggregate amount of $1,000,000.

(d) Rozan Property

On January 13, 2010, the Company entered into an option agreement to acquire a 100% undivided interest in the Rozan property, comprising thirty-two mineral claims located near Nelson, BC (the "Rozan Property"). To acquire a 100% interest in the Rozan Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,000,000, and issue 350,000 units* to the optionors over the next five years as follows:

- **(i)** Issue 50,000 units on the signing of the agreement (issued);
- **(ii)** Pay $30,000**, issue 50,000 units (issued), and incur not less than an aggregate $50,000 of exploration expenditures on or before January 13, 2011**;
- **(iii)** Pay $30,000, issue 50,000 units, and incur not less than an aggregate $250,000 of exploration expenditures on or before January 13, 2012;
- **(iv)** Pay $40,000, issue 50,000 units, and incur not less than an aggregate $500,000 of exploration expenditures on or before January 13, 2013;
- **(v)** Pay $40,000, issue 50,000 units, and incur not less than an aggregate $750,000 of exploration expenditures on or before January 13, 2014; and
- **(vi)** Pay $60,000, issue 100,000 units, and incur not less than an aggregate $1,000,000 of exploration expenditures on or before January 13, 2015.

7. Mineral Properties, continued

(d) Rozan Property, continued

*Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable for a period of five years with the exercise price based on the quoted market value of the Company's shares at the date of issuance, subject to a minimum exercise price of $0.10 per share.

**On February 8, 2011, the Company and the optionors for the Rozan Property amended the agreement. The Company issued 600,000 units to the optionors in lieu of the $30,000 cash payment. The units consist of one common share and one share purchase warrant. Each share purchase warrant is exercisable to purchase one common share at an exercise price of $0.10 for a period of two years. The parties mutually agreed to defer the requirement to incur not less than an aggregate $50,000 of exploration expenditures for 90 days.

The optionors of the Rozan Property retain a 2% NSR on the mineral claims of the property. The Company has the option to purchase one-half of the NSR by paying $500,000 to the optionors.

In addition to the optionors' 2% NSR on the property, there is an underlying royalty, pursuant to which a third party is entitled to a 1% NSR on the property. The additional 1% NSR is subject to a right of first purchase by the optionor. Should the optionor acquire the additional 1% NSR on the property, the Company will have right of first purchase to acquire this royalty should the optionor elect in the future to sell it to a third party.

(e) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to site restoration and reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. 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. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. Environmental legislation is becoming increasingly stringent and the cost of regulatory compliance is increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Expressed in Canadian Dollars

7. Mineral Properties, continued

(f) Title to Mineral Properties

Title to mineral properties 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 of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(g) Realization of Assets

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from the sale of the mineral properties. The carrying value of the Company's mineral properties may not reflect current or future values.

(h) Mineral property exploration expenditures

The table below summarizes the exploration expenditures incurred for the three-month period ended March 31:

	2011	2010
Assays and analysis	$ 20,169	$ 5,477
Camp and supplies	948	-
Equipment rental and field supplies	643	150
Geological services	46,269	45
Project supervision	57,754	32,685
Travel	88	-
Total mineral property exploration expenditures	$ 125,871	$ 38,357

8. Reclamation Bonds

The Company has posted non-interest-bearing reclamation bonds against any potential land restoration costs that may be incurred in the future on certain properties. The funds are held in trust and may be released after required reclamation is satisfactorily completed.

As at March 31, 2011, the amount on deposit was $45,000 (December 31, 2010: $45,000), of which $35,000 is for the Swift Katie Property, and $10,000 is for the Star Property.

9. Bank Indebtedness

Bank indebtedness is due on demand, bears interest at prime plus 1% per annum, and is secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company. During 2006, the Company issued 200,000 common shares at an agreed price of $0.20 per share, as consideration for the guarantee. Under the credit facility letter, the Company is required to obtain written consent from the bank prior to paying or declaring any dividends, reducing its share capital, reorganizing, or changing control. The balance outstanding as at March 31, 2011 was $194,875 (December 31, 2010: $197,619).

10. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these financial statements, the Company entered into the following related party transactions during the three months ended March 31, 2011, as follows:

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company was charged as follows:

- $6,000 (March 31, 2010: $25,725) for office space and general administration services, included in administration expenses;
- $3,000 (March 31, 2010: $13,574), included in professional fees;
- $1,500 (March 31, 2010: $8,715), included in consulting;
- $1,500 (March 31, 2010: $9,923), included in investor relations;
- $58,809 (March 31, 2010: $38,335) for geological consulting services in relation to mineral properties; and
- $717 (March 31, 2010: $1,065) in respect of the mark-up on out-of-pocket expenses, included in administration expenses.

Amounts payable under the agreement at March 31, 2011 were $107,359 (December 31, 2010: $55,366).

10. Related Party Balances and Transactions, continued

(b) Fees charged by a law firm privately held by a director and officer of the Company were as follows:

- $17,511 (March 31, 2010: $2,662), included in professional fees;
- $1,320 (March 31, 2010: $1,433), for legal consulting services in relation to mineral properties; and
- $13,857 (March 31, 2010: $Nil), included in share issue costs.

Amounts payable as at March 31, 2011 were $29,463 (December 31, 2010: $11,243).

(c) Consulting fees relating to office administration of $Nil (March 31, 2010: $6,000) were charged by a private company controlled by an officer of the Company (resigned as an officer effective July 31, 2010). Amounts payable as at March 31, 2011 were $Nil (December 31, 2010: $25,340).

(d) Independent directors' fees of $Nil (March 31, 2010: $9,000) were incurred by the Company (independent directors' fees were discontinued as of July 1, 2010). Amounts payable as at March 31, 2011 were $Nil (December 31, 2010: $50,378).

(e) In order to facilitate the Star option payment due on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants for $25,494. Amounts payable as at March 31, 2011 was $7,625 (December 31, 2010: $17,868).

(f) Consulting fees relating to corporate development and financing activities were charged by a private company controlled by a former director of the Company. Amounts payable as at March 31, 2011 were $24,675 (December 31, 2010: $29,175).

The total amount due to related parties as at March 31, 2011 was $169,122 (December 31, 2010: $189,370). Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

With the exception of the fees paid to independent directors, consulting fees in the amount of $1,500 (March 31, 2010: $7,500) were paid for CFO services (disclosed in (a) above and (c) above) the Company did not provide any other form of remuneration or share-based payments to directors and other members of key management personnel during the three months ended March 31, 2011 and 2010.

11. Segmented Information

Operating segment – The Company's operations are primarily directed towards the acquisition, exploration, and development of gold and other precious metals.

Geographic segment – The Company's assets and expenditures are held and incurred with regard to mineral properties held in British Columbia, Canada.

12. Share Capital

(a) Authorized

(i) Unlimited common shares without par value; and
(ii) Unlimited preferred shares without par value.

(b) Equity Financings

On March 23, 2011, the Company closed the third tranche of a non-brokered private placement by issuing 18,124,460 units at a price of $0.05 per unit for gross proceeds of $906,223. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share at a price of $0.10 for a period of two years.

The Company paid $27,750 in finders' fees and issued 925,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.031 per warrant using the Black-Scholes option pricing model (Note 12(h)).

On March 23, 2011, the Company closed the first tranche of a non-brokered flow-through private placement by issuing 8,220,000 units at a price of $0.05 per unit for gross proceeds of $411,000. Each unit consisted of one flow-through common share and one-half of one share purchase warrant, with each whole warrant exercisable to purchase one non-flow-through common share at a price of $0.10 for a period of two years.

The Company paid $24,000 in finders' fees and issued 800,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.031 per warrant using the Black-Scholes option pricing model (Note 12(h)).

(c) Shares Issued for Mineral Property

On January 31, 2011 and February 8, 2011, the Company issued 50,000 and 600,000 common shares, respectively, to the optionors of the Rozan Property as per the amended agreement. The fair value based on the quoted market price was $0.06 and $0.05 per share, respectively.

12. Share Capital, continued

(c) Shares Issued for Mineral Property, continued

On March 21, 2011, the Company issued 225,000 common shares to the optionors of the Swift Katie Property as per the option agreement. The fair value based on the quoted market price was $0.05 per share.

On March 29, 2011, the Company issued 50,000 common shares to the optionors of the Toughnut Property as per the option agreement. The fair value based on the quoted market price was $0.06 per share.

(d) Renunciation of Flow-Through Shares

The Company recorded a future income tax liability of $95,673 and recognized a charge against share capital for this amount, in connection with the renunciation of flow-through expenditures of $382,690 in February 2011.

(e) Stock Options

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed the length of term permitted by the policies of any stock exchange on which the Company's shares are listed at the date of grant. The exercise price may not be less than the greater of the closing price on the trading day prior to the date of grant of the options or the closing price on the date of grant of the options. On an annual basis, the Plan requires approval by the Company's shareholders.

Expressed in Canadian Dollars

12. Share Capital, continued

(e) Stock Options, continued

A summary of the stock options outstanding and exercisable as at March 31, 2011 and 2010 are provided below:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2010	Forfeited	Balance March 31, 2011
$0.25	$0.19	October 9, 2012	1,260,000	50,000	1,210,000
$0.10	$0.06	February 24, 2014	50,000	-	50,000
$0.10	$0.09	August 11, 2014	1,455,000	50,000	1,405,000
			2,765,000	**100,000**	**2,665,000**
Weighted average exercise price			$0.17		$0.17
Weighted average fair value			$0.13		$0.13
Weighted average contractual life remaining in years			2.77		2.53

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2009	Forfeited	Balance March 31, 2010
$0.25	$0.19	October 9, 2012	1,335,000	30,000	1,305,000
$0.28	$0.21	December 4, 2012	10,000	-	10,000
$0.10	$0.06	February 24, 2014	50,000	-	50,000
$0.10	$0.09	August 11, 2014	1,600,000	50,000	1,550,000
			2,995,000	**80,000**	**2,915,000**
Weighted average exercise price			$0.17	$0.16	$0.17
Weighted average fair value			$0.16	$0.15	$0.16
Weighted average contractual life remaining in years			3.78		3.53

Expressed in Canadian Dollars

12. Share Capital, continued

(f) Finders' Options

A summary of the options granted to finders that are outstanding and exercisable as at March 31, 2011 and 2010 are provided below:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2010	Balance March 31, 2011
$0.08	$0.05	December 23, 2011	562,500	562,500
$0.05	$0.03	November 17, 2012	500,000	500,000
			1,062,500	**1,062,500**
Weighted average exercise price			$0.07	$0.07
Weighted average fair value			$0.04	$0.04
Weighted average contractual life remaining in years			1.40	1.16

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2009	Balance March 31, 2010
$0.08	$0.05	December 23, 2011	562,500	562,500
			562,500	**562,500**
Weighted average exercise price			$0.08	$0.08
Weighted average fair value			$0.05	$0.05
Weighted average contractual life remaining in years			1.98	1.73

Expressed in Canadian Dollars

12. Share Capital, continued

(g) Share Purchase Warrants

The Company's share purchase warrants outstanding as at March 31, 2011 and 2010 are summarized as follows:

Exercise Price	Expiry Date	Balance December 31, 2010	Issued	Balance March 31, 2011
$0.15	June 12, 2011	3,172,222	-	3,172,222
$0.15	June 12, 2011	87,500	-	87,500
$0.15	July 17, 2011	1,756,950	-	1,756,950
$0.15	July 17, 2011	75,000	-	75,000
$0.15	July 24, 2011	534,091	-	534,091
$0.15	July 24, 2011	100,000	-	100,000
$0.15	December 23, 2011	3,487,500	-	3,487,500
$0.15	December 23, 2011	169,125	-	169,125
$0.10	December 23, 2011	312,500	-	312,500
$0.10	December 23, 2011	7,500	-	7,500
$0.06	January 14, 2015	50,000	-	50,000
$0.10	November 17, 2012	17,548,319	-	17,548,319
$0.10	November 17, 2012	125,000	-	125,000
$0.10	December 30, 2012	3,130,000	-	3,130,000
$0.10	December 30, 2012	388,500	-	388,500
$0.10	January 31, 2016	-	50,000	50,000
$0.10	February 8, 2013	-	600,000	600,000
$0.10	March 23, 2013	-	18,124,460	18,124,460
$0.10	March 23, 2013	-	925,000	925,000
$0.10	March 23, 2013	-	4,110,000	4,110,000
$0.10	March 23, 2013	-	800,000	800,000
		30,944,207	**24,609,460**	**55,553,667**
Weighted average exercise price		$0.12	$0.10	$0.11
Weighted average contractual life remaining in years		1.52		1.62

Expressed in Canadian Dollars

12. Share Capital, continued

(g) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance December 31, 2009	Issued	Balance March 31, 2010
$0.30	July 7, 2010	500,000	-	500,000
$0.15	June 12, 2011	3,172,222	-	3,172,222
$0.15	June 12, 2011	87,500	-	87,500
$0.15	July 17, 2011	1,756,950	-	1,756,950
$0.15	July 17, 2011	75,000	-	75,000
$0.15	July 24, 2011	534,091	-	534,091
$0.15	July 24, 2011	100,000	-	100,000
$0.15	December 23, 2011	3,487,500	-	3,487,500
$0.15	December 23, 2011	169,125	-	169,125
$0.10	December 23, 2011	312,500	-	312,500
$0.10	December 23, 2011	7,500	-	7,500
$0.06	January 14, 2015	-	50,000	50,000
		10,202,388	**50,000**	**10,252,388**
Weighted average exercise price		$0.16	$0.06	$0.16
Weighted average contractual life remaining in years		1.63		1.40

On January 31, 2011, the Company granted 50,000 share purchase warrants to the optionors of the Rozan Property as per the amended agreement. The Company recognized the fair value of the share purchase warrants of $0.039 calculated using the Black-Scholes option pricing model (Note 12(h)).

On February 8, 2011, the Company granted 600,000 share purchase warrants to the optionors of the Rozan Property as per the amended agreement. The Company recognized the fair value of the share purchase warrants of $0.043 calculated using the Black-Scholes option pricing model (Note 12(h)).

Expressed in Canadian Dollars

12. Share Capital, continued

(h) Fair Value Determination

The Company applies the fair value method of accounting for share-based payments and the fair value calculated for share-based payments are expensed in the statement of comprehensive loss.

The fair value of finders' options and finders' warrants granted during the three-month period ended March 31, 2011 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2011		
	Options	Warrants	Finders' Warrants
Risk-free interest rate	n/a	1.87%	1.68%
Expected share price volatility	n/a	137.80%	134.17%
Expected option/warrant life in years	n/a	2.2	2.0
Expected dividend yield	n/a	0.00%	0.00%

(i) Share-Based Payments

Option pricing models require the input of highly subjective assumptions. Changes in the input assumptions can materially affect the fair value estimate. The Company did not grant stock options during the three-month periods ended March 31, 2011 and 2010.

Expressed in Canadian Dollars

13. Supplemental Cash Flow Information

	For the Three Months Ended March 31, 2011		2010
			(Restated Note 2)
Cash comprised of:			
Cash	$	608,278	$ 2,579
Cash reserved for flow-through expenditures (Note 14(b))		488,683	505,200
Total Cash	$	1,096,961	$ 507,779
Cash Items			
Income tax paid	$	-	$ -
Interest received	$	-	$ -
Interest paid	$	1,396	$ 1,945
Non-Cash Items			
Financing Activities			
Fair value of warrants issued for mineral properties	$	28,009	$ 2,841
Shares issued for mineral properties	$	47,250	$ 6,000
Fair value of finders' warrants	$	52,708	$ -
Tax benefits renounced to flow-through share subscribers	$	95,673	$ 190,239

14. Commitments

(a) Service Agreement

Under a service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company is charged $4,000 monthly for office accommodation, accounting, and office management services. The agreement expires June 30, 2012. The Company may terminate the agreement at any time by paying the remaining monthly fees for one year from the date of written notice of the termination. The fee commitment for the next two years is as follows:

Expressed in Canadian Dollars

14. Commitments, continued

(a) Service Agreement, continued

As at March 31		Amount
2012	$	48,000
2013		12,000
	$	60,000

(b) Flow-Through Expenditures

Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

The Company is committed to incur qualifying Canadian exploration expenditures of approximately $383,000 by December 31, 2011. As at March 31, 2011, the Company has incurred qualifying expenditures of approximately $314,500 with respect to exploration activities at its mineral properties, with a remaining commitment of approximately $68,500 to be incurred by December 31, 2011.

15. Transition to IFRS

As stated in Note 3(a), these are the Company's first condensed interim financial statements. The accounting policies described in Note 3 have been applied in preparing these condensed interim financial statements for the three months ended March 31, 2011, the comparative information presented in these condensed interim financial statements for the three months ended March 31, 2010, preparing an opening IFRS statement of financial position at January 1, 2010, the Company's date of transition, and the statement of financial position as at December 31, 2010. An explanation of IFRS 1, first-time adoption of IFRS exemptions, and the required reconciliations between IFRS and Canadian GAAP are described below.

In preparing these condensed interim financial statements, the Company has applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

Expressed in Canadian Dollars

15. Transition to IFRS, continued

The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

Share-based Payments

The Company elected to not apply IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

The following adjustments have been made on the transition to IFRS:

(a) Exploration expenditures

On transition to IFRS the Company elected to change to its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based payments

On transition to IFRS the Company elected to change to its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders options, and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Reconciliation of Assets, Liabilities and Equity

The below table provides a summary of the adjustments to the Company's statement of financial position:

	Note		**December 31, 2010**		**March 31, 2010**		**January 1, 2010**
Total Assets per Canadian GAAP		$	3,552,803	$	2,993,722	$	3,010,423
Adjustment on adoption of IFRS							
Decrease in mineral properties	15(a)		(2,910,350)		(2,195,846)		(2,157,489)
Total assets per IFRS		$	642,453	$	797,876	$	852,934
Total Liabilities under Canadian GAAP		$	584,259	$	901,936	$	809,043
Adjustment on adoption of IFRS			-		-		-
Total Liabilities under IFRS		$	**584,259**	**$**	**901,936**	**$**	**809,043**

Expressed in Canadian Dollars

15. Transition to IFRS, continued

Reconciliation of Assets, Liabilities and Equity, continued

	Note		**December 31, 2010**		**March 31, 2010**		**January 1, 2010**
Shareholders' Equity							
Total Equity under Canadian GAAP		$	2,968,544	$	2,091,786	$	2,201,380
Adjustments on adoption of IFRS							
Increase in deficit	15(a)		(2,910,350)		(2,195,846)		(2,157,489)
Decrease in contributed surplus	15(b)		(72,399)		(70,461)		(70,461)
Decrease in deficit	15(b)		72,399		70,461		70,461
Total IFRS adjustments to equity			(2,910,350)		(2,195,846)		(2,157,489)
Total Equity under IFRS			**58,194**		**(104,060)**		**43,891**
Total Liabilities and Equity under IFRS		**$**	**642,453**	**$**	**797,876**	**$**	**852,934**

Reconciliation of Comprehensive Loss

The below table provides a summary of the adjustments to comprehensive loss:

	Note		**December 31, 2010**		**March 31, 2010**
Comprehensive loss (income) per Canadian GAAP		$	234,941	$	(71,429)
Adjustment on adoption of IFRS					
Increase in exploration expenditures	15(a)		752,861		38,357
Comprehensive loss (income) per IFRS		**$**	**987,802**	**$**	**(33,072)**

Expressed in Canadian Dollars

15. Transition to IFRS, continued

Reconciliation of Cash flows

The below table provides a summary of the adjustments to cash flows for the year ended December 31, 2010 and for the three months ended March 31, 2010:

		December 31, 2010		March 31, 2010
Operating Activities				
Operating Activities per Canadian GAAP	$	(726,424)	$	(63,495)
Adjustment required on transition to IFRS				
Increase in net loss for the period		(729,937)		(13,879)
Operating Activities per IFRS	**$**	**(1,456,361)**	**$**	**(77,374)**
Investing Activities per Canadian GAAP	$	(794,167)	$	(15,925)
Adjustment required on adoption of IFRS				
Decrease in expenditures on mineral properties		729,937		13,879
Investing Activities per IFRS	**$**	**(64,230)**	**$**	**(2,046)**
Financing Activities per Canadian GAAP	$	1,183,503	$	-
Adjustment required on adoption of IFRS		-		-
Financing Activities per IFRS	**$**	**1,183,503**	**$**	**-**

16. Subsequent Events

(a) Private Placement

On May 2, 2011, the Company closed the fourth tranche of a non-brokered private placement by issuing 3,180,000 units at a price of $0.05 per unit for gross proceeds of $159,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share at a price of $0.10 for a period of two years.

The Company paid $9,360 in finders' fees and issued 312,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years.

(b) Sale of Investment

On April 20, 2011, the Company received the funds from the sale of its investment in Tosca shares for gross proceeds of $48,138. The Company paid sales commissions of $1,013 for net proceeds of $47,125.