ARIANNE RESOURCES INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENT (UNAUDITED)

YEARS ENDED MARCH 31, 2011 AND 2010

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (unaudited)

	Notes	31 March 2011	31 December 2010	1st January 2010
		$	$	$
ASSETS				
Current				
Cash	4	2 264 760	2 396 154	213 292
Taxes on products and services to receive		209 364	95 782	83 096
Available-for-sale investments	5	397 250	7 250	-
Other current assets	6	6 180	113 862	7 852
Tax credit and mining rights receivables		74 116	74 116	576 859
Current assets		2 951 670	2 687 164	881 099
Non-current				
Mining properties	7	1 067 891	1 013 712	867 932
Exploration and evaluation assets	8	5 027 144	4 240 784	5 507 598
Non-current assets		6 095 035	5 254 496	6 375 530
Total assets		9 046 705	7 941 660	7 256 629
LIABILITIES				
Current				
Accounts payable and other liabilities		156 202	318 325	239 136
Current portion of long-term debt		-	-	3 540
Current liabilities		156 202	318 325	242 676
Non-current				
Deferred tax liabilities		260 609	150 810	472 600
Total liabilities		416 811	469 135	715 276
Equity				
Share capital	9	16 058 572	14 327 861	11 901 731
Contributed surplus		3 947 979	4 189 374	3 142 680
Warrants		1 229 665	1 513 396	424 443
Deficit		(12 883 772)	(12 555 356)	(8 927 501)
Accumulated other comprehensive income		277 450	(2 750)	-
Total equity		8 629 894	7 472 525	6 541 353
Total liabilities and equity		9 046 705	7 941 660	7 256 629

ON BEHALF OF THE BOARD,

_________________________________, Director

_________________________________, Director

ARIANNE RESOURCES INC.

CONSOLIDATED EARNINGS (unaudited)

THREE MONTHS PERIOD ENDED MARCH 31	2011 $	2010 $
INCOME		
Interest	2 774	-
ADMINISTRATIVE EXPENSES		
Salaries and employee benefits (note 11)	59 703	-
Share-based compensation expense	72 400	-
Professional and consultant fees	28 103	7 700
Management fees	30 250	21 000
Registration and listing fees	21 537	17 716
Advertising	46 643	3 011
Travelling and promotion	36 704	4 672
Relation with investors	23 027	3 551
Insurance	2 060	2 188
Rent and office expenses	9 195	3 813
Interest and bank expenses	568	253
	330 190	63 904
NET EARNINGS FOR THE PERIOD	327 416	63 904
NET OTHER COMPREHENSIVE INCOME		
Available-for-sale investments		
Net unrealized gain 109 800 $	280 200	-
COMPREHENSIVE INCOME FOR THE PERIOD	(47 216)	(63 904)
BASIC AND DILUTED LOSS PER SHARE	0,0008	0,01

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Share capital	Contributed surplus	Warrants for sale	Available equity financial assets	Deficit	Total
	$	$	$	$	$	$
BALANCE AS AT JANUARY 1, 2010	11 901 731	3 142 680	424 443	-	(8 927 501)	6 541 353
Net earnings for the period					(2 986 172)	(2 986 172)
Future income taxes relating flow-through shares					(70 200)	(70 200)
Shares-based compensation costs					(571 483)	(571 483)
Issuance of flow-through shares f	1 376 780					1 376 780
Issuance of shares on private investment financing	2 060 069					2 060 069
Issuance of shares on warrants exercised	288 198					288 198
Value assigned to warrants	112 583		(112 583)			-
Warrants granted	(1 469 000)		1 469 000			-
Warrants expired		267 464	(267 464)			-
Options granted under the plan	526 408	526 408				
Options granted to brokers		252 822				252 822
Issuance of shares for acquisition of mining properties	37 500	37 500				
Issuance of shares in settlement of debts	20 000					20 000
Other comprehensive income				(2 750)		(2 750)
BALANCE AS AT DECEMBER 31, 2010	14 327 861	4 189 374	1 513 396	(2 750)	(12 555 356)	7 472 525
Net earnings for the period					(327 416)	(327 416)
Share issuance expenses					(1 000)	(1 000)
Issuance of shares on warrants exercised	821 235					821 235
Value assigned to warrants	283 731	(283 731)				
Stock options cashed exercised	311 950					311 950
Value assigned to option exercised	313 795	(313 795)				-
Options granted under the plan		72 400				72 400
Other comprehensive income				280 200		280 200
BALANCE AS AT MARS 31, 2011	16 058 572	3 947 979	1 229 665	277 450	(12 883 772)	8 629 894
BALANCE AS AT JANUARY 1, 2010	11 901 731	3 142 680	424 443	-	(8 927 501)	6 541 353
Net earnings for the period					(63 904)	(63 904)
Share issuance expenses					(5 710)	(5 710)
Issuance of shares on warrants exercised and cashed	128 250	128 250				
Value assigned to warrants	48 375		48 375			96 750
Other comprehensive income						
BALANCE AS AT MARS 31, 2010	12 078 356	3 142 680	472 818	-	(8 997 115)	6 696 739

CONSOLIDATED CASH FLOWS (unaudited)

THREE MONTHS PERIOD ENDER MARCH 31	2011 $	2010 $
OPERATING ACTIVITIES		
Net loss	(327 416)	(63 904)
Items not involving cash:		
Future income and mining taxes	72 400	-
	(255 016)	(63 904)
Net change in non-cash operating working capital items	(168 024)	38 928
	(423 040)	(24 976)
INVESTMENT ACTIVITIES		
Tax credit and mining rights received	-	103 112
Cash reserved for exploration and evaluation	-	179 191
Mining properties	(54 179)	(11 616)
Exploration and evaluation assets	(786 360)	(231 712)
	(840 539)	38 975
FINANCING ACTIVITIES		
Cash inflow relating to share capital and warrants	821 235	225 000
Share Issuance Expenses	(1 000)	(5 710)
Cash inflow relating to stock options exercised	311 950	-
	1 132 185	219 290
CASH INCREASE (DECREASE)		
	(131 394)	233 289
CASH, BEGINNING OF YEAR	2 396 154	18 683
CASH, END OF YEAR (note 4)	2 264 760	251 972
ADDITIONAL INFORMATION		
Interest paid	568	253
Interest received	2 774	-

NOTES TO FINANCIAL STATEMENTS (unaudited)

MARCH 31, 2011

1. STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

Arianne resources Inc. (the "Company"), incorporated under the Part 1A of the Companies Act (Quebec), is engaged in the acquisition and exploration of mining properties. Its activities are in Canada and it also holds an option to acquire a mining property in Mexico. It is quoted on the TSX Venture (Toronto, Canada) and its shares trade under the symbol DAN, it is also quoted on American Stock Exchange Over-the Counter QX (OTCQX) under the symbol DRRSF.

The main office is located at 30 rue Racine, suite 160, Chicoutimi, Quebec, Canada G7H 1P5.

These interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The Board of Directors approved these unaudited interim consolidated financial statements on June 30, 2011.

2. BASIS OF PREPARATION AND FIRST TIME ADOPTION OF IFRS

The consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the Accounting Standards Board of Canada. These are the Company's first consolidated interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied and with the accounting policies the Company expects to adopt on its first annual IFRS December 31, 2011 financial statements. Those accounting policies are based on the IFRS and International Financial Reporting Interpretations Committee ("IFRIC") that the Company expects to be applicable at that time.

The consolidated interim financial statements were previously prepared under Canadian Generally Accepted Accounting Principles («GAAP»). The transition date to IFRS is January 1, 2010. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 21 which includes a reconciliation of equity and income statement for the comparative period and of equity at the date of transition reported under Canadian Generally Accepted Accounting Principles ("GAAP") to those reported for that period and at the date of transition under IFRS.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of the going-concern assumption, meaning that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Basis of preparation

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The note describes the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

IFRS do not regulate accounting policies for flow-through shares and their fiscal treatment. The Company has adopted the same position for treatments as the Mining Workgroup on IFRS created by the Canadian Institute of Chartered Accountants (CICA) and the Prospectors and Developers Association of Canada (PDAC).

2. BASIS OF PREPARATION AND FIRST TIME ADOPTION OF IFRS (continued)

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include:

- the collectability of amounts receivable;
- recovery of Mining Exploration Tax Credits;
- balances of accrued liabilities;
- the fair value of financial instruments;
- the rates for amortization of equipment;
- the recoverability of investment;
- determination of asset retirement and environmental obligations;
- the utilization of future income tax assets; and
- the determination of the variables used in the calculation of share-based payments.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows.

The interim financial statements were prepared on a historical cost basis except for financial instruments, which are classified as available-for-sale.

The attached financial statements have been prepared on the assumption of the continuity of the exploitation that which the Company plans to realize its assets and resolve its liabilities in the normal course of its activities. The Company has yet to determine if the mining properties contain ore reserves that can be economically exploited. The exploration of the fair value of the mineral deposits implies important financial risk. The success of the Company will depend on certain variables, one of which is the relatable risk of exploration and extraction.

For the period ending March 31 2011, the Company registered a net loss of $75,170 ($63,904 in 2010). Management periodically searches for means of obtaining financing under the form of emitting flow through shares, subscription bonds and share options as to be able to peruse its activities. Even though, this has been possible in the past there is no guarantee that it will continue to success in the future. Should management be unable to obtain new funds, the Company could then be unable to continue its activities, and the realized amounts as an asset could then be of a lesser value than what is presented in the financial statements.

These changes have no incidence on the Company.

Principal accounting policies used for the quarter financial statements are described in note 3.

In our opinion, the relative fair value method could be utilized. Its use would cause the reprocessing of our figures to January 2010, and a reprocessing of our figures to the closing exercise of December 31, 2010. Furthermore, the figures of the closing quarter of March 31, 2011 would be different.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Standards, amendments and interpretations of the existing standards that had not yet come into effect & that the Company has not adopted in a forward manner.

At the date of the authorisation of these consolidated interim financial statements, new accounting regulations, existing standards, and new amendments were published, but had not yet been adopted in a forward manner by the Company.

Management plans to adopt these new accounting standards that have yet to be adopted in the Company's accounting methods. This will take place following the date of entry of each new position. Information on the new standard, interpretations and the new amendments that are pertinent to the financial statements of the Company will be given in the following information.

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period:

- IFRS 9, Financial Instruments, addresses classification and measurement of financial instruments and replaces the multiple category and measurement models in IAS 39, Financial Instruments - Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.
  The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard.

3.2 Basis of consolidation

The interim consolidated financial statements include the accounts of the Parent company and its subsidiaries at March 31, 2011. Subsidiaries are all entities that the Company has the power to govern the financial and operational. The Company's subsidiaries are 100% owned by the parent company. The consolidated financial statements comprise the financial statements of the Group as at December 31.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions are eliminated. Unrealized loss on assets sales relying from an intra-group transaction, the underlying asset is subject to a depreciation test from the Company's perspective. The amounts presented in the financial statements of the subsidiaries are re-adjusted to respect the accounting standards adopted by the Parent Company.

The result or other elements of the global subsidiaries acquired or surrenders during the period are accounted in part at the actual date of the acquisition or until the actual date of surrender.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

All intra-group balances, transactions, incomes and expenses resulting from intra-group transactions are eliminated in full.

Subsidiary
Information on subsidiaries March 31, 2011 are as follows:

Name of subsidiary	Main activity	Act of incorporation	Interest and Right to vote
Oroplata Inc	Inactive	The Company Act Part 1A	100%
Phosphate Canada Inc	Inactive	The Compagnie Act Part 1A	100%

3.3 Business Combinations

The acquisition method of accounting is used to account for acquisitions. The counterpart transferred by the Company to obtain the control of a subsidiary is calculated as a sum, a the acquisition date, fair value of the assets and transfers, debts incurred and the part of the Capital assets given by the Company, to which contains the fair value of all assets and liabilities resulting in eventual agreement. The cost of acquisition is accounted as expenses when they are incurred.

In the process of grouping its subsidiaries, the Company accounted its identifiable assets acquired and its retained liabilities, including eventual liabilities and this, no matter if it was accounted for in the financial statements of the acquired company before its acquisition. The assets acquired and the retained liabilities are generally evaluated at their fair value at the acquisition date.

3.4 Foreign currency translation

Presentation currency and translation of foreign-currency transactions

The consolidated financial statements of the Company and its subsidiaries are presented in Canadian dollars, which is the functional currency. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period, except for exchange differences relating to borrowings to hedge net assets denominated in the consolidated subsidiaries’ currency. These differences are recognized directly in equity as currency translation differences until the disposal of the net investment. Exchange differences arising from operating transactions are recorded in operating profit for the period; exchange differences related to financing transactions are recognized in finance income or in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Revenue Recognition

Investment transactions are accounted for on the transaction date and resulting revenues are recognized using the accrual basis.

3.6 Mining Rights Credit, Refundable Tax Credit Relating to Resources and Commitments Relating to these Credits

The Company is entitled to a mining rights credit for mining exploration expenses in Quebec.

Furthermore, the Company is entitled to a refundable tax credit relating to resources for mining exploration companies on eligible expenses incurred in Quebec.

These tax credits are accounted in reduction of the exploration fees engaged in the IAS20 and are presented distinctly in the consolidated financial situation.

These tax credits are recorded, provided that the Company is reasonably certain that these credits will be received.

Financial Instruments

The Company aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment annually and written down when there is evidence of impairment based on certain specific criteria mentioned further on.

All income and expenses related to financial instruments are reported under “Finance income (expenses).”

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial Instruments (continued)

a) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other categories. They are included in current assets when they will be realized within 12 months of the reporting date, otherwise they are classified as non-current. This item includes investments in equity instruments and others financial assets and investments in public companies.

Financial instruments included in this category are recognized initially at fair value plus directly attributable transaction costs. Subsequently, available-for-sale investments are measured at fair value, and unrealized gains or losses are recognized in other comprehensive income.

However, when a decline in the fair value of an available-for-sale investment has been recognized in other comprehensive income and there is objective evidence of prolonged impairment, the cumulative loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale (other than an equity instrument) increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

When the asset is sold or the impairment charge is recognized, the accumulated gains or losses in other comprehensive income are reclassified to profit or loss and the reclassification is shown separately in the statement of comprehensive income. Foreign exchange gains and losses on financial assets classified as available-for-sale are recorded in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial Instruments (continued)

This category is used by the Company to classify investments in equity instruments in non-consolidated companies that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. If there is objective evidence that these assets are impaired, the amount of the impairment loss is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

b) Other liabilities

The financial instruments included in this category are initially recognized at fair value less transaction costs. Subsequent to initial measurement, these other liabilities are measured at amortized cost. The difference between the initial carrying amount of these other liabilities and their redemption value is recognized in profit or loss over the contractual terms using the effective interest method. They are classified as current liabilities when they are payable within 12 months of the reporting date, otherwise they are classified as non-current. This item includes the following categories: trade and other payables and bank borrowings.

c) Compound financial instruments

Compound financial instruments issued by the Company are classified separately as financial liabilities and equity based on the substance of the contractual agreement. On the date of issue, the fair value of the liability component is measured using the effective market rate of interest for a similar non-convertible instrument. This amount is accounted for as a liability at amortized cost using the effective interest method until the instrument is extinguished or reaches maturity. The equity component is determined by deducting the amount of the liability component from the total fair value of the compound instrument. This amount is recognized in equity, net of any tax effects, and is not subsequently remeasured.

3.8 Cash

The Company's policy is to present cash and short-term investments having a term of three months or less from the acquisition date in cash.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Assets and prospection and evaluation

Assets and prospection and evaluation include the cost of acquisition of the mining rights and the expenses incurred in the exploration and the evaluation of the mining properties. These assets are accounted as capital assets and are presented as cost less the loss of the value and it's income tax credits and applicable returns.

The engaged costs before acquisition of the legal land rights of the prospection and evaluation are accounted in the profit and loss at the moment where they are consumed

Mining rights and expensive relative to the activity of prospection and evaluation are incorporated in the cost of the asset by the property until such time the technical feasibility and the commercial viability of the extraction of a mineral resource be demonstrated. The product accessories acquired during the last exploration and evaluation period are accounted at the net value. No depreciation is taken during the exploration and evaluation phase. The capitalized cost notably include the topographic studies, geological, geochemical and geophysical, rummage exploration, digging of trenches, specimen and its activities linked with the evaluation of the technical feasibility and of the commercial viability of the extraction of the mineral resource.

Should the viability of the project be established that is cannot be assured or that the project is abandoned, in that moment the capitalized amount will be reduced to its recoverable value, the difference will be immediately accounted to the net loss.

Should the technical feasibility and the commercial viability of the extraction of the mining resources be demonstrated, the mining rights and the prospecting and evaluation assets relative to the mining property will then be transferred in the category of mining and construction asset.

Following the transfer of the prospecting and evaluation assets in the mining and construction asset category, all costs subsequently relative to the construction, installation and usage of the equipment and it's infrastructures will be capitalized in that category. Once the development stage completed, all assets included in the mining and construction asset will then be transferred of the category of mining asset and will be depreciated on the limited duration of this asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Assets and prospection and evaluation

Even though the Company has taken measure to conform to the practices of the industry for the exploration stage it is in, such properties obtain the title of mining properties in which it detains a financial interest, its procedures do not guarantee the validity of the title of the property. The title of the mining property can be subjugated to prior agreements non registered and that do not respect the regulated disposition

In the interest the depreciation of the evaluation, the assets are grouped by the ones that generate the lowest independent treasury entrance (units treasury generated). By consequence, certain assets are submitted individually to depreciation test, while others are tested on their treasury generated units. The evaluation of the depreciation of the assets of protection and evaluation is done on a property basis, by property, each property is represented by a potential units treasury generated.

All individual assets or units treasury generated assets are submitted to a depreciation test when events or changes in circumstances indicate that their accounting value can be recovered.

A loss in value equal to the excess of the accounting value of an asset or of a units treasury generated on the recoverable value is accounted. The recoverable value of an asset or a unit's treasury generated is the highest of the fair value less the cost of its sale and its useful value. To determine its useful value, management proceeds to estimate the future cash flow from each asset or units treasury generated and then determines an appropriate interest rate on the actual value of its cash flow.

A loss in value is accounted for immediate in the general profit and loss and is applied to lower the individual asset or pro-rated on its units treasury generated. All assets are subsequently revaluated to reveal and indicate that a loss to the previously accounted asset has been accounted and no longer exist. A loss of value can be re-utilized should the recoverable asset or units treasury generated exceed its accounted value.

3.10 **Royalties**

Royalties on the net product of foundry are generally not accounted when acquired from a mining property since they are considered an eventual liability. The royalties are only accounted when it is deemed plausible and that it can be evaluated with sufficient feasibility.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Nature of provisioned liabilities

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for risks and expenses are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management's best estimate of outcome on the basis of facts known at the reporting date. The provisions include provisions for litigation (tax, legal, employee-related), for returns and for the environment.

Litigation is kept under regular review, on a case-by-case basis, by the Company's legal department with the assistance of outside counsel for more significant or complex disputes. A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation.

3.12 Employee benefits

Wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits are short-term employee benefits, which are recognized in the period during which the Company's employees render the related services. Pension plans and other retirement benefits are post-employment benefits provided by the Company and result in the recognition of a liability or an asset and associated costs.

They are recognized as current liabilities included in accounts payable and other payables and are measured at undiscounted amount that the company expects to pay as a result of unused rights.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Future Income and Mining Taxes

Company accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in profit or loss. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable profit for the years in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are not discounted.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

3.14 Equity

Share capital is presented at the value of the shares issued. Costs related to the issuance of shares or share options are reported in equity, net of tax, as a deduction of the issuance proceeds.

Dividends are included under liabilities in the period in which the payment is approved by the Board of Directors.

Transactions with shareholders are disclosed separately in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Equity (continued)

Flow-through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Shares issued through flow-through financing are recorded at their selling price. Under the terms of the flow-through share agreements, the tax benefit of the exploration expenses are renounced in favor of the investors. The Company records the tax effect related to renounced deductions on the date that the Company renounces the deductions to investors provided there is reasonable assurance that the expenses will be incurred.

The contributed surplus includes the expenses related to stock options and the warrants to the end of to the exercise of such options and warrants. The undistributed results include the undistributed comprehensive income and loss during the period and the previous periods.

3.15 Share-based payment

The Company applies IFRS 2 to transactions whose award and settlement are share-based and to cash-settled share-based transactions. In applying this standard, stock options and bonus shares granted to employees are measured at fair value. The amount of such fair value is recognized in profit or loss over the vesting period of the rights, with a corresponding increase in equity. Share appreciation rights, which will be settled in cash, are measured at fair value and recognized in profit and loss with a corresponding entry to the liability incurred. The liability is remeasured at each reporting date until settlement. The fair value of options and rights is determined using the Black-Scholes-Merton valuation model taking into account the features of the plan and market data as at the grant date and on the basis of the Group’s management assumptions.

3.16 Loss per share

Basic and diluted net earnings per share are calculated using the weighted average number of outstanding shares. The calculation of diluted earnings per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options and convertible bonds, etc.) on the theoretical number of shares. When funds are obtained at the date of exercise of the dilutive instruments, the “treasury stock” method is used to determine the theoretical number of shares to be taken into account. When funds are obtained at the issue date of the dilutive instruments, net profit is adjusted for the finance cost, net of tax, relating to these instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Principal uncertainties arising from the use of estimates and critical judgments by Management Fair value

All financial instruments are required to be recognized at fair value on initial recognition. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction, between knowledgeable, willing parties who are under no compulsion to act. This is a point-in-time measurement that may be changed in subsequent reporting periods due to market conditions or other factors.

Fair value amounts are determined by reference to quoted prices in the most advantageous active market for that instrument to which the Company has immediate access. In the absence of an active market, fair value is determined on the basis of internal or external valuation models, including discounted cash flow models. Fair value determined using these valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as a number of other variables. In determining these assumptions, external readily observable market inputs are considered, as applicable. When such data is unavailable, the Company uses the best possible estimate. Since they are based on estimates, these fair values may not be realized in an actual sale or immediate settlement of the instruments.

Note 10 provides details on these bases of calculation and on the estimates used. Most of our derivative financial instruments are designated in a hedging relationship, and the effect on the results of the fair value of these instruments is presented on the consolidated global results in other comprehensive income, net of tax.

NOTES TO FINANCIAL STATEMENTS (unaudited)

MARCH 31, 2011

4. CASH

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash			
CAN$	751 033	1 736 349	18 683
US$	11 187	16 249	-
Cash reserved for exploration	-	643 556	194 609
Term deposits – CAN$	1 502 540	-	-
Cash	2 264 760	2 396 154	213 292

As of March 31, 2011, the cash includes term deposits that are interest bearing at the rate of 0.7% and 1.12% ending June 9, 2011.

5. AVAILABLE-FOR-SALE INVESTMENTS

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Public Company Shares 50,000 common shares of Exploration NQ Inc.	7 250	7 250	-
300,000 common shares of Lithium One Inc	390 000 -	-	
Private Company shares 200,000 (100,000 en 2010) series «A» from a private Company Big Bang Ressources Ltée.	-	-	-
	397 250	7 250	-

6. OTHER ASSETS

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Prepaid expenses	6 180	25 212	7 852
Advance on exploration expenses	-	88 650	-
	6 180	113 862	7 852

7. MINING PROPERTIES

	Royalties	Balance as at December 31, 2010	Addition	Disposal	Balance as at March 31, 2011
	$	$	$	$	$
Properties in Quebec :					
Lac à Paul (100%)	1.5%	79 280	42 796	-	122 076
Héva (100%)	2%	133 126	-	-	133 126
La Dauversière (R-14) (100%)	1%	102 644	1 352	-	103 996
Opinaca (100%)	2%	139 048	-	-	139 048
Duverny (100%)	2%	119 286	-	-	119 286
Penaroya – Brouillan (100%, voir note 12d)	-	108 205	-	-	108 205
Moly Hill (100%)	1.5%	45 240	-	-	45 240
Black Dog (100%)	-	9 501	-	-	9 501
Soquem-Lac H (50%)	1.5%	15 513	-	-	15 513
Mirepoix (100%)	-	1 560	-	-	1 560
Wabamisk (100%)	-	3 240	-	-	3 240
Chico (100%)	-	22 440	-	-	22 440
Property in Mexico:					
Mazatlan – El Rey (See note 12a)	2%	234 629	10 031	-	244 660
		1 013 712	54 179	-	1 067 891

8. EXPLORATION AND EVALUATION ASSETS

	Balance as at December, 2010	Addition	Mining rights and tax credit	Write-off	Balance as at March 31, 2011
	$	$	$	$	$
Quebec :					
Lac à Paul	2 319 121	771 910	-	-	3 091 031
Héva	367 320	4 300	-	-	371 620
La Dauversière (R-14)	445 965	4 150	-	-	450 115
Opinaca	345 630	6 000	-	-	351 630
Duverny	88 490	-	-	-	88 490
Penaroya – Brouillan	27 659	-	-	-	27 659
Moly Hill	4 650	-	-	-	4 650
Black Dog	4 990	-	-	-	4 990
Soquem-Lac H	213 487	-	-	-	213 487
Wabamisk	42 481	-	-	-	42 481
Komo	1 524	-	-	-	1 524
Dulain	2 730	-	-	-	2 730
Chico	4 387	-	-	-	4 387
Mexico:					
Mazatlan – El Rey	372 350	-	-	-	372 350
	4 240 784	786 360	-	-	5 027 144

DETAILS OF INCREASE IN ASSETS OF EXPLORATION AND EVALUATION QUARTER

	2011 (3 MONTHS)	**2010 (3 MONTHS)**
	$	$
Drilling	318 636	103 934
Geological surveys	75 325	-
General expenses, travel and lodging	117 915	12 826
Analysis	124 869	9 994
Line cutting and geophysics	-	17 272
Planning and supervision	45 405	77 710
Professional fees and independent technical reports	104 210	9 976
	786 360	231 712

9. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares, without par value, issuable in series, series A includes 500,000 preferred shares, non-voting, non-cumulative dividend of 8%, redeemable by the Company at the amount paid.

	MARCH 31, 2011 (3 MONTH)		DECEMBER 31, 2010 (12 MONTH)	
	Number	**Amount** $	**Number**	**Amount** $
Balance, beginning of years	49 539 995	14 327 861	24 423 016	11 901 731
Flow-through shares (1)	-	-	8 518 359	1 180 456
Paid in cash (2)	-	-	14 769 701	787 393
Warrants exercised	3 315 259	821 235	1 440 988	288 198
Value assigned to warrants	-	283 731	-	112 583
Stock options exercised	2 175 000	311 950	-	-
Value assigned to option exercised	-	313 795	-	-
Acquisition of mining properties	-	-	250 000	37 500
Settlement of debts	-	-	137 931	20 000
Balance, end of year	55 030 254	16 058 572	49 539 995	14 327 861

(1) Value of flow-through shares is presented net of the fair value of warrants amounting to $196 324 in 2010.

(2) Value of share capital paid in cash is presented net of the fair value of warrants amounting to $1 272 676 in 2010.

10. SHARE PURCHASE OPTIONS AND WARRANTS

The shareholders of the Company approved a stock option plan (the "plan") whereby the Board of Directors may grant to employees, officers, directors, officers, employees and suppliers of the Company, share purchase options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors.

In June 2011, the plan was modified. The maximum number of shares in the capital of the Company that may be reserved for issuance under the plan shall be equal to 6,400,000 (5,100,000 shares in 2010) the maximum number of shares which may be reserved for issuance to an employee, officer or director may not exceed 5% of the outstanding shares at the time of vest and the maximum number of shares which may be reserved for issuance to consultant and investors representative may not exceed 2% of the outstanding shares at the time of vest. The acquisition conditions of share purchase options are without restriction, except the grant of share purchase options to investor's representative that are acquired at the following condition: 25% three months after the date of grant, 25% six months after the date of grant, 25% nine months after the date of grant and 25% one year after the date of grant. The new options will expire no later than ten years after being granted.

The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

During the year, the fair value of options granted in accordance with the plan was estimated using the Black-Scholes option pricing model with the following assumptions: estimated duration of 9.8 years (10 years at December 31, 2010), risk-free interest rate of 3,00 % (3.31 % at December 31, 2010), expected dividend yield of 0 % (0 % at December 31, 2010) and volatility rate of 158 % (138 % at December 31, 2010).

In addition, during the year, the Company granted warrants to investors. The fair value of warrants was estimated using the Black-Scholes pricing model considering the following assumptions: estimated duration of 2 years, risk-free interest rate of 1,62 %, expected dividend yield of 0 % and volatility rate of 108 %.

During the year, the Company granted options to brokers. The fair value of option was estimated using the Black-Scholes pricing model considering the following assumptions: estimated duration of 2 years, risk-free interest rate of 1,66 %, expected dividend yield of 0% and volatility rate of 104%

10. SHARE PURCHASE OPTIONS AND WARRANTS (continued)

Share purchase options

Changes in Company share purchase options were as follows:

	March 31, 2011		March 31, 2010	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance, beginning of year	4 244 000	0,14	1 270 000	0,70
Granted	1 110 000	0,51	820 000	0,27
Cancelled	-	-	(90 000)	0,79
Expired	-	-	(56 000)	0,50
Exercised	(2 175 000)	0,14	-	
Balance, end of year	3 179 000	0,26	1 944 000	0,52
Options exercisable at the end of the year	3 179 000	0,26	1 944 000	0,52

	March 31, 2011 $	March 31, 2010 $
The weighted average fair value of options granted	0,26	0,127

10. SHARE PURCHASE OPTIONS AND WARRANTS (continued)

The following table summarizes the information relating to the share purchase options granted under the plan.

Options Outstanding	Weighted average remaining contractual life	Exercise price
75 000	2,6 years	0,19
10 000	8,3 years	0,11
809 000	9,0 years	0,15
1 075 000	9,2 years	0,15
200 000	9,3 years	0,14
700 000	9,8 years	0,37
150 000	9,8 years	0,58
160 000	9,8 years	1,13
3 179 000		

Warrants

Changes in Company warrants were as follows:

	March 31, 2011		March 31, 2010	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance, beginning of year	10 697 161	0,22	4 443 866	0,70
Granted	-	-	750 000	0,20
Exercised	(3 315 259)	0,25	-	-
Balance, end of year	7 381 902	0,21	5 193 866	0,39

	March 31, 2011 $	March 31, 2010 $
The weighted average fair value of Warrants granted	0,31	0,07

10. SHARE PURCHASE OPTIONS AND WARRANTS (continued)

The following table summarizes the information relating to the warrants granted.

Warrants	**Price**	**Expiry Date**
Outstanding		
190 000	0,50	April 2011
333 333	0,30	September 2011
96 666	0,30	December 2011
118 418	0,35	December 2011
661 060	0,20	June 2012
532 425	0,20	November 2012
5 450 000	0,19	December 2012
7 381 902		

Options granted to brokers

Changes in Company brokers options are detailed as follows:

	March 31, 2011		**March 31, 2010**	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance, beginning of year	1 143 990	0,14	702 395	0,55
Granted	-	-	-	-
Expired	-	-	(394 921)	0,71
Balance, end of year	1 143 990	0,14	307 474	0,35

	March 31, 2011 $	March 31, 2010 $
The weighted average fair value of options granted	0	0

The following table summarizes the information relating to options granted to brokers.

Brokers Options Outstanding	**Price**	**Expiry Date**
1 143 990	0,14	December 2012

11. SALARIES AND EMPLOYEE BENEFITS

THREE MONTHS PERIOD ENDER MARCH 31	**2011**	**2010**
	$	$
Salaries	80 166	-
Employee benefits	28 819	-
Government defined contribution plan	11 088	-
	120 073	-
Less: Salaries and employee benefits capitalized assets exploration and evaluation	(60 370)	-
Salaries and employee benefits	59 703	-

12. COMMITMENTS

A) In May 2007, the Company signed a stock option agreement for 100% of the El Rey property in Mexico. By virtue of this agreement, the Company had to pay out USD$155,000 to sellers. In May 2011, the Company had to make payments of USD$145,000 (conditions were respected) and will have to make a last payment amounted to USD$200,000 in May 2012. Sellers keep a 2% NSR, redeemable at anytime for the amount of USD$1,500,000.

12. COMMITMENTS (continues)

B) In April 2010, the Company signed a stock option agreement for the Brouillan West property in the province of Québec. By virtue of the agreement, the Company may benefit from 50% interest in the property in compensation for 700,000 common shares of the public company Exploration NQ Inc. (NQ), of which 50,000 are to be issued upon signature of the agreement (50,000 shares already issued for a sum of $10,000), 50,000 shares on the first anniversary, 100,000 shares on the second anniversary, 200,000 shares on the third anniversary, and 300,000 shares on the fourth anniversary. NQ is committed to conducting exploration work worth $500,000 over a four-year period. When NQ has spent a total of $500,000 in exploration work on the property and issued a total of 700,000 common shares, the company will be recognized as having acquired 50% undivided interest in the property.

The two parties shall form a joint venture with a view to carrying out conjoint exploration work. Following the exercising of the first option, NQ shall have the option of acquiring 30% additional interest in the property for an extra two years, in compensation for the publication of a preliminary economic appraisal evidencing an “assumed mineral resource” on the property. As at March 31, 2011, the property was still owned by the Company, which must maintain the validity of the property for the duration of the first stock option.

C) In November 2010, the Company signed a one-year agreement with RBL Entreprises (RBL) for the promotion of its activities at a monthly fee of $1,950. By virtue of this agreement, the Company issued 100,000 stock options to RBL upon the signature date; each option allows acquiring one share at $0.19 per share over a three-year period.

D) In February 2011, The Company signed a corporate development agreement with Javelin Partner from Toronto. The Company pays Javelin 5 000$ per month for its services and granted Javelin 160 000 stock options that allows the owner acquiring one share at $1,13 per share.

13. RELATED PARTY TRANSACTION

Related parties of the Company include subsidiary and the key management personnel as mentioned below. None of the transactions between the parties have any special characteristics or special conditions, nor have any guaranties been given or received. The balances are paid by with cash.

Transactions with principal management
Principal management consists of the president, the chief financial officer, the vice president of exploration, vice president of research and development, the secretary as well as the administrator of the Company.

THREE MONTHS PERIOD ENDER MARCH 31	2011 $	2010 $
Short-term employee benefits		
Salaries, bonus and *benefits*	80 166	-
Professional and management fees	30 250	24 000
Social benefits	39 907	-
Current portion of employee benefits	150 323	24 000
Share-based payment	72 400	-
Total of compensation	222 723	24 000
Exploration and evaluation assets paid to a subsidiary company, controlled by the president of the Company	147 148	91 240
Due from a subsidiary company, non-interest bearing	12 101	43 062

An important part of the compensation of the president, vice-president of exploration and of the vice-president of research and development are allocated to the asset under exploration and evaluation.

These operations are concluded in the normal course of activities of the Company and are measured at the exchange of fair value, by the amounts agreed between the parties to the agreements. These advances are normally paid within the following month.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s activities are exposed to financial risks: market risk, credit risk and liquidity risk.

a) Market risk

i) Fair value

The fair appraisal value is set on the date of the statements and relative to relevant market information and other data regarding the financial instruments. The fair values of the cash account, exploration cash account, and creditors and incurred expenses closely correspond to their book values due to their short term. Investments are reported at fair value.

ii) Hierarchy of fair value measurements

The only financial instruments measured at fair value are the cash, exploration cash account, and investments. These are classified as Level 1. They are measured based on observable market data. The Big Bang Ressources Ltée shares were classified as Level 3 of fair value hierarchy. They are measured based on non-observable market data.

iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Accordingly, there is a few exposure to fair value variation. The other financial assets and liabilities are not exposed to interest rate risk because they don’t bear interest.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

iv) Currency risk

The Company is exposed to currency risk due to a few transactions made in American dollars. As of December 31, 2010, the Company had a bank account in the amount of US$16,250. Consequently, some assets, liabilities, and charges are exposed to currency fluctuations.

b) Credit risk

Credit risk is the risk that a party to a financial instrument cannot meet their obligations, leading to financial loss for the other party. The cash account, exploration cash account, and investments are the financial instruments of the Company that are most exposed to credit risk. The credit risk to the cash account and exploration cash account is limited because the parties to agreement are financial institutions with high credit ratings from international credit agencies. Moreover, as the majority of accounts receivable is with the provincial and federal governments, in the form of commodity tax credits and government funding, the credit risk is very limited.

c) Liquidity risk

The liquidity risk is the risk that an entity is unable to meet its financial liability obligations. At the end of December 2010, the Company had sufficient liquidity to manage, over the next fiscal year, its existing and future financial liabilities linked to company commitments.

As at March 2011, the capital of the Company consists of shareholder’s equity amounting to 8 629 894 $. The Company’s capital management objective is to have sufficient capital to be able to meet its exploration and mining development plan in order to ensure the growth of its activities. It has also the objective to have sufficient cash to finance the exploration expenses, the investing activities and the working capital requirements. There were no significant changes in the Company’s approach to capital management during the three months period ended March 31, 2011. The Company is subject to regulatory requirements related to the use of funds obtained by flow-through shares financing. These funds have to be incurred for eligible exploration expenses. The Company has no dividend policy.

15. SUBSEQUENT EVENTS

In May 2011, the Company has granted 275 000 stock options. Each stock option allow the owner to make subscription for $1,25 per common share for a 10 year period.

In June 2011, the Company has granted 100 000 stock options. Each stock option allow the owner to make subscription for $1,40 per common share for a 10 year period.

From April 1 to June 30, 2011, the Company issued 604,104 common shares following the subscription warrant exercise, for a total of $140,520. During that period, the Company also issued 159,000 shares following the stock option exercise, for a total of $24,850.

In April 2011, the Company signed an agreement with the public company Mines Virgnia Inc. (Virginia) for the sale of 100% interest in the Komo, Wabamisk, and Lac H properties. By virtue of this agreement, Virginia issues 65,000 common shares to the Company. Moreover, the Company granted a 50% put option on the Opinaca property, compensated by the issue of 26,330 common Virginia shares, and the commitment of $878,000 to exploration work over a five-year period.

In April 2011, the Company announced a private investment totalling a maximum of $9,250,000, and comprising a maximum of 1,000,000 flow-through shares at $1.25 per share, and a maximum of 8,000,000 units at $1.00 per unit. Each subscription warrant would allow the holder to subscribe for a common share at $1.50 over a two-year period. A 7% commission would be paid to the broker. The Company would also issue to the broker stock options equal to 7% of the number of flow-through shares and units issued. The broker’s stock options would be exercisable over a two-year period. This private investment is subject to approval by regulatory authorities.

16. TRANSITION TO IFRS

These financial statements are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS). In preparing these financial statements, the Company’s opening balance sheets was prepared as at 1 January 2010, the Company’s date of transition to IFRS.

IFRS accounting policies used by the Company to prepare the financial statements as of March 31, 2011, as well as the comparative figures and for the financial position at date of transition of IFRS, are presented in note 3.

In preparing its first IFRS consolidated financial statements in accordance with IFRS 1, the Company elected to use certain exemptions from other IFRSs, while taking into account exceptions to retrospective application.

This note explains the principal adjustments made by the Company in restating its previous GAAP balance sheets as at 1 January 2010 and its previously published GAAP financial statements for the year ended 31 December 2010.

16. TRANSITION TO IFRS (continued)

First application – Applicable exemptions

In preparing its first IFRS consolidated financial statements in accordance with IFRS 1, the Company elected to use certain exemptions from other IFRS, while taking into account exceptions to retrospective application. Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Mandatory exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Financial assets and liabilities unrecognized under Canadian GAAP before January 1^{st} 2010 are not recognized under IFRS. The Company anticipated the application of that modification to IFRS at date of transition, January 1^{st} 2010.

Presentation differences

Certain presentation differences between Canadian GAAP and IFRS exist but have no impact on results and equity.

17. TRANSITION TO IFRS (continued)

CONSOLIDATED BALANCE SHEETS (unaudited)
DECEMBER 31, 2010

	Notes	Canadian GAAP	Impact of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current				
Cash	4	2 396 154	-	2 396 154
Taxes on products and services to receive		95 782	-	95 782
Available-for-sale investments	5	7 250	-	7 250
Other current assets	6	113 862	-	113 862
Tax credit and mining rights receivables		74 116	-	74 116
Current assets		2 687 164	-	2 687 164
Non-current				
Mining properties	7	1 013 712	-	1 013 712
Exploration and evaluation assets	8	4 240 784	-	4 240 784
Non-current assets		5 254 496	-	5 254 496
Total assets		7 941 660	-	7 941 660
LIABILITIES				
Current				
Accounts payable and other liabilities		318 325	-	318 325
Current liabilities		318 325	-	318 325
Non-current				
Deferred tax liabilities		150 810	-	150 810
Total liabilities		469 135	-	469 135
EQUITY				
Share capital		14 327 861	-	14 327 861
Contributed surplus		4 189 374	-	4 189 374
Warrants		1 513 396	-	1 513 396
Deficit		(12 555 356)	-	(12 555 356)
Accumulated other comprehensive income		(2 750)	-	(2 750)
Total equity		7 472 525	-	7 472 525
Total liabilities and equity		7 941 660	-	7 941 660

17. TRANSITION TO IFRS (continued)

CONSOLIDATED BALANCE SHEETS (unaudited)

DECEMBER 31, 2010

	Notes	Canadian GAAP	Impact of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current				
Cash		267 390	-	267 390
Taxes on products and services to receive		26 223	-	26 223
Other current assets		6 564	-	6 564
Tax credit and mining rights receivables		473 747	-	473 747
Current assets		773 924	-	773 924
Non-current				
Mining properties		879 548	-	879 548
Exploration and evaluation assets		5 739 310	-	5 739 310
Non-current assets		6 618 858	-	6 618 858
Total assets		7 392 782	-	7 392 782
LIABILITIES				
Current				
Accounts payable and other liabilities		219 903	-	219 903
Current portion of long-term debt		3 540	-	3 540
Current liabilities		223 443	-	223 443
Non-current				
Deferred tax liabilities		472 600	-	472 600
Total liabilities		472 600	-	472 600
EQUITY				
Share capital		12 078 356	-	12 078 356
Contributed surplus		3 142 680	-	3 142 680
Warrants		472 818	-	472 818
Deficit		(8 997 115)	-	(8 997 115)
Total equity		6 696 739	-	6 696 739
Total liabilities and equity		7 392 782	-	7 392 782

17. TRANSITION TO IFRS (continued)

CONSOLIDATED BALANCE SHEETS (unaudited)

January 1, 2010

	Notes	Canadian GAAP	Impact of transition to IFRS	IFRS	
		$	**$**	**$**	
ASSETS					
Current					
Cash	4	213 292	-	213 292	
Taxes on products and services to receive		83 096	-	83 096	
Other current assets	6	7 852	-	7 852	
Tax credit and mining rights receivables		576 859	-	576 859	
Current assets		881 099	-	881 099	
Non-current					
Mining properties	7	867 932	-	867 932	
Exploration and evaluation assets	8	5 507 598	-	5 507 598	
Non-current assets		6 375 530	-	6 375 530	
Total assets		7 256 629	-	7 256 629	
LIABILITIES					
Current					
Accounts payable and other liabilities		239 136	-	239 136	
Current portion of long-term debt		3 540	-	3 540	
Current liabilities		242 676	-	242 676	
Non-current					
Deferred tax liabilities		472 600	-	472 600	
Total liabilities		715 276	-	715 276	
EQUITY					
Share capital		11 901 731	-	11 901 731	
Contributed surplus		3 142 680	-	3 142 680	
Warrants		424 443	-	424 443	
Deficit		(8 927 501)	-	(8 927 501)	
Accumulated other comprehensive income			-	-	-
Total equity		6 541 353	-	6 541 353	
Total liabilities and equity		7 256 629	-	7 256 629	

17. TRANSITION TO IFRS (continued)

CONSOLIDATED EARNINGS (unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	Canadian GAAP $	Impact of transition to IFRS $	IFRS $
INCOME				
Interest		250	-	250
ADMINISTRATIVE EXPENSES				
Share-based compensation expense		526 408	-	526 408
Professional and consultant fees		53 158	-	53 158
Management fees		94 810	-	94 810
Registration and listing fees		46 647		46 647
Annual general meeting		15 582	-	15 582
Advertising		48 398	-	48 398
Travelling, promotion and congress		56 800	-	56 800
Insurance		11 308	-	11 308
Rent and office expenses		17 362	-	17 362
Part XII.6 tax		56 703	-	56 703
Interest and bank expenses		7 949	-	7 949
		935 125	-	935 125
OTHER				
Gains (losses) on disposal of investments		(4 998)	-	(4 998)
Disposal of deffered exportation fees		2 563 285	-	2 563 285
Gains (losses) on disposal of mining properties		(115 000)	-	(115 000)
NET LOSS FOR THE PERIOD		2 443 287	-	2 443 287
PRE-TAX LOSS		3 378 162	-	3 378 162
Future Income and Mining Taxes		(391 990)	-	(391 990)
NET LOSS		2 986 172	-	2 986 172
BASIC AND DILUTED LOSS PER SHARE		0,10	-	0,10

17. TRANSITION TO IFRS (continued)

CONSOLIDATED EARNINGS (unaudited)

THREE MONTHS PERIOD ENDER MARCH 31, 2010

	Notes	Canadian GAAP $	Impact of transition to IFRS $	IFRS $
INCOME				
Interest		-	-	-
		------------	-----------	-----------
ADMINISTRATIVE EXPENSES				
Share-based compensation expense		-	-	-
Professional and consultant fees		7 700	-	7 700
Management fees		21 000	-	21 000
Registration and listing fees		17 716	-	17 716
Advertising		3 011	-	3 011
Travelling, promotion and congress		4 672	-	4 672
Investors relations		3 551	-	3 551
Insurance		2 188	-	2 188
Rent and office expenses		3 813	-	3 813
Interest and bank expenses		253	-	253
		63 904	-	63 904
NET LOSS FOR THE PERIOD		63 904	-	63 904
BASIC AND DILUTED LOSS PER SHARE		0,01	-	0,01