

**GULFSIDE MINERALS LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2011**



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June 29, 2011

To the Shareholders of  
Gulfside Minerals Ltd.

The attached unaudited interim financial statements have been prepared by and are the responsibility of the Company's management without review by the auditors of Gulfside Minerals Ltd.

Yours truly,

***GULFSIDE MINERALS LTD.***

*"Robert L. Card"*

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Robert L. Card  
President

**GULFSIDE MINERALS LTD.**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Unaudited – Expressed in Canadian Dollars)

	March 31, 2011	December 31, 2010	January 1, 2010
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 336,101	\$ 133,335	\$ 214,177
Receivables	<u>8,721</u>	<u>7,068</u>	<u>5,925</u>
	344,822	140,403	220,042
<b>Equipment (Note 5)</b>	1,922	2,022	1,849
<b>Exploration and evaluation advances</b>	-	-	22,848
<b>Exploration and evaluation assets (Note 6)</b>	<u>43,500</u>	<u>-</u>	<u>4,722,863</u>
	<u>\$ 390,244</u>	<u>\$ 142,425</u>	<u>\$ 4,967,602</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 272,697	\$ 282,832	\$ 275,190
Note payable (Note 8)	<u>74,595</u>	<u>74,595</u>	<u>77,425</u>
	<u>347,292</u>	<u>357,427</u>	<u>352,615</u>
<b>Shareholders' equity (deficiency)</b>			
Share capital (Note 10)	16,797,945	16,769,445	16,769,445
Share subscriptions received in advance (Note 16)	285,000	-	-
Share compensation reserve (Note 10)	2,597,110	2,433,478	2,433,478
Deficit	<u>(19,637,103)</u>	<u>(19,417,925)</u>	<u>(14,587,936)</u>
	<u>42,952</u>	<u>(215,002)</u>	<u>4,614,987</u>
	<u>\$ 390,244</u>	<u>\$ 142,425</u>	<u>\$ 4,697,602</u>

**Nature of operations and going concern (Note 1)**

**Subsequent events (Note 16)**

**On behalf of the Board:**

\_\_\_\_\_  
*"Robert Card"* Director      \_\_\_\_\_  
*"John Jenks"* Director

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

**GULFSIDE MINERALS LTD.****INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Expressed in Canadian Dollars)

For the three months ended March 31, 2011 and 2010

	March 31, 2011	March 31, 2010
<b>EXPENSES</b>		
Administration fees	\$ 9,000	\$ 24,000
Depreciation	100	93
Consulting fees	13,500	51,669
Interest	1,865	2,133
Investor relations	6,988	27,732
Office	2,428	6,298
Professional fees	11,788	24,880
Rent	789	2,630
Regulatory fees	9,088	9,632
Stock-based compensation (Note 10)	163,632	-
Travel	-	12,263
	<u>(219,178)</u>	<u>(161,330)</u>
<b>Loss before other items</b>		
	<u>(219,178)</u>	<u>(161,330)</u>
<b>OTHER ITEMS</b>		
Litigation costs (Note 11)	-	(5,094)
	<u>(219,178)</u>	<u>(166,424)</u>
<b>Loss and comprehensive loss for the period</b>	(219,178)	(166,424)
<b>Basic and diluted loss per common share</b>	\$ (0.01)	\$ (0.00)
<b>Basic and diluted weighted average number of common shares</b>	39,205,811	39,081,367

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

**GULFSIDE MINERALS LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Expressed in Canadian Dollars)  
For the three months ended March 31, 2011 and 2010

	March 31, 2011	March 31, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (219,178)	\$ (166,424)
Items not affecting cash:		
Depreciation	100	93
Stock-based compensation	163,632	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(1,653)	1,404
Decrease in prepaid expenses	-	-
Increase in accounts payable and accrued liabilities	<u>(10,135)</u>	<u>28,787</u>
Net cash used in operating activities	<u>(67,234)</u>	<u>(136,140)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subscriptions received in advance	285,000	-
Note payable	<u>-</u>	<u>2,133</u>
Net cash provided by financing activities	<u>285,000</u>	<u>2,133</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation	(15,000)	(63,718)
Exploration and evaluation advances	<u>-</u>	<u>622</u>
Net cash used in investing activities	<u>(15,000)</u>	<u>(63,096)</u>
<b>Change in cash during the period</b>	(202,766)	(197,103)
<b>Cash , beginning of period</b>	<u>133,335</u>	<u>214,117</u>
<b>Cash , end of period</b>	<u>\$ 336,101</u>	<u>\$ 17,014</u>
<b>Cash paid during the period for:</b>		
Income taxes	\$ -	\$ -
Interest	-	-

**Supplemental disclosure with respect to cash flows (Note 12)**

**GULFSIDE MINERALS LTD.**

## INTERIM CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited – Expressed in Canadian Dollars)

For the three months ended March 31, 2011 and 2010

	Common Shares				Total
	Number of Shares	Amount	Share compensation reserves	Accumulated Deficit	
	\$	\$	\$	\$	
Balances as at January 1, 2010	39,081,367	16,769,445	2,433,478	(14,587,936)	4,614,987
Net loss and comprehensive loss	-	-	-	(166,424)	(166,424)
Balances as at March 31, 2010	39,081,367	16,769,445	2,433,478	(14,754,360)	4,448,563
Balances as at December 31, 2010	39,081,367	16,769,445	2,433,478	(19,417,925)	(215,002)
Shares issued for:					
Cash	-	-	-	-	-
For mineral properties	300,000	28,500	-	-	28,500
Grant of stock options	-	-	163,632	-	163,632
Exercise of warrants and stock options	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	(219,178)	(219,178)
Balances as at March 31, 2011	39,381,367	16,797,945	2,597,110	(19,637,103)	(242,048)

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Gulfside Minerals Ltd. (the "Company") was incorporated on October 14, 1987 under the laws of British Columbia. The Company's head office and registered records office address is Suite 212 – 475 Howe Street, Vancouver, BC, V6C 2B3. The Company is listed on the TSX Venture exchange under the symbol GMG. The consolidated interim financial statements ("Interim Financial Statements") are comprised of the Company and its subsidiaries (Note 2). To date, the Company has not earned operating revenue.

The Company is in the process of acquiring its exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These Interim Financial Statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these Interim Financial Statements.

As at March 31, 2011, the Company has a working capital deficiency of \$2,470 (December 31, 2010 – \$217,024; January 1, 2010 - \$132,573) and intends to raise funds through share issuances and support from creditors and related parties. If such funds are not available, the Company may cease operations.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance:**

These Interim Financial Statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS Interim Financial Statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2010. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Pre-changeover GAAP").

The Interim Financial Statements were authorized by the audit committee and board of directors of the Company on June 20, 2011.

### **Basis of presentation**

The Interim Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Interim Financial Statements are in accordance with IFRS and have not been audited.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These Interim Financial Statements do not include all of the information required for full annual financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Basis of presentation (cont'd...)**

The preparation of these Interim Financial Statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Pre-changeover GAAP. The accounting policies set out below have been applied consistently to all periods presented in these Interim Financial Statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Pre-changeover GAAP to IFRS is explained in Note 3.

**Basis of consolidation**

These Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, CTLT LLC and BLBS LLC both incorporated under the laws of Mongolia. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances have been eliminated upon consolidation.

**Foreign currency transactions**

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

**Equipment**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at a rate of 30%.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.



**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Exploration and evaluation assets**

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**Provisions**

*Rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations as at March 31, 2011.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Other provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no other provisions as at March 31, 2011.

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Significant accounting estimates and judgments**

The preparation of these interim consolidated financial statements requires management to make judgments and estimates and form 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 amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments, deferred income taxes, evaluating the fair value of exploration and evaluation assets, useful lives of equipment, and stock-based compensation.

**Stock-based compensation**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to capital stock and the fair value of the options is reclassified from share compensation reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Financial assets**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At January 1, 2010, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At January 1, 2010, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and note payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

**Impairment**

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**New standards, amendments and interpretations not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Accounting standards effective January 1, 2012

*Financial instruments disclosure*

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

*Income taxes*

In December 2010, the IASB issued an amendment to IAS 12 – *Income taxes* that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Accounting standards anticipated to be effective January 1, 2013

*Joint ventures*

The IASB issued IFRS 11 – *Joint Arrangements* on May 12, 2011. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company is currently evaluating the impact that IFRS 11 is expected to have on its consolidated financial statements.

*Consolidation*

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - *Consolidated and Separate Financial Statements* and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

*Financial instruments*

IFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

*Fair-value measurement*

IFRS 13, *Fair Value Measurement*: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 13.

### 3. TRANSITION TO IFRS

As stated in Note 2, these Interim Financial Statements are for the period covered by the Company's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the Interim Financial Statements for the period ended March 31, 2011, and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date" and December 31, 2010.

In preparing the Interim Financial Statements, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Pre-changeover GAAP. An explanation of how the transition from Pre-changeover GAAP to IFRS has affected the Company's financial position is set out in the following tables for the opening statement of financial position at the Transition Date, the statement of financial position as at December 31, 2010, and the statement of comprehensive loss for the three month period ended March 31, 2010.

The guidance for the first time adoption of IFRS is set out in IFRS 1 which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;
- to apply the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as at the Transition Date. The Company re-measured all provisions, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This was done using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion, and amortization under IFRS up to the Transition Date; and
- to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date.

The Company has determined that no adjustments from the transition from Canadian GAAP to IFRS were required.

### 4. ACCOUNTS RECEIVABLE

	March 31, 2011	December 31, 2010	January 1, 2010
HST receivable	\$ 4,721	\$ 7,068	\$ 5,925
Other receivables	4,000	-	-
	<u>\$ 8,721</u>	<u>\$ 7,068</u>	<u>\$ 5,925</u>

The Company does not have any significant balances that are past due. All accounts receivable are current, and the Company does not have any allowance for doubtful accounts. Due to their short-term maturities, the fair value of accounts receivable approximates their carrying value.

**GULFSIDE MINERALS LTD**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011**

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**5. EQUIPMENT**

The equipment account is broken down as follows:

Office equipment	Cost	Depreciation	Net Book Value
As at January 1, 2010	\$ 3,210	\$ 1,361	\$ 1,849
Additions	705	532	173
Disposals	-	-	-
As at December 31, 2010	3,915	1,893	2,022
Additions	-	100	100
Disposals	-	-	-
As at March 31, 2011	\$ 3,915	\$ 1,993	\$ 1,922

**6. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

<b>2011</b>	Northern Treasure B.C. Canada	Bryer B.C. Canada	Total
Acquisition costs			
Balance, December 31, 2010	\$ -	\$ -	\$ -
Additions during the period			
Cash payments	10,000	5,000	15,000
Shares	18,000	10,500	28,500
	28,000	17,500	43,500
Total acquisition costs	28,000	17,500	43,500
Exploration costs			
Balance, December 31, 2010	-	-	-
Additions during the year	-	-	-
	-	-	-
Total exploration costs	-	-	-
Balance, March 31, 2011	\$ 28,000	\$ 17,500	\$ 43,500

**GULFSIDE MINERALS LTD**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011**

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

<b>2010</b>	Onjuul Mongolia	Black Hole Mongolia	Buleen Hundii Mongolia	Brown Valley Mongolia	Total
Acquisition costs					
Balance, December 31, 2009	\$ 2,716,780	\$ 1,261,558	\$ -	\$ -	\$ 3,978,338
Additions during the period					
Cash payments	-	-	10,092	10,092	20,184
Other	312	1,862	990	923	4,087
	<u>312</u>	<u>1,862</u>	<u>11,082</u>	<u>11,015</u>	<u>24,271</u>
Total acquisition costs	<u>2,717,092</u>	<u>1,263,420</u>	<u>11,082</u>	<u>11,015</u>	<u>4,002,609</u>
Exploration costs					
Balance, December 31, 2009	102,670	641,855	-	-	744,525
Additions during the year					
Field supervision and report preparation	5,493	23,269	-	-	28,762
Field work	21,257	99,187	-	-	120,444
	<u>26,750</u>	<u>122,456</u>	<u>-</u>	<u>-</u>	<u>149,206</u>
Total exploration costs	<u>129,420</u>	<u>764,311</u>	<u>-</u>	<u>-</u>	<u>893,731</u>
Written off during the year	<u>(2,846,512)</u>	<u>(2,027,731)</u>	<u>(11,082)</u>	<u>(11,015)</u>	<u>(4,896,340)</u>
Balance, December 31, 2010	\$ -	\$ -	\$ -	\$ -	\$ -

**Northern Treasure – British Columbia**

During fiscal 2011 the Company entered into an option agreement to acquire 100% of certain claims located in the Atlin Mining Division in British Columbia, Canada. In order to acquire the interest in the project, the Company must complete the following:

Cash payments aggregating \$30,000 payable as follows;

- \$10,000 (paid) on execution of the agreement
- \$10,000 payable on January 12, 2012
- \$10,000 payable on January 12, 2013

To incur \$225,000 in exploration expenditures on the property as follows;

- \$50,000 within the first year of the agreement
- \$75,000 within the second year of the agreement
- \$100,000 within the third year of the agreement



**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

To issuance of 800,000 common shares of the Company as follows;

- 200,000 (issued) upon TSX Venture Exchange approval
- 200,000 upon the completion of the minimum work commitments(3 years)
- 400,000 upon the property being put into commercial production.

The vendor retains a 1% net smelter return royalty (“NSR”) which the company may purchase for \$1,000,000.

**Bryer Group – British Columbia**

During fiscal 2011 the Company entered into an option agreement to acquire 100% of certain claims located in the Atlin Mining Division in British Columbia, Canada. In order to acquire the interest in the project, the Company must complete the following:

Cash payments aggregating \$15,000 payable as follows;

- \$5,000 (paid) on execution of the agreement
- \$10,000 payable on March 12, 2012,

To incur \$225,000 in exploration expenditures on the property as follows;

- \$50,000 within the first year of the agreement
- \$75,000 within the second year of the agreement
- \$100,000 within the third year of the agreement,

To issuance of 700,000 common shares of the Company as follows;

- 100,000 (issued) upon TSX Venture Exchange approval
- 200,000 upon the completion of the minimum work commitments(3 years)
- 400,000 upon the property being put into commercial production.

The vendor retains a 1% NSR.

**Mongolia – Onjuul**

During fiscal 2009, the Company entered into a Share Purchase Agreement (“SPA”), subsequently amended, to acquire a 100% interest in two coal licenses located in the Onjuul coal basin, of Mongolia. Pursuant to the amended agreement, to acquire its interest the Company was required to make cash payments aggregating US\$1,500,000 and issue 3,500,000 common shares (as amended and subject to regulatory approval).

A finder fee of \$647,750 was to be paid in stages, of which \$132,130 was paid during fiscal 2009 through the issuance of 125,838 units (issued - fair valued at \$132,130). Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at an exercise price of \$1.25 per share for a period of one year.

During the year ended December 31, 2010 all related property and deferred exploration costs in the amount of \$2,846,512 has been written off due to uncertainty in advancing the Onjuul property.

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Mongolia - Black Hole**

During fiscal 2009 the Company entered into a SPA, subsequently amended, to acquire a 100% interest in a coal license located in the Onjuul coal basin, of Mongolia. Pursuant to the amended agreement, to acquire its interest the Company was required to make cash payments aggregating US\$4,600,000 and issue 4,500,000 common shares (as amended and subject to regulatory approval)

A finder fee of \$497,000 was to be paid in stages, of which \$61,149 was paid during fiscal 2009 through the issuance of 58,237 units (issued - fair valued at \$61,149). Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at an exercise price of \$1.25 per share for a period of one year.

During the year ended December 31, 2010 all related property and deferred exploration costs in the amount of \$2,027,731 has been written off due to uncertainty in advancing the Black Hole project.

**Mongolia – Buleen Hundii**

During fiscal 2010 the Company entered into an Earn in Agreement to acquire 100% of a Mongolian company that holds an exploration license in the Onjuul coal basin of Mongolia. To acquire its interest the Company is required to pay US\$750,000 (paid \$10,000) and issue 2,500,000 common shares over time when certain conditions are met. This transaction is subject to TSX-V approval.

During the year ended December 31, 2010 all related costs in the amount of \$11,082 have been written off due to uncertainty in advancing the Buleen Hundii project.

**Mongolia – Brown Valley**

During fiscal 2010 the Company entered into an Earn in Agreement to acquire 100% of a Mongolian company that holds an exploration license in the Onjuul coal basin of Mongolia. To acquire its interest the Company is required to pay US\$500,000 (paid \$10,000) and issue 2,000,000 common shares over time when certain conditions are met. This transaction is subject to TSX-V approval.

During the year ended December 31, 2010 all related property costs in the amount of \$11,015 have been written off due to uncertainty in advancing the Brown Valley project.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2011	December 31, 2010	January 1, 2010
Due within the year			
Trade payables	\$ 272,697	\$ 282,832	\$ 275,190
Payroll and other payables	74,595	74,595	77,425
	<u>\$ 347,292</u>	<u>\$ 357,427</u>	<u>\$ 352,615</u>

**8. NOTE PAYABLE**

Pursuant to an agreement dated March 17, 2009, the Company was advanced a loan in the amount of US\$75,000. Per the terms of the agreement a loan bonus of 10% of the principal (US\$7,500) is payable on the maturity date, March 17, 2010. The note does not bear interest. This loan has not been repaid.

The Company accrued \$1,865 (US\$2,133) in accounts payable and accrued liabilities relating to the fair value of interest on the loan. The fair value of interest on companies with a similar credit risk was determined to be 10%.

**9. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) paid or accrued administration fees of \$9,000 (2010 - \$24,000) to a company controlled by a director.
- b) paid or accrued consulting fees of \$4,500 (2010 - \$9,000) to a company controlled by an officer.

Included in accounts payable is \$61,525 (December 31, 2010 - \$24,695; January 1, 2010 - \$1,595) owed to companies controlled by an officer and a director.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel compensation (including senior officers and directors of the Company):

	Three months ended	
	March 31, 2011	March 31, 2010
Short-term benefits	13,500	33,000
Share-based payments	81,816	-
<b>Total remuneration</b>	<b>95,316</b>	<b>33,000</b>

**10. SHARE CAPITAL AND SHARE COMPENSATION RESERVE**

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

During fiscal 2011, the Company issued 300,000 shares valued at \$28,500 pursuant to a mineral property agreement (Note 6).

**Stock options**

The Company has a stock option plan in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of five years. Vesting is determined by the Board of Directors.

**GULFSIDE MINERALS LTD**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011**

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**10. SHARE CAPITAL AND SHARE COMPENSATION RESERVE (cont'd...)**

As at March 31, 2011, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
300,000	0.34	January 7, 2012
280,000	1.09	July 12, 2012
340,000	1.52	August 28, 2012
85,000	1.35	September 21, 2012
545,000	0.57	November 16, 2014
<u>2,200,000</u>	0.10	February 17, 2016
<u>3,750,000</u>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2009	3,887,000	\$ 0.61
Options granted	-	-
Options cancelled	(837,000)	1.06
Options exercised	<u>-</u>	-
As at December 31, 2010	3,050,000	\$ 0.49
Options granted	2,200,000	.10
Options cancelled/expired	(1,500,000)	.10
Options exercised	<u>-</u>	-
As at March 31, 2010	<u>3,750,000</u>	<u>\$ 0.42</u>
Number of options currently exercisable	<u>3,750,000</u>	<u>\$ 0.42</u>

During the period ended March 31, 2011, the Company granted 2,200,000 (2010 – Nil) stock options. Stock-based compensation expense under the Black-Scholes option pricing model was \$163,632 (2010 - \$Nil). These amounts were recorded as contributed surplus on the balance sheet.

**GULFSIDE MINERALS LTD**  
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**10. SHARE CAPITAL AND SHARE COMPENSATION RESERVE (cont'd...)**

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

	March 31, 2011	December 31, 2010
Risk-free interest rate	2.77	-
Expected life of options	5	-
Annualized volatility	118.59	-
Dividend rate	-	-

**Warrants**

As at March 31, 2011, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,857,143	\$0.15	October 23, 2011

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2009	7,731,218	\$ 1.02
Warrants issued	3,041,218	1.25
Warrants expired	<u>(4,874,075)</u>	<u>0.90</u>
As at December 31, 2010	2,857,143	\$ 0.15
Warrants issued	-	-
Warrants expired	-	-
Warrants exercised	<u>-</u>	<u>-</u>
As at March 31, 2011	2,857,143	\$ 0.15
Number of warrants currently exercisable	2,857,143	\$ 0.15

During fiscal 2010, the Company extended the expiry date by one year for 2,857,143 warrants originally expiring on October 23, 2010 and reduced the exercise price from \$1.25. If the closing price for the Company's shares is \$0.1875 or greater for a period of 10 consecutive trading days, then the warrant holders will have 30 days to exercise their warrants; otherwise the warrants will expire on the 31<sup>st</sup> day. These warrant extensions were considered non-compensatory in nature.

**11. RECOVERY FROM PROPERTY SETTLEMENT**

During fiscal 2007, the Company acquired an option, subsequently amended, for the acquisition of up to a 49% interest in a company that held a coal license located in Mongolia, referred to as the Erdenetsogt project.

During fiscal 2008, the Company initiated civil proceedings against the vendor of the Erdenetsogt property, alleging that the vendor did not comply with the terms of the purchase agreement by selling 100% of the company holding title to the property to another party (the "Acquiring Party"). Additionally, the Company initiated arbitration proceedings against the Acquiring Party alleging violation of the Company's agreement to acquire a 49% interest in the company holding title to the property.

During fiscal 2009, the Company won its civil proceedings and received shares representing 5% of ECM LLC ("ECM") the Mongolian company which owns the exploration License to the Erdenetsogt coal project ("Erdenetsogt").

The Company filed a writ, in Mongolia, seeking to rescind the transfer of shares of ECM to the Acquiring Party. The Company contends as the holder of a 5% interest in ECM it holds the right of first refusal on any offer of sale, and that the vendor breached this right. Under the writ, the Company is seeking to have 95% of ECM currently held by the Acquiring Party returned to Mongolia and offered to the Company.

During fiscal 2010, the Company signed a SPA with Mangreat Group Ltd. ("Mangreat"), the majority owner of ECM providing for the sale of the Company's 5% interest in ECM. The Company will receive up to US\$3,000,000 under certain conditions. Mangreat has paid US\$500,000 with a balance of US\$1,500,000 due within one year. The Company will transfer its 5% interest in ECM and terminate its current litigation in Mongolia upon receipt of the first US\$2,000,000. If the property is sold or joint ventured to a third party for a value greater than US\$40,000,000 the Company will receive an additional US\$1,000,000. Under the SPA the parties have also agreed to abandon all litigation over the property and the license.

The Company incurred costs during fiscal 2010 of \$5,094 (2009 - \$234,204) in connection with the litigation and all such costs have been expensed.

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

The significant non-cash transactions during the period ended March 31, 2011 consisted of the issuance of 200,000 common shares at a value of \$28,500 pursuant to mineral property acquisitions.

**13. SEGMENTED INFORMATION**

As at March 31, 2011, the Company has one reportable operating segment being the acquisition and exploration of resource properties in Canada.

**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities and note payable approximate their fair value because of the short-term nature of these instruments.

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

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions, as well as in a lawyers trust accounts in Mongolia.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of March 31, 2011 the Company had cash balance of \$336,101 (December 31, 2010 - \$133,335; January 1, 2010 - \$214,117) to settle current liabilities of, as of March 31, 2011, \$347,292 (December 31, 2010 - \$357,427; January 1, 2010 - \$352,615). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

*Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

*Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars (US). Amounts exposed to foreign currency risk include cash of US\$62,219 as of March 31, 2011 (December 31, 2010 - \$129,486; January 1, 2010 - \$222).

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

**15. CAPITAL MANAGEMENT**

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

**16. SUBSEQUENT EVENTS**

Subsequent to March 31, 2011 the Company completed a non-brokered private placement and issued 3,100,000 flow through units and 5,140,000 non-flow through units a price of \$0.10 per unit, for gross proceeds of \$824,000. Each flow through unit consisted of one common share and one half share purchase warrant exercisable at a price of \$0.15 per share expiring on April 13, 2012. Each non-flow through unit consisted of one common share and one whole share purchase warrant, exercisable at a price of \$0.15 per share expiring on April 13, 2012. The Company paid a \$61,680 finder's fee in connection with the private placement.