SearchGold Resources Inc.
(A Mining Exploration Company)

Consolidated Financial Statements
December 31, 2010 and 2009

Management's report

The consolidated financial statements of SearchGold Resources Inc. and the other financial information included in this annual report are Management's responsibility.

These consolidated financial statements and the other financial information have been prepared by Management in accordance with Canadian generally accepted accounting principles. This responsibility includes the selection of appropriate accounting policies and methods in the circumstances, and the use of careful judgment in establishing reasonable accounting estimates.

The Audit Committee, which is composed of internal directors, meets with the external auditors to discuss matters relating to audit, internal control and financial information. The Committee also reviews the annual financial statements.

These consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, chartered accountants, whose report indicating the scope of their audit and their opinion on the consolidated financial statements is presented hereafter.

The Board of Directors has approved the Company's consolidated financial statements, on the recommendation of the Audit Committee.

/S/ Philippe Giaro
President and CEO

/S/ Isabelle Gauthier
CFO

April 29, 2011

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Québec H3B 4L8

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

To the Shareholders of
SearchGold Resources Inc.

We have audited the accompanying consolidated financial statements of SearchGold Resources Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of deferred exploration expenses, earnings, comprehensive income, deficit, contributed surplus and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud of error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SearchGold Resources Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Corporation has an accumulated deficit of $16,964,199 as of December, 2010. These conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast doubt about the Corporation's ability to continue as a going concern.

/S/ Raymond Chabot Grant Thornton LLP [1]

Montréal
April 29, 2011

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[1] Chartered accountant auditor permit no. 18510

SearchGold Resources Inc.
Consolidated Balance Sheets
December 31, 2010 and 2009

	2010	2009
	$	$
ASSETS		
Current assets		
Cash	29,877	71,343
Amounts receivable (Note 5)	7,013	34,120
Prepaid expenses	9,577	8,142
	46,467	113,605
Plant and equipment (Note 6)		1,138
Exploration plant and equipment (Note 7)	5,440	7,283
Mining properties (Note 8)	11,500	76,400
Deferred exploration expenses (Note 9)	2,302,965	2,278,141
Investments in mining exploration companies (Note 10)	1,973,092	1,189,649
	4,339,464	3,666,216
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	321,574	352,295
Du to Golden Share Mining Corporation, without interest and repayment terms	19,708	
	341,282	352,295
SHAREHOLDERS' EQUITY		
Capital stock (Note 11)	17,887,122	17,881,622
Contributed surplus	3,578,782	3,578,782
Deficit	(16,964,199)	(18,146,483)
Accumulated other comprehensive income (Note 18)	(503,523)	
	3,998,182	3,313,921
	4,339,464	3,666,216

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

On behalf of the Board,

/S/ Philippe Giaro
Director

/S/ Florent Baril
Director

SearchGold Resources Inc.
Consolidated Deferred Exploration Expenses
for the years ended December 31, 2010 and 2009

	2010	2009
	$	$
Balance, beginning of year	2,278,141	2,215,622
Additions		
Salaries and employee benefits	2,018	19,034
Consultants	5,150	22,823
Royalties	42,303	32,156
Fuel	810	2,203
Field equipment	407	571
Laboratory analysis	2,097	4,806
Travel expenses	2,345	2,378
Maintenance and repairs	63	293
Mission fees	1,882	4,648
Geology		1,301
Equipment rental	1,121	3,767
Telecommunications	211	1,111
Supplies		669
Rental expenses		1,279
Permits	20,944	44,410
Miscellaneous	45	1,193
Amortization of exploration plant and equipment	1,843	2,119
	81,239	144,761
Balance before deductions	2,359,380	2,360,383
Deductions		
Write-off of deferred exploration expenses	(56,415)	
Options Revenue (Note 9)		(82,242)
Balance, end of year	2,302,965	2,278,141

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

SearchGold Resources Inc.
Consolidated Earnings
for the years ended December 31, 2010 and 2009

	2010	2009
	$	$
Administrative expenses		
Salaries and employee benefits		43,413
Management fees	27,500	28,750
Professional services	222,794	150,757
Travel and entertainment	13,065	34,123
Investor's related fees	11,033	19,020
Corporate developement	4,320	
Registration and listing fees	37,532	35,604
Telecommunications	5,784	24,647
Rental expenses	21,185	20,450
Office supplies	4,224	10,044
Taxes, interest and bank charges	23,987	23,784
Insurance	8,369	8,310
Miscellaneous		1,716
Amortization of plant and equipment	1,138	6,585
	380,931	407,203
Other expenses (revenues)		
Impairment of an investment in a mining exploration company (Note 10)		2,164,175
Gain on disposal of an interest in a subsidiary shares (Note 3)	(1,417,497)	
Write-off of mining properties	7,394	
Write-off of deferred exploration expenses	56,415	
Loss (gain) on dilution of an interest in a company subject to significant influence (Note 4)	(28,212)	17,296
Interest in a company subject to significant influence	26,248	91,166
Options revenue	(92,457)	
Exchange loss (gain)	(9,686)	6,589
Recovered fees	(105,420)	(93,968)
Net investments income		(78)
	(1,563,215)	2,185,180
Net earnings (net loss)	**1,182,284**	**(2,592,383)**
Effect of warrants modification (Note 11)		(94,213)
Net earnings (net loss) applicable to shareholders	**1,182,284**	**(2,686,596)**
Basic and diluted net earnings (net loss) per share	0.01	(0.02)
Basic and diluted weighted average number of common shares outstanding	148,501,952	137,044,527

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

SearchGold Resources Inc.
Consolidated Comprehensive Income
Consolidated Deficit
Consolidated Contributed Surplus
for the years ended December 31, 2010 and 2009

	2010	2009
	$	$
CONSOLIDATED COMPREHENSIVE LOSS (INCOME)		
Net loss (net earnings)	(1,182,284)	2,592,383
Other comprehensive income		
Change in fair value of an investment in a mining exploration company (Note 18)	503,523	
Comprehensive loss (income)	(678,761)	2,592,383
CONSOLIDATED DEFICIT		
Balance, beginning of year	18,146,483	15,379,423
Net loss (net earnings)	(1,182,284)	2,592,383
Effect of warrants modification (Note 11)		94,213
Issuance cost of shareholders' equity instruments, reduced by a future income tax asset of $15,940 which have been devaluated		80,464
Balance, end of year	16,964,199	18,146,483
Accumulated other comprehensive income, reduced by a future income tax asset of $67,724 which have been devaluated (Note 18)	503,523	
Deficit and accumulated other comprehensive income	17,467,722	18,146,483
CONSOLIDATED CONTRIBUTED SURPLUS (NOTE 11)		
Balance, beginning of year	3,578,782	3,362,362
Warrants issued to the broker		28,878
Warrants issued at the time of issuance of shareholders' equity instruments		93,329
Effect of warrants modification		94,213
Balance, end of year	3,578,782	3,578,782

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

SearchGold Resources Inc.
Consolidated Cash Flows
for the years ended December 31, 2010 and 2009

	2010	2009
	$	$
OPERATING ACTIVITIES		
Net earnings (net loss)	1,182,284	(2,592,383)
Non-cash items		
Amortization of plant and equipment	1,138	6,585
Write-off of mining properties	7,394	
Write-off of deferred exploration expenses	56,415	
Options revenue recognized in the earnings	(92,457)	
Gain on disposal of an interest in a subsidiary shares (Note 3)	(1,417,497)	
Impairment of an investment in a mining exploration company		2,164,175
Loss (gain) on dilution of an interest in a company subject to significant influence	(28,212)	17,296
Interest in a company subject to significant influence	26,248	91,166
Changes in working capital items (Note 13)	21,130	28,335
Cash flows from operating activities	(243,557)	(284,826)
INVESTING ACTIVITIES		
Guaranteed investment certificates		(38,000)
Disposal of guaranteed investment certificates		68,000
Options revenue	155,461	179,356
Mining properties		(69,978)
Deferred exploration expenses	(110,483)	(120,444)
Disposal of a subsidiary shares (Note 3)	(71)	
Disposal of an investment in a mining exploration company	68,043	
Advances to consultants	588	(330)
Advances to officers	4,320	39,141
Advances to Golden Share Mining Corporation	64,525	(61,133)
Advances to a private company		2,225
Cash flows from investing activities	182,383	(1,163)
FINANCING ACTIVITIES		
Du to Golden Share Mining Corporation	19,708	
Issuance of shareholders' equity instruments		372,000
Issuance cost of shareholders' equity instruments		(51,586)
Cash flows from financing activities	19,708	320,414
Net increase (decrease) in cash	(41,466)	34,425
Cash, beginning of year	71,343	36,918
Cash, end of year	29,877	71,343

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

1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

The Company, incorporated under the Canada Business Corporations Act, specializes in the acquisition and exploration of gold mining sites in West Africa and holds investments in mining exploration companies.

The recoverability of amounts shown for mining properties and related deferred exploration expenses is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration, the development and to place these properties into production and the renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof. According to Management, the net book value of mining properties and deferred exploration expenses as at December 31, 2010 and 2009 represents Management's best estimate of their net recoverable value. However, this value could be reduced in the future.

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

Given that the Company has not yet determined whether its mining properties contain mineral deposits that are economically recoverable, the Company did not generate income and cash flows from its operations until now. As at December 31, 2010, the Company has a deficit of $16,964,199 ($18,146,483 en 2009). These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

Management assesses its financing needs and strategic alternatives including potential changes relating to its mining property agreements, exploration programs and discretionary expenses.

At December 31, 2010, the Company had $29,877 in cash. The Company will require additional funding within the next 12 months to meet its expenditure commitments and its corporate administrative expenses.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classification have not been adjusted as would be required if the going concern assumption were not appropriate.

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

2 - ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, SearchGold Guinée SARL and its wholly-owned subsidiary, SearchGold Burkina Faso (SMK) SARL until the date of disposal of the latter (note 3).

Basis of presentation

The financial statements, presented in Canadian dollars, are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and reported amounts of revenue and expenses. The management has made a number of significant estimates and valuation assumptions, including estimates of the recoverability of mining properties cost and deferred exploration expenses, valuation of future income taxes and the fair value of financial assets and liabilities. These estimates and valuation assumptions are based on current information and management's planned course of actions, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Financial assets and liabilities

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions such as the investment in Golden Share Mining Corporation.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Cash is classified as a held-for-trading financial asset.

Amounts receivable, advances to consultants and officers and advances to Golden Share Mining Corporation are classified as loans and receivables. They are measured at amortized cost, which is generally the amount on initial recognition less any allowance for doubtful accounts, if so.

The shares investments in quoted mining exploration companies, except the investment in Golden Share Mining Corporation (Note 4), are classified as available-for-sale financials assets and are measured are measured at fair value. Unrealized losses or gains are recognized in consolidated earnings and comprehensive loss until those losses or gains are realized or when the investment sustains a loss in value that is other than a temporary decline.

2 - ACCOUNTING POLICIES (continued)

The shares investments in private mining exploration companies are classified as available-for-sale financials assets and are measured at cost. When the Company disposes of an investment or when an investment sustains a loss in value that is other than a temporary decline, the loss is recognized in consolidated earnings.

The accounts payable and accrued liabilities and the due to Golden Share Mining Corporation are classified as other financial liabilities. They are measured at amortized cost. Transaction costs, if so, are applied against the carrying amount of any related financial liabilities.

Plant and equipment and exploration plant and equipment

Plant and equipment and exploration plant and equipment are recorded at cost. Amortization of exploration plant and equipment is capitalized to deferred exploration expenses if it relates to specific projects. Amortization is calculated over their estimated useful lives according to the straight-line method over the following periods:

	Periods
Machinery and equipment, office furniture and base camp	5 years
Computer equipment and software	3 years

Mining properties and deferred exploration expenses

Mining properties are composed of claims and options to acquire interest in properties and will be accounted for at their acquisition cost.

Expenses related to exploration and development of mining properties are capitalized by property until the beginning of commercial production. If any, the accessory revenues earned over the period of exploration and development will be applied against capitalized costs.

They also include advances to a private company, formerly a subsidiary of the Company.

The mining properties and deferred exploration expenses are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that the Company has insufficient information to estimate future cash flows to test the recoverability of the amounts capitalized, management measures the recoverability of amounts indicated as mining deposits and deferred exploration expenses by comparing their fair value to their carrying amount, without performing a recoverability test. It will also determine whether the results of exploration work justify additional investments, whether the Company’s interest in the underlying mineral claims in confirmed, whether the Company is able to obtain necessary financing to complete the development, and whether future profitable production or proceeds from the disposal of mining deposits could be for an amount greater than their carrying amount.

2 - ACCOUNTING POLICIES (continued)

If it is determined that mining properties and exploration expenses capitalized are not recoverable over the estimated useful life of the properties, or if the project is abandoned, the capitalized amounts will be written down to their net realizable value.

If commercially profitable ore reserves are developed, and a production decision is made, mining properties and deferred exploration expenses of the related mining property will be reclassified as mining assets and amortized using the unit of production method.

The recoverability of amounts recorded for mining properties and deferred exploration expenses is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mining titles, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration expenses do not necessarily represent actual or future values.

Capital stock

Revenue from the unit issue is allocated proportionately between common shares and warrants according to their respective fair values.

Issuance cost of shareholders' equity instruments

Issuance cost of shareholders' equity instruments are recorded in the deficit.

Stock-based compensation plan

The Company grants stock options to the eligible directors, officers, employees and consultants of the Company pursuant to its stock option plan. The stock-based compensation plan is recognized using the fair value method. The compensation cost is measured according to the fair value of the options the using the stock price and other measurement assumptions and is recognized as follows:

The compensation cost of options granted to directors, officers and employees is measured on the grant date and recognized over the related service period.

The compensation cost of options issued to consultants is recognized over the related service period and measured according to the fair value of the options on each balance sheet date until the earlier of the consultant's option vesting date or the date on which the other party has completed performance of its obligations by providing the services. Options which vest immediately are measured at the fair value on the grant date.

The compensation cost is expensed in the statement of earnings or capitalized according to the nature of services received and credited to contributed surplus. The consideration paid on the exercise of the options and the fair value of the options exercised credited to contributed surplus are added to capital stock.

2 - ACCOUNTING POLICIES (continued)

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company recognizes future income tax liabilities only when it is more likely than not that some or all of the future income tax assets will be realized.

Foreign currency translation

The financial statements of integrated foreign operations and transactions in foreign currency are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate in effect during the year, with the exception of the amortization of property, plant and equipment, which is translated at the historical rate. Gains and losses are included in the earnings for the year.

Earnings per share

Earnings per share are calculated by dividing net earnings (net loss) available for common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share calculated taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date. The treasury stock method is used to determine the dilutive effect of the stock options and warrants. This method assumes that the proceeds of the stock options and warrants during the year are used to redeem common shares at their average price during the period. The diluted net loss per share is calculated using the treasury stock method and method and is equal to the basic net loss per share as a result of the anti-dilutive effect of the outstanding stock options and warrants (Note 11).

As at December 31, 2010, diluted net earnings per share is equivalent to basic net earnings per share because the exercise price of the stock options was greater than the average market price of the common shares.

2 - ACCOUNTING POLICIES (continued)

Laws and regulations

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. To management's best knowledge, the Company's operations are in compliance with current laws and regulations. Any payment resulting from mining property restorations if so will be charged to the cost of the mining properties when it is possible to reasonably estimate the amount.

3 - DISPOSAL OF A SUBSIDIARY’S SHARES

On July 2, 2010, the Company signed an agreement with SWALA Resources plc (“Swala”), under which Swala acquired all of the shares of SearchGold Burkina Faso (SMK) SARL for a $1,417,570 share investment in Swala, representing 10% of issued shares. The fair value was determined using Swala’s price per share for similar transactions. The Company recognized a $1,417,497 gain on disposal of a subsidiary’s shares presented in consolidated earnings.

The mining properties disposed of are Araé and Gassel.

The assets disposed of are as follows:

	$
Assets	
Cash	71
Mining properties	2
	73
Investment in a private company (Note 10)	1,417,570
Gain on disposal of a subsidiary shares	1,417,497

The results of this subsidiary were consolidated until July 2, 2010.

4 - DILUTION OF AN INTEREST IN A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE

The Company has a 3.2% interest in Golden Share Mining Corporation (5.4% in 2009). Given that the majority of the members of the Company's Board of Directors are the same as the members of Golden Share Mining Corporation, the Company recognized its interest as an investment in the shares of a company subject to significant influence at consolidated value.

During the year 2010, Golden Share Mining Corporation completed two private financings which resulted in reducing the Company's share to 3.2% and its investment to $222,776. A loss on dilution of $28,212 was recognized in the statement of consolidated earnings.

During the year 2009, Golden Share Mining Corporation completed two private financings which resulted in reducing the Company's share to 5.4% and its investment to $220,812. A loss on dilution of $17,296 was recognized in the statement of consolidated earnings.

5 – AMOUNTS RECEIVABLE

	2010	2009
	$	$
Amounts receivable		11,500
Sales taxes	5,333	10,388
Advances to consultants, without interest		588
Advances to officers, without interest	1,680	6,000
Supplier's deposits, without interest		5,644
	7,013	34,120

6 - PLANT AND EQUIPMENT

	2010		
	Cost	Accumulated amortization	Net
	$	$	$
Office furniture	33,797	33,797	
Computer equipment	8,282	8,282	
Software	24,402	24,402	
	66,481	66,481	

	2009		
	Cost	Accumulated amortization	Net
	$	$	$
Office furniture	33,797	32,659	1,138
Computer equipment	8,282	8,282	
Software	24,402	24,402	
	66,481	65,343	1,138

7 - EXPLORATION PLANT AND EQUIPMENT

	2010		
	Cost	Accumulated amortization	Net
	$	$	$
Machinery and equipment	4,058	2,701	1,357
Base camp	8,211	4,128	4,083
	12,269	6,829	5,440

	2009		
	Cost	Accumulated amortization	Net
	$	$	$
Machinery and equipment	4,058	2,076	1,982
Base camp	8,211	2,910	5,301
	12,269	4,986	7,283

Exploration plant and equipment are assigned to the Mandiana mining property.

SearchGold Resources Inc.
Notes to Consolidated Financial Statements
December 31, 2010 and 2009

8 - MINING PROPERTIES

	Balance as at December 31 2009	Additions	Radiation	Disposal of subsidiary Shares (Note 3)	Options Revenue	Balance as at December 31 2010
	$	$	$	$	$	$
Burkina Faso						
Dou	2,490		(2,490)			
Taouremba	2,490		(2,490)			
Zitenga II	2,414		(2,414)			
Araé	31,503			(1)	(31,502)	
Gassel	31,503			(1)	(31,502)	
Guéguéré	6,000	5,500				11,500
	76,400	5,500	(7,394)	(2)	(63,004)	11,500

	Balance as at December 31 2008	Additions	Radiation	Disposal of subsidiary Shares (Note 3)	Options Revenue	Balance as at December 31 2009
	$	$	$	$	$	$
Burkina Faso						
Dou	2,490					2,490
Taouremba	2,490					2,490
Zitenga II	2,414					2,414
Araé	33,071	46,989			(48,557)	31,503
Gassel	33,071	46,989			(48,557)	31,503
Guéguéré		6,000				6,000
	73,536	99,978			(97,114)	76,400

Mandiana

On January 25, 2006, the Company signed an agreement entitling it to acquire a 100% interest in the 487 km^2 property located in Guinea, West Africa following these conditions:

- By carrying out a semi-detailed survey for an amount of $US148,000 and a reconnaissance survey for an amount of $US122,000. As per the agreement, the Company committed to invest these amounts in the 18 months following the signature of the agreement;

8 - MINING PROPERTIES (continued)

- By paying 5% of project expenditures to the other parties per quarter with a minimum of $US5,000 and a maximum of $US25,000 for the first year. From the first anniversary of the signing of the agreement, the Company will pay a combined 5% of project expenditures with a minimum of $US10,000 and a maximum of $US50,000 per quarter. These payments are considered as an advance royalty and will be deductible from the net smelter royalty should the property advance to a production phase;

- By paying smelter royalties of 2% to the other parties when the property is brought into production.

The Company complied with these terms and has transfer the 100% interest in the mining site to its wholly-owned subsidiary, SearchGold Guinée SARL.

Under legislation governing exploration permits, the Company was required to incur US$964,000 in exploration expenses by November 2010. During the year ended December 31, 2010, the Company renewed its permits and benefited from an extension of the commitment to November 2012.

Dou

In 2008, the Company acquired a 100% interest in a permit for a period of three years renewable for two periods of three years for a cash consideration of $2,490. The permit is located in the Sanmatenga province and covers a surface area of 241 km^2.

During the year 2010, the Company has decided to not renew its permit and therefore wrote-off its mining property and deferred exploration expenses for an amount of $2,490 and $19,044 respectively.

Taouremba

In 2008, the Company acquired a 100% interest in a permit for a period of three years renewable for two periods of three years for a cash consideration of $2,490. The permit is located in the Seno province and covers a surface area of 211 km^2.

During the year 2010, the Company has decided to not renew its permit and therefore wrote-off its mining property and deferred exploration expenses for an amount of $2,490 and $18,923 respectively.

Zitenga II

In 2008, the Company acquired a 100% interest in a permit for a period of three years renewable for two periods of three years for a cash consideration of $2,414. The permit is located in the Oubritenga province and covers a surface area of 184 km^2.

8 - MINING PROPERTIES (continued)

During the year 2010, the Company has decided to not renew its permit and therefore wrote-off its mining property and deferred exploration expenses for an amount of $2,414 and $18,448 respectively.

Araé and Gassel

The Company entered into an option agreement with SOMIKA SARL, modified in October 2009, to acquire 100% interest in two permits, Araé and Gassel, covering a surface area of 400 km^2 and located in the Soum province at the following conditions:

- By paying a total of US$100,000, as US$50,000 upon signing, US$30,000 after six-month and US$30,000 on the first anniversary date;

- By issuing a total of 800,000 of the Company's common shares, as 200,000 common shares upon signing and 600,000 common shares on the first anniversary date;

- By incurring a total of US$750,000 in exploration expenses, as US$300,000 no later than November 29, 2009 and US$450,000 no later than January 15, 2010.

The vendor will retain a 3% net smelter return. The Company will have the right to purchase up to 1.5% of the net smelter return held by the vendors for US$500,000 per 0.5% net smelter return bracket for a total of US$1,500,000.

On April 22, 2009, the Company entered into an agreement with Swala Resources PLC ("Swala"), modified on December 6, 2009, for the development of its Arae-Gassel mining properties. Swala can acquire an interest up to 65%, over a five-year period, at the following conditions:

- By paying a total of US$300,000, as US$150,000 upon signature, US$50,000 on the first anniversary date, US$50,000 on the second anniversary date and US$50,000 on the third anniversary date;

- Swala will acquire its initial 40% interest in the project after executing a Phase 1 which comprise incurring exploration expenditures of up to US$750,000;

- By executing a Phase 2 development program which may comprise a small-scale mechanised mining and treatment operation and by concomitantly undertaking a Phase 2 exploration program with the objective to identify one or several gold deposits. If warranted by the results of Phase 2, Swala will execute a National Instrument 43-101 compliant pre-feasibility study (“PFS”) within three years of the date of signature of the Agreement. Once the PFS is completed, Swala will have acquired an additional 11% interest for a total of 51%;

8 - MINING PROPERTIES (continued)

- Following the acquisition of a 51% interest, Swala may pursue the development of the project by executing a National Instrument 43-101 compliant bankable feasibility study (“BFS”) within five years of the date of signature of the Agreement. Once the PFS completed, Swala will have acquired an additional 14% interest for a total of 65%.

As at December 31, 2009, the Company paid a total of US$110,000 and issued 800,000 common share of the Company for a total value of $31,000 respecting to two first conditions of the option agreement. In addition, the Company and Swala incurred US$795,460 in deferred exploration expenses, respecting the last condition of the option agreement. Accordingly, the Company transferred into the name of its wholly-owned subsidiary, SearchGold Burkina Faso (SMK) SARL, the 100% interest in the mining properties.

Also, the Company has received the first payment of $179,356 (US$150,000) in connection with the agreement signed with Swala. The Company accounted this payment against mining properties and deferred exploration expenses for an amount of $97,114 and $82,242 respectively

On February 18, 2010, Swala paid the last three instalments in advance, for a total of $155,461 (US$150,000) providing for a 40% interest in the mining properties. The Company applied this payment as a deduction of mining properties and an increase in consolidated earnings in the amount of $63,004 and $92,457 respectively.

On July 2, 2010, the Company signed an agreement with Swala, under which Swala acquired the residual 60% interest in the mining property by acquiring all of the shares of SearchGold Burkina Faso (SMK) SARL for a $1,417,570 share investment in Swala, representing 10% of issued shares (Note 3 and 10).

Guéguéré

In 2009, the Company entered into an option agreement with SOMIKA SARL enabling it to acquire 100% interest in the 500 km² area Guéguéré gold-bearing property located in the south-west part of Burkina Faso once all of the following conditions have been met:

- By paying a total of $US50,002, as $US2 upon signature, $US20,000 two years after the date of signature and $US30,000 three years after the date of signature;

- By issuing a total of 500,000 common shares of the Company , as 200,000 common shares upon signature, 100,000 common shares on the first anniversary date, 100,000 common shares on the second anniversary date and 100,000 common shares on the third anniversary date;

- By incurring a total of US$800,000 in exploration expenses, as US$400,000 on the second anniversary date and US$400,000 on the third anniversary date.

8 - MINING PROPERTIES (continued)

The vendor will retain a 2% net smelter return. The Company will have the right to purchase up to 1% of the net smelter return held by the vendors for US$500,000 per 0.5% net smelter return bracket for a total of US$1,000,000.

The Company issued 300,000 common shares of the Company (100,000 in 2010; 200,000 in 2009) for a total value of $11,500 ($5,500 in 2010; $6,000 in 2009).

9 - DEFERRED EXPLORATION EXPENSES

	Balance as at December 31 2009	Additions	Write-off and/or impairment	Options Revenue	Balance as at December 31 2010
	$	$	$	$	$
Burkina Faso					
Dou	19,044		(19,044)		
Taouremba	17,288	1,635	(18,923)		
Zitenga II	17,058	1,390	(18,448)		
Guéguéré	11,580	8,943			20,523
Guinea					
Mandiana	1,172,639	69,271			1,241,910
	1,237,609	81,239	(56,415)		1,262,433
Gabon					
Advances to a private company (a)	1,040,532				1,040,532
	2,278,141	81,239	(56,415)		2,302,965

9 - DEFERRED EXPLORATION EXPENSES (continued)

	Balance as at December 31 2008	Additions	Write-off and/or impairment	Options Revenue	Balance as at December 31 2009
	$	$	$	$	$
Burkina Faso					
Dou	14,184	4,860			19,044
Taouremba	13,741	3,547			17,288
Zitenga II	13,340	3,718			17,058
Araé	20,520	20,361		(40,881)	
Gassel	21,717	19,644		(41,361)	
Guéguéré		11,580			11,580
Guinea					
Mandiana	1,091,588	81,051			1,172,639
	1,175,090	144,761		(82,242)	1,237,609
Gabon					
Advances to a private company (a)	1,040,532				1,040,532
	2,215,622	144,761		(82,242)	2,278,141

(a) On July 22, 2006, further to the disposal of the shares of a Ressources Golden Gram Gabon SARL (RGGG) subsidiary, the Company realized a $959,468 gain. This gain was applied against advances made to this company (formerly a subsidiary) in the amount of $2,000,000. The advances are interest-free and will be cashable and bear interest at an annual rate of 8% starting on the date operations begin on the mining site. A gain will be recognized, if any, in earnings as advances are received.

Other than this advance, the Company still holds an interest in RGGG (Note 10).

10 - INVESTMENTS IN MINING EXPLORATION COMPANIES

	2010	2009
	$	$
Common shares in a company subject to significant influence, at consolidated value (a)		
Golden Share Mining Corporation		
Shares representing a 3.2% interest (5,4% in 2009) (Note 4)	222,776	220,812
Common shares in private companies, at cost		
Ressources Golden Gram Gabon SARL		
Shares representing a 27% interest (27 % en 2009) (c)	1	1
Swala Resources plc		
Shares representing a 10% interest (Note 3)	1,417,570	
Common shares in a quoted Company, at fair value		
Stellar Diamonds Limited		
Shares representing a 1,4% interest (5,4 % en 2009) (b)	332,745	904,311
Advances to Golden Share Mining Corporation, without interest and repayment terms		64,525
	1,973,092	1,189,649

(a) The fair value of the interest as at December 31, 2010 is $341,597 ($181,474 in 2009).

(b) Stellar Diamonds Limited ("Stellar") is a diamond mining exploration company. During the year 2008, the Company recognized an investment impairment of $1,800,000.

During the year ended December 31, 2009, the Company recognized an investment impairment of $2,164,175 to reflect the investment fair value following Stellar's listing on the London Stock Exchange in February 2010.

During the year ended December 31, 2010, the Company recognized a change in fair value of investments of $503,523 as other comprehensive income. Furthermore, the Company disposed of 685,000 shares in exchange for a $68,040 consideration.

(c) On May 14, 2009, as stipulated in the agreement with Managem, the Company disposed of 9% of its interest in RGGG without consideration following the release of a feasibility study. Given that the investment had entirely been written down by the gain realized on the first disposals, no impact was recognized in the consolidated earnings.

11 – CAPITAL STOCK

Authorized
Unlimited number of common shares voting and participating

Capital stock issued and fully paid

	2010		2009	
	Number of shares	Amount	Number of shares	Amount
		$		$
Balance, beginning of year	148,430,171	17,881,622	132,750,171	17,572,951
Private investments for a cash consideration			14,880,000	278,671
Acquisition of mining properties	100,000	5,500	800,000	30,000
Balance, end of year	148,530,171	17,887,122	148,430,171	17,881,622

In September 2009, the Company completed a private financing for a total amount of $372,000. The Company issued 372 units each unit including 40,000 common shares of the Company at a price of $0.025 per share and 20,000 warrants. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.05 per share, valid for twelve months. An amount of $93,329 was applied against contributed surplus.

The Company also issued, in September 2009, 1,488,000 broker warrants. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.05 per share, valid for twelve months.

Warrants

Outstanding warrants entitle their holder to subscribe to an equal number of common shares, as follows:

	2010		2009	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance, beginning of year	13,928,000	0.07	5,886,000	0.15
Issued			8,928,000	0.05
Expired	(13,928,000)	0.07	(886,000)	0.13
Balance, end of year	-	-	13,928,000	0.07

11 – CAPITAL STOCK (continued)

In 2009, the Company granted 8,928,000 warrants including 1,488,000 broker warrants. The fair value of the broker warrants granted of $0.02 was estimated using the Black-Scholes model and based on the following weighted average assumptions:

	2009
Rate of return of dividends	- %
Expected average volatility	216%
Risk-free average interest rate	1.20%
Expected average life	12 months

In 2009, the Company recorded $28,878 as issuance cost of shareholders' equity instruments when the broker warrants were granted and this amount is recorded in contributed surplus.

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

	2010		2009	
Expiration date	Number	Exercise price	Number	Exercise price
		$		$
July 4, 2010 (a)			5,000,000	0.10
September 18, 2010			8,928,000	0.05
	–		13,928,000	

(a) On April 8, 2009, the Company obtained the approval to re-price and extend the 5,000,000 warrants issued in July 2008 at a price of $0.15 and expiring on July 4, 2009. These 5,000,000 warrants were exercisable at a price of $0.10 per warrant until July 4, 2010. An amount of $94,213 related to the warrants modification, considered has an inducement to the holder, was recorded in the deficit and contributed surplus.

The fair value of the broker warrants granted of $0.02 was estimated using the Black-Scholes model and based on the following weighted average assumptions:

	2009
Rate of return of dividends	- %
Expected average volatility	210%
Risk-free average interest rate	1.33%
Expected average life	12 months

11 - CAPITAL STOCK (continued)

Stock-based compensation plan

The Company has adopted a stock-based compensation plan under which members of the Board of Directors may award options for common shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plan is 11,000,000.

The exercise price of each option is determined by the Board of Directors and cannot be less than the market value of the common shares on the eve of the award and the term of the options cannot be more than five years. The options are exercisable immediately.

The Company's stock options are detailed as follows:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Balance, beginning of year	5,100,000	0.15	6,600,000	0.16
Cancelled	(700,000)	0.15	(1,050,000)	0.18
Forfeited	(350,000)	0.18	(450,000)	0.20
Balance, end of year	4,050,000	0.15	5,100,000	0.15

The table below summarizes the information related to stock options:

2010			
Outstanding options and exercisable options			
Range of exercice price	Number of options	Weighted average exercise price	Remaining life (years)
0.10 à 0.12	500,000	0.12	1.99
0.13 à 0.16	3,300,000	0.15	1.03
0.17 à 0.21	250,000	0.19	1.12
	4,050,000	0.15	1.17

11 - CAPITAL STOCK (continued)

	2009		
	Outstanding options and exercisable options		
Range of exercise price	Number of options	Weighted average exercise price	Remaining life (years)
0.10 to 0.12	500,000	0.12	2.98
0.13 to 0.16	4,200,000	0.15	1.98
0.17 to 0.21	350,000	0.18	1.58
0.22 to 0.27	50,000	0.27	0.70
	5,100,000	0.15	2.29

12 - INCOME TAXES

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. This difference arises from the following items:

	2010	2009
	$	$
Income taxes calculated using the combined federal and provincial income tax rate in Canada of 29.90% (30,90% as at December 31, 2009)	353,504	(801,046)
Increase in income taxes resulting from the following		
Tax rate variance	(14,090)	56,097
Non-taxable items	(211,916)	
Non-deductible portion of capital loss		334,365
Non-deductible items and other	8,213	136,385
Change in valuation allowance (a) and (b)	(135,711)	274,199
	–	–

(a) The change in valuation allowance of the future income tax assets of $67,724 related to the change in fair value of an investment in a mining exploration company was applied against the accumulated other comprehensive income.

(b) The change in valuation allowance of the future income tax assets of $15,940 in 2009 related to the issuance cost of shareholders' equity instruments was applied against the Deficit.

12 - INCOME TAXES (continued)

The future income tax asset and liability result from differences between the carrying amount and the tax basis of the following:

	2010	2009
	$	$
Future income tax assets		
Non-capital loss	969,609	925,347
Capital loss	13,201	45,531
Issuance cost of shareholders' equity instruments	19,886	43,843
Investments in mining exploration companies	522,074	612,455
Difference between carrying amount and tax basis of mining properties and deferred exploration expenses	198,659	164,546
Other	15,567	16,261
	1,739,996	1,807,983
Less: valuation allowance	1,739,996	1,807,983
	–	–

These losses, which are available to reduce income taxes in future years, can be carried over the following years:

	Federal	Provincial
	$	$
2013	157,429	70,776
2014	610,615	550,745
2025	1,040,877	1,021,128
2026	557,157	509,318
2028	958,736	937,235
2029	226,914	209,853
2030	167,432	160,900
	3,719,160	3,459,955

13 - INFORMATION INCLUDED IN CASH FLOWS

The changes in working capital items are detailed as follows:

	2010	2009
	$	$
Amounts receivable	22,199	6,733
Prepaid expenses	(1,435)	1,069
Accounts payable and accrued liabilities	366	20,533
	21,130	28,335

Additional disclosures regarding cash flows that did not result in a cash outflow:

	2010	2009
	$	$
Mining properties		
Issuance of shareholders' equity instruments	5,500	30,000
Deferred exploration expenses		
Accounts payable and accrued liabilities		31,087
Amortization of exploration plant and equipment	1,843	2,119
Issuance cost of shareholders' equity instruments		
Warrants issued to the broker		28,878
Capital stock		
Warrants issued at the time of issuance of shareholders' equity instruments		93,329

14 - RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in the financial statements, the Company carried out the following related party transactions:

	2010	2009
	$	$
Company controlled by the Vice-president		
Management fees	18,750	28,750
Company controlled by the President		
Management fees	5,000	-
Vice-president finances		
Professional services	45,000	56,200
Rental expenses	3,465	-
Vice-president exploration		
Professional services (a)	97,000	36,725
Golden Share Mining Corporation		
Recovered fees	-	(54,600)

These transactions were carried out in the normal course of business and are measured at the exchange amount, i.e. the amount established and agreed upon by the parties.

(a) Under the terms of an agreement with Swala, the Company re-bills the services of its Vice-President of Exploration. The re-billing is recognized in "recovered costs" in consolidated earnings.

15 - CAPITAL DISCLOSURES

The capital of the Company consists of the items included in shareholders' equity of $3,998,182 as of December 31, 2010 ($3,313,921 as of December 31, 2009). The Company's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Company raises funds through private placements. There is no dividend policy. The Company doesn't have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject.

16 - FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk with respect to cash is considered to be negligible because this financial instrument is held by a reputable financial institution with a quality external credit rating.

As a general rule, the carrying amount in the balance sheet of the Company's financial assets exposed to credit risk, after deducting applicable allowances for loss represents the maximum amount of credit risk to which the Company is exposed.

Price risk

The Company is exposed to price risk with respect to gold price.

Other price risk is the risk that the fair value or future cash flows of the financial assets will fluctuate because of changes in market prices. The common shares in a quoted company held by the Company are exclusively shares from issuers on the London Stock Exchange Venture whose activities are in the mineral exploration. As at December 31, 2010, if the closing market prices had increased or decreased by 10%, the Company's pre-tax loss would have varied by $37,144.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalent and to ensure that the Company has financing sources such as private and public investments for a sufficient amount (note 1).

The accounts payable and accrued liabilities of $321,574 are payable 30 days following receipt of the invoices.

Exchange risk

The Company is exposed to currency risk as a result of accounts payable and accrued liabilities denominated in U.S. dollars. As at December 31, 2010, accounts payable and accrued liabilities denominated in dollars total US$100,000 (US$99,800) [US$50,035 in 2009 ($52,367 in 2009)]. Given that the Company's operations in foreign currency total $27,602, an increase or decrease in the exchange rate of the foreign currency in relation to the Canadian dollar would not have a significant impact on net loss.

16 - FINANCIAL INSTRUMENTS (continued)

The Company does not enter into arrangements to hedge its foreign exchange risk.

Interest rate risk

The Company is not exposed to a significant interest rate risk since the Company has no credit facility.

Only the interest revenue arising from the balance of operating cash accounts is therefore subject to interest rate fluctuations.

Based on the balances outstanding during the year ended December 31, 2010, a 1% increase (decrease) in the interest rate index would have no significant impact on earnings before income taxes.

Financial assets and liabilities by category

The carrying amounts and fair values of financial instruments are as follows:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held for trading				
Cash	29,877	29,877	71,343	71,343
Loans and receivables				
Amounts receivable			11,500	11,500
Advances to consultants			588	588
Advances to officers	1,680	1,680	6,000	6,000
Available-for-sale financial assets				
Common shares in private companies				
Ressources Golden Gram Gabon SARL	1	(a)	1	(a)
Swala Resources plc	1,417,570	(a)		
Common shares in a quote Company				
Stellar Diamond Limited	332,745	332,745	904,311	(a)
Advances to Golden Share Mining Corporation			64,525	64,525

16 - FINANCIAL INSTRUMENTS (continued)

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Accounts payable and accrued liabilities	321,574	321,574	352,295	352,295
Due to Golden Share Mining Corporation	19,708	19,708		

(a) The fair value of private companies' common shares could not be reliably measured because these investments do not have listed prices on the active markets.

Fair value

- The fair value of the advances to consultants and officers and accounts payable and accrued liabilities is comparable to their carrying amount given that they will mature shortly;
- The fair value of the available-for-sale financial assets is equivalent to their carrying amount.

Fair value Hierarchy

Financial instruments recorded at fair value on the Consolidated Balance Sheet must by classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy levels are as follows:

- Level 1 – quoted price (unadjusted) observed in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in level 1, that are either directly or indirectly observable;
- Level 3 – valuation techniques with significant unobservable market inputs.

Common shares in quoted company are classified under level 1, that is valuation based on active market price in determining fair value.

17 – COMMITMENTS

Pursuant to laws governing exploration permits, the Company will have to incur $958,794 (US$964,000) in exploration expenses, no later than November 2012 on its Mandiana property.

18 – ACCUMULATED OTHER COMPREHENSIVE INCOME

	2010	2009
	$	$
Balance, beginning		
Changes during the period		
Change in fair value of an investment in a mining exploration company	(503 523)	
Balance, end	(503 523)	

19 – SUBSEQUENT EVENT

On January 28, 2011, the Company signed a joint venture agreement with Swala for the development of its Gueguere mining property under which Swala can acquire an interest of up to 80% at the following conditions:

- Acquisition of an initial interest of 25% upon paying the Company the sum of $49,730 (US$50,000) and agreeing to take over the exploration expenditure commitments for the two Gueguere exploration licences.

- Acquisition of an additional interest of 26% for a total of 51%, upon the completion of a Phase 1 program entailing exploration expenditures of $390,840 (US$400,000) on each of the exploration licences, for total of $795,680 (US$800,000) over the entire property, prior to March 29th 2012;

- Acquisition of an additional interest of 9% for a total of 60%, upon the completion of a Phase 2 program entailing the execution of a NI 43-101 compliant report demonstrating the existence of indicated and inferred resources. Phase 2 will be executed within such time frame and with the necessary associated expenditures to insure full compliance with the Burkina Faso Mining Code;

- Acquisition of an additional interest of 20% for a total of 80%, upon the completion of a Phase 3 program entailing the execution of a preliminary NI 43-101 compliant feasibility study followed by a bankable NI 43-101 compliant feasibility study regarding all promising sites identified on the property.

The Company will then participate in the development costs or will be diluted in proportion to its interest. Swala will be the project operator and a technical committee will be created to supervise the development work carried out on the property. Should there be a commercial start of output, both parties agree to be diluted in proportion to their respective interest through the Burkina Faso state's non-contributing 10% interest.