

# **SearchGold Resources Inc.**

(A Mining Exploration Company)

## **Interim Consolidated Financial Statements for the three-month periods ended March 31, 2011 and 2010**

### Financial Statements

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**SearchGold Resources Inc.**  
**Consolidated Statement of Financial Position**  
(Unaudited, in canadian dollars)

	Notes	2011-03-31 \$	2010-12-31 \$	2010-01-01 \$
<b>ASSETS</b>				
Current				
Cash		20,652	29,877	71,343
Other receivables	8	20,002	7,013	34,120
Advance to an associate, without interest, payable on demand	18			64,525
Prepaid expenses		7,132	9,577	8,142
		<u>47,786</u>	<u>46,467</u>	<u>178,130</u>
Non-current				
Exploration and evaluation assets	9	2,119,865	2,314,465	2,354,541
Property and equipment	10	5,210	5,440	8,421
Investment accounted for using the equity method	7	215,112	222,776	220,812
Other long-term financial assets	11	1,623,036	1,750,316	904,312
<b>Total assets</b>		<u>4,011,009</u>	<u>4,339,464</u>	<u>3,666,216</u>
<b>EQUITY AND LIABILITIES</b>				
<b>LIABILITIES</b>				
Current				
Trade and other payables	12	340,242	341,282	352,295
<b>Total liabilities</b>		<u>340,242</u>	<u>341,282</u>	<u>352,295</u>
<b>EQUITY</b>				
Capital stock	13.1	17,929,122	17,887,122	17,881,622
Contributed surplus		3,578,782	3,578,782	3,578,782
Retained deficit		(17,469,922)	(17,126,783)	(18,146,483)
Accumulated other comprehensive income		(367,215)	(340,939)	
<b>Total equity</b>		<u>3,670,767</u>	<u>3,998,182</u>	<u>3,313,921</u>
<b>Total liabilities and equity</b>		<u>4,011,009</u>	<u>4,339,464</u>	<u>3,666,216</u>

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

These consolidated interim financial statements were approved and authorized for issue by the Board of Directors on June 29, 2011.

/S/ Philippe Giaro  
Director

/S/ Florent Baril  
Director

**SearchGold Resources Inc.**  
**Consolidated Statement of Comprehensive Loss**  
For the three-month periods ended March 31, 2011 and 2010  
(Unaudited, in canadian dollars - except )

	Notes	2011 \$	2010 \$
Management fees			16,250
Professional services		49,341	66,936
Investors related fees		1,929	4,801
Regulatory fees		8,527	7,990
Financial fees		9,348	5,076
Other expenses		4,798	25,207
Property and equipment amortization			1,138
Gain from exchange differences		(1,378)	(146)
Gain of disposal of exploration and evaluation assets			(92,457)
Impairment on exploration and evaluation assets		240,533	
Expenses recovered		(27,030)	(27,600)
<b>Operating loss before other items</b>		<b>286,068</b>	<b>7,195</b>
Share of loss from equity-accounted investments		6,996	6,404
Loss on dilution from equity-accounted investments		668	
Loss on available for sale assets reclassified as other comprehensive income	11	64,766	
Gain on disposal of other long-term financial assets	11	(15,359)	
<b>Net Loss</b>		<b>343,139</b>	<b>13,599</b>
<b>Other comprehensive loss</b>			
Available-for-sale-financial assets			
Current period losses	11	(91,045)	
Reclassification to loss	11	64,766	
Total of other comprehensive loss for the period		64,766	
<b>Total comprehensive loss</b>		<b>407,905</b>	<b>13,599</b>
<b>Loss per share</b>			
Basic and diluted net loss per share	16	0.002	0.000
Weighted average number of common share outstanding basic and diluted	16	148,454,615	148,430,171

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

## SearchGold Resources Inc.

### Consolidated Statement of Changes in Equity

For the three-month periods ended March 31, 2011 and 2010

(Unaudited, in canadian dollars)

	Notes	Share Capital \$	Available-for- sale Financial Assets \$	Contributed surplus \$	Retained Deficit \$	Total Equity \$
<b>Balance at January 1, 2010</b>		17,881,622	–	3,578,782	(18,146,483)	3,313,921
Shares issued for the acquisition of mining rights	13.1	–	–	–	–	–
Transactions with owners		–	–	–	–	–
Loss of the period		–	–	–	(13,599)	(13,599)
<b>Other comprehensive loss</b>						
Available-for-sale financial assets						
Current year losses		–	(257,664)	–	–	(257,664)
Total comprehensive loss		–	(257,664)	–	–	(257,664)
<b>Balance at March 31, 2010</b>		17,881,622	(257,664)	3,578,782	(18,160,082)	3,042,658
<b>Balance at January 1, 2011</b>		17,887,122	(340,939)	3,578,782	(17,126,783)	3,998,182
Shares issued for the acquisition of mining rights	13.1	42,000	–	–	–	42,000
Transactions with owners		42,000	–	–	–	42,000
Loss of the period		–	–	–	(343,139)	(343,139)
<b>Other comprehensive loss</b>						
Available-for-sale financial assets						
Current year losses		–	(91,042)	–	–	(91,042)
Reclassification to loss		–	64,766	–	–	64,766
Total comprehensive loss		–	(26,276)	–	–	(26,276)
<b>Balance at March 31, 2011</b>		17,929,122	(367,215)	3,578,782	(17,469,922)	3,670,767

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

## SearchGold Resources Inc.

### Consolidated Statement of Cash Flows

For the three-month periods ended March 31, 2011 and 2010

(Unaudited, in canadian dollars)

	Note	2011 \$	2010 \$
<b>OPERATING ACTIVITIES</b>			
Loss before income taxes		(343,139)	(13,599)
Adjustments			
Property and equipment amortization			1,138
Share of loss from equity-accounted investments		6,996	6,404
Loss on dilution from equity-accounted investments		668	
Gain of disposal of exploration and evaluation assets			(92,457)
Impairment on exploration and evaluation assets		240,533	
Financial fees		9,348	5,076
Changes in working capital items	17	(14,803)	53,781
Cash flows from operating activities		<u>(100,397)</u>	<u>(39,657)</u>
<b>INVESTING ACTIVITIES</b>			
Revenue from disposal of exploration and evaluation assets		48,936	155,461
Additions to exploration and evaluation assets		(49,420)	(33,184)
Other long-term financial assets		51,597	(40,578)
Cash flows from investing activities		<u>51,113</u>	<u>81,699</u>
<b>FINANCING ACTIVITIES</b>			
Financial fees and cash flows from financing activities		(9,348)	(5,076)
<b>Net change in cash</b>		<u>(58,632)</u>	<u>36,966</u>
Cash, beginning of period		<u>29,877</u>	<u>71,343</u>
Cash, end of period		<u>(28,755)</u>	<u>108,309</u>

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

# **SearchGold Resources Inc.**

## **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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### **1. NATURE OF OPERATIONS**

The Company and its subsidiary, specializes in the acquisition and exploration of gold mining sites in West Africa.

### **2. GOING CONCERN ASSUMPTION**

The consolidated interim financial statements have been prepared on the basis of 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 mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. As at March 31, 2011, the Company has a negative cumulated retained deficit of \$17,257,931 (\$16,964,199 as at December 31, 2010; \$18,146,483 as at January 1, 2010). These material uncertainties cast 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.

As at March 31, 2011, the Company had \$20,652 in cash. The Company will require additional funding within the next 12 months to meet its expenditure commitments and its corporate administrative expenses.

In May 2011, the company received an amount of \$780,386 (US\$ 800,000) following the disposal of its interest in Ressources Golden Gram Gabon SARL. This amount will allow the company to secure its administrative expenses and to settle its current obligations.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the consolidated statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

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**3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

The Company's interim consolidated financial statements have been prepared applying IFRS 1, First-time Adoption of International Financial Reporting Standards, and IAS 34, Interim Financial Information, using the accounting policies the Company expects to adopt in its December 31, 2011 consolidated financial statements for the year ended December 31, 2011. Those accounting policies are based on the IFRS standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that the Company expects to be applicable as at December 31, 2011.

The interim consolidated financial statements should be read in conjunction with the consolidated financial statements prepared in accordance with the previous GAAP and the notes thereto as at December 31, 2010 and for the year then ended.

Note 21 reconciles equity, net earnings and comprehensive income in accordance with Canadian GAAP and in accordance with IFRS and describes the effect of the transition from Canadian GAAP to IFRS on those items.

These financial statements are prepared using the historical cost method, except for available-for-sale financial instruments that are recognized at fair value through comprehensive income.

**4. SUMMARY OF ACCOUNTING POLICIES**

**4.1 Overall considerations and first-time adoption of IFRS**

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

These accounting policies have been used throughout all periods presented, except where the Group has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 18.

SearchGold Resources Inc. is the Group's ultimate parent company.

The Company is incorporated under the Canada Business Corporations Act. The address of SearchGold Resources Inc. registered office and its principal place of business is 349 De Contrecoeur street, Montreal, Quebec, Canada, H1L 3Y4.

SearchGold Resources Inc. shares are listed on the TSX Venture Exchange.

# **SearchGold Resources Inc.**

## **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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#### **4. SUMMARY OF ACCOUNTING POLICIES (Continued)**

##### **4.2 Basis of consolidation**

As March 31, 2011, the consolidated interim financial statements include those of the parent company and its wholly-owned subsidiary Ressources SearchGold Guinée SARL. The subsidiary is an entity over which the company has the power to control the financial and operating policies. The annual reporting date of the subsidiary is December 31.

As at December 31, 2010, 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 that is July 2, 2010 (Note 6).

Profit and loss and other comprehensive income of a subsidiary acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

All transactions between the parent company and its subsidiary, balances, income and expenses are eliminated upon consolidation.

##### **4.3 Foreign currency translation**

The consolidated financial statements are presented in canadian dollars, which is also the functional currency of the Group.

Foreign currency transactions are translated into the functional currency of the Company, using the gain and loss from exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.



# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### 4. **SUMMARY OF ACCOUNTING POLICIES (Continued)**

#### 4.4 **Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

#### **Financial assets**

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, advances to an officer, advances to consultants and advance to an associate company fall into this category of financial instruments.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include investments in a quoted mining exploration company.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### 4. **SUMMARY OF ACCOUNTING POLICIES (Continued)**

The equity interests in Ressources Golden Gram Gabon SARL and Swala Resources plc are measured at cost less any impairment loss, because at this time the fair value cannot be reasonably determined.

Impairment charges are recognized in profit or loss.

All available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss in Finance income or Finance costs and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within Finance income.

Reversals of impairment losses are recognized in other comprehensive income.

#### *Impairment of financial assets*

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Impairment of receivables are presented in Comprehensive Loss within Other operating expenses.

#### **Financial liabilities**

The Company's financial liabilities include trade accounts and other payables, subscriptions received in advance and amounts payable due to an associate company.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

# **SearchGold Resources Inc.**

## **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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### **4. SUMMARY OF ACCOUNTING POLICIES (Continued)**

#### **4.5 Investments in associates**

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within Share of loss from equity accounted investments in the consolidated statement of comprehensive income.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

#### **4.6 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### **4. SUMMARY OF ACCOUNTING POLICIES (Continued)**

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. For the periods presented, the diluted loss per share is equal to the basic loss per share of the anti-dilutive effect of the outstanding warrants and stock options, as described in Note 13 and 14 respectively.

#### **4.7 Exploration and evaluation expenditures and exploration and evaluation assets**

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, the costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties are charged to the cost of exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses is recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### 4. SUMMARY OF ACCOUNTING POLICIES (Continued)

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

#### *Disposal of interest in connection with the option agreement*

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the amounts received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

#### **4.8 Property and equipment**

Property and equipment are recognized at cost less accumulated depreciation and amortization and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part of it. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs of day-to-day servicing of property and equipment are recognized in profit or loss when incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are transferred to property and equipment under Mining assets under construction. Upon this transfer, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

**4. SUMMARY OF ACCOUNTING POLICIES (Continued)**

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	<u>Useful life</u>
Property and equipment	
Computer equipment and Software	3 years
Office furniture	5 years
Exploration equipment	
Machinery and equipment and Base camp	5 years

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

**4.9 Impairment of property and equipment and exploration and evaluation assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Impairment reviews for exploration and evaluation assets are carried out on a property-by-property basis, with each property representing a potential single cash-generating unit.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### 4. SUMMARY OF ACCOUNTING POLICIES (Continued)

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluations assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

The impairment loss reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

#### 4.10 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### 4. *SUMMARY OF ACCOUNTING POLICIES (Continued)*

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities arising from present obligations are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realized.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Group's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

#### **4.11 Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.



# **SearchGold Resources Inc.**

## **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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### **4. SUMMARY OF ACCOUNTING POLICIES (Continued)**

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to exploration activities to the benefit of the investors. Deferred income taxes relating to temporary differences are recorded when the renouncement forms are filed with the tax authorities.

#### **4.12 Equity**

The capital stock represents the amount received upon the share issuance.

#### **Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Gains and losses on certain financial instruments are included in reserves for available-for-sale financial assets.

# **SearchGold Resources Inc.**

## **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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### **4. SUMMARY OF ACCOUNTING POLICIES (Continued)**

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised.

Retained deficit includes all current and prior period retained profits or losses and the share issue expenses net of any tax benefits on the earnings underlying these share issue expenses.

#### **4.13 Equity-settled share-based payments**

The Company operates equity-settled share-based remuneration plans (stock options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement. Occasionally, the Company issue warrants to the brokers.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of the services rendered by the employees or a consultant providing similar services as employees is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments under Equity-settled share-based payments plans are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. At the same time, upon exercise of a stock option, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the share options recorded in contributed surplus are then transferred to capital stock. Warrants issued to brokers are recognized as issuance cost of equity instruments with a corresponding credit to Contributed surplus, in equity.

#### **4.14 Segmental reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The chief operating decision-maker has responsibility for allocating resources to the Company's operating segments and assessing their performance.

Management currently identifies only one operating segment, that is exploration and evaluation in Africa.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### 4. SUMMARY OF ACCOUNTING POLICIES (Continued)

#### 4.15 Existing standards that are not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated interim financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated interim financial statements.

##### *IFRS 9 Financial Instruments (effective from 1 January 2013)*

The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters will be effective for annual periods beginning on or after January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

##### *IFRS 10, Consolidated Financial Statements (effective beginning January 1st, 2013)*

This new standard replaces IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. It introduces a new principle-based definition of control, applicable to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control.

##### *IFRS 12, Disclosure of Interests in Other Entities (effective beginning January 1st, 2013)*

This new standard provides minimum disclosure requirements when a reporting entity holds an interest in other entities. This standard combines disclosures required for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities, which were previously located in each applicable individual standard.

##### *IFRS 13, Fair Value Measurement (effective beginning January 1st, 2013)*

This new standard is meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement.

Management has yet to assess the impact that these new standards are likely to have on the Company's consolidated financial statements.

## **SearchGold Resources Inc.**

### **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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#### **5. ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

#### **Exploration and evaluation assets**

##### *Technical feasibility and commercial viability*

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change significantly in the future.

#### **Impairment of property and equipment and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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### 5. *ESTIMATES, JUDGMENTS AND ASSUMPTIONS (Continued)*

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

No impairment loss or reversal of impairment losses has been recognized for the reporting periods.

#### **Deferred taxes**

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

#### **Going concern**

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Further information regarding going concern is outlined in Note 2.

#### **Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

**6. 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 presented in the nine-month period ended September 30, 2010 consolidated earnings under gain on disposal of a subsidiary's shares .

The mining properties disposed of are Araé and Gassel.

The assets disposed of are as follows:

	<u>\$</u>
Assets	
Cash	71
Mining properties	<u>2</u>
	73
Investment in a private company (Note 11)	<u>1,417,570</u>
Gain on disposal of a subsidiary shares	<u><u>1,417,643</u></u>

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

**7. INVESTMENT IN AN ASSOCIATE**

The Company has a 3.2% interest in Golden Share Mining Corporation (3.2% in 2010). Although the Company owns less than 20% of the voting rights, in the opinion of management, it nevertheless exercises significant influence over Golden Share Mining Corporation because the majority of the members of the Board of Director are the same as SearchGold's. Accordingly, the Company has recognized its interest using the equity method. The associate's year-end date is December 31, 2010.

The shares are publicly traded on the TSX Venture Exchange. The fair value of the interest as at March 31, 2011 is \$469,696 (\$341,597 as at December 31, 2010 and \$181,474 ast at January 1, 2010).

**Dilution of an interest**

During the period ended March 31, 2011, Golden Share Mining Corporation issued shares pursuant to the contractual agreements pertaining to its mining properties and through the exercise of its stock warrants and options. This issuance had no effect on the Coporation's 3.2% interest, but reduced its investment to \$215,112. A \$668 loss on dilution was recognized in the consolidated earnings.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

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**7. INVESTMENT IN AN ASSOCIATE (Continued)**

During the year 2010, Golden Share Mining Corporation completed two private financings which resulted in reducing the Company's share from 5.4% to 3.2% and its investment to \$222,776. A loss on dilution of \$28,212 was recognized in the statement of consolidated earnings.

**8. OTHER RECEIVABLES**

	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-01-01</u>
	\$	\$	\$
Goods and services tax receivable	9,312	5,333	10,388
Receivables from a private company	9,010		11,500
Advances to an officer, without interest, due on demand	1,680	1,680	6,000
Advances to consultants, without interest			
Supplier's deposits, without interest			5,644
	<u>20,002</u>	<u>7,013</u>	<u>33,532</u>

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

**9. EXPLORATION AND EVALUATION ASSETS**

The carrying amount can be analyzed as follows:

	Balance as at December 31, 2010 \$	Additions \$	Option payment \$	Impairment \$	Disposal of a subsidiary (Note 6) \$	Balance as at March 31, 2011 \$
Guinea						
Mandiana						
Mining rights	-					-
Exploration and evaluation	1,241,910	3,449				1,245,359
	<u>1,241,910</u>	<u>3,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,245,359</u>
Burkina Faso						
Guéguéré						
Mining rights	11,500	91,420	(48,936)			53,984
Exploration and evaluation	20,523					20,523
	<u>32,023</u>	<u>91,420</u>	<u>(48,936)</u>	<u>-</u>	<u>-</u>	<u>74,507</u>
Gabon						
Advances to a private company (a)	1,040,532			(240,533)		799,999
	<u>1,040,532</u>	<u>91,420</u>	<u>(48,936)</u>	<u>(240,533)</u>	<u>-</u>	<u>842,483</u>
Summary						
Mining rights	11,500	91,420	(48,936)			53,984
Exploration and evaluation	2,302,965	3,449		(240,533)		2,065,881
	<u>2,314,465</u>	<u>94,869</u>	<u>(48,936)</u>	<u>(240,533)</u>	<u>-</u>	<u>2,119,865</u>



## SearchGold Resources Inc.

### Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

#### 9. EXPLORATION AND EVALUATION ASSETS (Continued)

	Balance as at December 31, 2009	Additions	Option payment	Impairment	Disposal of a subsidiary (Note 6)	Balance as at December 31, 2010
	\$	\$	\$	\$	\$	\$
Guinea						
Mandiana						
Mining rights	–					–
Exploration and evaluation	1,172,639	69,271				1,241,910
	<u>1,172,639</u>	<u>69,271</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,241,910</u>
Burkina Faso						
Dou						
Mining rights	2,490			(2,490)		–
Exploration and evaluation	19,044			(19,044)		–
	<u>21,534</u>	<u>–</u>	<u>–</u>	<u>(21,534)</u>	<u>–</u>	<u>–</u>
Taouremba						
Mining rights	2,490			(2,490)		–
Exploration and evaluation	17,288	1,635		(18,923)		–
	<u>19,778</u>	<u>1,635</u>	<u>–</u>	<u>(21,413)</u>	<u>–</u>	<u>–</u>
Zitenga II						
Mining rights	2,414			(2,414)		–
Exploration and evaluation	17,058	1,390		(18,448)		–
	<u>19,472</u>	<u>1,390</u>	<u>–</u>	<u>(20,862)</u>	<u>–</u>	<u>–</u>
Araé						
Mining rights	31,503		(31,502)		(1)	–
Exploration and evaluation	–					–
	<u>31,503</u>	<u>–</u>	<u>(31,502)</u>	<u>–</u>	<u>(1)</u>	<u>–</u>
Gassel						
Mining rights	31,503		(31,502)		(1)	–
Exploration and evaluation	–					–
	<u>31,503</u>	<u>–</u>	<u>(31,502)</u>	<u>–</u>	<u>(1)</u>	<u>–</u>

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

**9. EXPLORATION AND EVALUATION ASSETS (Continued)**

	Balance as at December 31, 2009 \$	Additions \$	Option payment \$	Impairment \$	Disposal of a subsidiary (Note 6) \$	Balance as at December 31, 2010 \$
Guéguéré						
Mining rights	6,000	5,500				11,500
Exploration and evaluation	11,580	8,943				20,523
	<u>17,580</u>	<u>14,443</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,023</u>
Gabon						
Advances to a private company (a)	1,040,532					1,040,532
	<u>1,040,532</u>		<u>—</u>	<u>—</u>	<u>—</u>	<u>1,040,532</u>
Summary						
Mining rights	76,400	5,500	(63,004)	(7,394)	(2)	11,500
Exploration and evaluation	2,278,141	81,239		(56,415)		2,302,965
	<u>2,354,541</u>	<u>86,739</u>	<u>(63,004)</u>	<u>(63,809)</u>	<u>(2)</u>	<u>2,314,465</u>

All impairment charges (or reversals, if any) are included within Impairment of non-financial assets in profit or loss.

- (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 11).

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

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**9. EXPLORATION AND EVALUATION ASSETS (Continued)**

**Mandiana**

On January 25, 2006, the Company signed an agreement entitling it to acquire a 100% interest in the 487 km<sup>2</sup> 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;
- 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<sup>2</sup>.

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.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

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**9. EXPLORATION AND EVALUATION ASSETS (Continued)**

**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<sup>2</sup>.

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<sup>2</sup>.

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<sup>2</sup> 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.

## SearchGold Resources Inc.

### Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

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#### 9. *EXPLORATION AND EVALUATION ASSETS (Continued)*

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%;
- 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.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

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**9. EXPLORATION AND EVALUATION ASSETS (Continued)**

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 6 and 11).

**Guéguéré**

In 2009, the Company entered into an option agreement with SOMIKA SARL enabling it to acquire 100% interest in the 500 km<sup>2</sup> 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.

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).

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.

## **SearchGold Resources Inc.**

### **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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#### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

- 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.

## SearchGold Resources Inc.

### Notes to Consolidated Financial Statements

(Unaudited, in canadian dollars)

#### 10. PROPERTY AND EQUIPMENT AND EXPLORATION EQUIPMENT

	Property and equipment				Exploration equipment			Total
	Office furniture	Computer Equipment	Software	Total	Machinery and equipment	Base camp	Total	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>								
Balance, beginning of period	33,797	8,282	24,402	66,481	4,058	8,211	12,269	78,750
Additions	—	—	—	—	—	—	—	—
Balance, end of period	33,797	8,282	24,402	66,481	4,058	8,211	12,269	78,750
<b>Accumulated depreciation</b>								
Balance, beginning of period	33,797	8,282	24,402	66,481	2,701	4,128	6,829	73,310
Depreciation	—	—	—	—	79	151	230	230
Balance, end of period	33,797	8,282	24,402	66,481	2,780	4,279	7,059	73,540
<b>Carrying amount</b>	—	—	—	—	1,278	3,932	5,210	5,210
	Property and equipment				Exploration equipment			Total
	Office furniture	Computer Equipment	Software	Total	Machinery and equipment	Base camp	Total	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>								
Balance, beginning of period	33,797	8,282	24,402	66,481	4,058	8,211	12,269	78,750
Additions	—	—	—	—	—	—	—	—
Balance, end of period	33,797	8,282	24,402	66,481	4,058	8,211	12,269	78,750
<b>Accumulated depreciation</b>								
Balance, beginning of period	32,659	8,282	24,402	65,343	2,076	2,910	4,986	70,329
Depreciation	1,138	—	—	1,138	625	1,218	1,843	2,981
Balance, end of period	33,797	8,282	24,402	66,481	2,701	4,128	6,829	73,310
<b>Carrying amount</b>	—	—	—	—	1,357	4,083	5,440	5,440
<b>Carrying amount at January 1, 2010</b>	1,138	—	—	1,138	1,982	5,301	7,283	8,421

All depreciation (or reversals, if any) are included within Depreciation and amortization and Impairment of exploration and evaluation assets



**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

**11. OTHER LONG-TERM FINANCIAL ASSETS**

	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-01-01</u>
	\$	\$	\$
Common shares in private companies, at cost			
Ressources Golden Gram Gabon SARL			
Shares representing a 27% interest			
(27% in 2010)	1	1	1
Swala Resources plc			
Shares representing a 7% interest (10%			
in 2010) (Note 6)	1,417,570	1,417,570	
Common shares in a quoted Company, at fair			
value			
Stellar Diamonds Limited			
Shares representing a 0,8% interest			
(1,4% en 2009) (a)	205,465	332,745	904,311
	<u>1,623,036</u>	<u>1,750,316</u>	<u>904,312</u>

(a) Stellar Diamonds Limited ("Stellar") is a diamond mining exploration company.

During the period March 31, 2011, the Company recognized a change in fair value of investments of \$91,042 in other comprehensive income of which an amount of \$64,766 was reallocate to profit and loss in relation with the 300,000 shares disposed. A gain on disposal of \$15,359 was recognized in profit and loss.

During the year ended December 31, 2010, the Company recognized a change in fair value of investments of \$457,653 in other comprehensive income of which an amount of \$116,714 was reallocate to profit and loss in relation with the 685,000 shares disposed. A loss on disposal of \$45,870 was recognized in profit and loss.

(b) Although the Company holds 27% of the voting rights of Ressources Golden Gram Gabon SARL, in the opinion of management, it does not exercise significant influence because all administrative and development decisions are made by the partner, Managem International A.G.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**12. TRADE AND OTHER PAYABLES**

	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-01-01</u>
	\$	\$	\$
Trade accounts	62,498	75,830	49,285
Due to an associate company, without interest or repayment terms (a)	19,803	19,708	
Others	<u>257,941</u>	<u>245,744</u>	<u>303,010</u>
Trade and other payables	<u><u>340,242</u></u>	<u><u>341,282</u></u>	<u><u>352,295</u></u>

(a) Transactions with a related company are described in Note 18.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**13. CAPITAL STOCK**

**13.1 Capital stock**

The capital stock of the company consists only of fully paid ordinary shares.

**Authorized capital stock**

Unlimited number of common shares voting and participating

**Capital stock issued and fully paid**

	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-03-31</u>
	Number of shares	Number of shares	Number of shares
Balance, beginning of period	148,530,171	39,577,193	39,577,193
Acquisition of mining rights	300,000	5,804,891	
Balance, end of period	<u>148,830,171</u>	<u>45,382,084</u>	<u>39,577,193</u>

**Warrants**

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

	<u>2011-03-31</u>		<u>2010-12-31</u>		<u>2010-03-31</u>	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of period	–	–	13,928,000	0.07	13,928,000	0.07
Expired			<u>(13,928,000)</u>	<u>0.07</u>		
Balance, end of period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,928,000</u>	<u>0.07</u>

## SearchGold Resources Inc.

### Notes to Consolidated Financial Statements

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#### 14. EMPLOYEE REMUNERATION

##### 14.1 Share-based payments

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.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's stock options are as follows for the reporting periods presented:

	2011-03-31		2010-12-31		2010-03-31	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	4,050,000	0.15	5,100,000	0.15	5,100,000	0.15
Forfeited	(1,350,000)	0.15	(350,000)	0.20	(300,000)	0.16
Cancelled			(700,000)	0.15		
Balance, end of period	<u>2,700,000</u>	<u>0.15</u>	<u>4,050,000</u>	<u>0.15</u>	<u>4,800,000</u>	<u>0.15</u>
Number of options exercisable	<u>2,700,000</u>	<u>0.15</u>	<u>4,050,000</u>	<u>0.15</u>	<u>4,800,000</u>	<u>0.15</u>

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**14. EMPLOYEE REMUNERATION (Continued)**

The table below summarizes the information related to stock options:

		2011-03-31	
Number of options outstanding	Weighted average exercise price	\$	Remaining contractual average life (years)
400,000	0.12		2.24
1,900,000	0.15		1.32
150,000	0.16		0.55
200,000	0.18		0.80
50,000	0.21		1.17
<u>2,700,000</u>	<u>0.16</u>		<u>1.37</u>
		2010-12-31	
Number of options outstanding	Weighted average exercise price	\$	Remaining contractual average life (years)
100,000	0.10		0.02
400,000	0.12		2.48
3,150,000	0.15		1.04
150,000	0.16		0.80
200,000	0.18		1.04
50,000	0.21		1.42
<u>4,050,000</u>	<u>0.15</u>		<u>1.15</u>

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**15. FINANCIAL ASSETS AND LIABILITIES**

**Categories of financial assets and liabilities**

The carrying amounts and fair values of financial instruments presented in the consolidated statement of financial position are as follows:

	Notes	2011-03-31		2010-12-31		2010-01-01	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Loans and receivables							
Cash		20,652	20,652	29,877	29,877	71,343	71,343
Receivables from a private company	8	9,010	9,010	–	–	11,500	11,500
Advances to an officer	8	1,680	1,680	1,680	1,680	6,000	6,000
Advances to consultants	8	–	–	–	–	588	588
Advance to an associate company	11	–	–	–	–	64,525	64,525
Available-for-sale financial assets							
Common shares in private companies							
Ressource Golden Gram Gabon							
SARL	11	1	(a)	1	(a)	1	(a)
Swala Resources plc	11	1,417,570	(a)	1,417,570	(a)	–	–
Common shares in a quoted Company							
Stellar Diamond Limited	11	205,465	205,465	332,745	332,745	–	–
<b>Financial liabilities</b>							
Financial liabilities measured at amortized cost							
Trade accounts and other payables	12	340,242	340,242	341,282	341,282	352,295	352,295

(a) The equity interests in Ressources Golden Gram Gabon SARL and Swala Resources plc are measured at cost less any impairment loss, because at this time the fair value cannot be reasonably determined.

## **SearchGold Resources Inc.**

### **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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#### **15. FINANCIAL ASSETS AND LIABILITIES (Continued)**

The carrying value of cash and cash equivalents, receivables from a private company, advances to an officer and to consultants, advance (due) to an associated company, trade accounts and other liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

See Note 4.4 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 19.

#### **Financial instruments measured at fair value**

The following presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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

The fair value of the common shares in quoted mining exploration companies was determined by reference to the quoted bid prices at the reporting date.

There have been no transfers between Levels 1 and 2 in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**16. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 13 and 14.

**17. ADDITIONAL INFORMATIONS – CASH FLOWS**

The changes in working capital items are detailed as follows:

	<u>2011-03-31</u>	<u>2010-03-31</u>
	\$	\$
Other receivables	(12,989)	(2,415)
Prepaid expenses	2,445	1,635
Trade and other payables	<u>(4,259)</u>	<u>54,561</u>
	<u>(14,803)</u>	<u>53,781</u>

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

	<u>2011-03-31</u>	<u>2010-03-31</u>
	\$	\$
Exploration and evaluation assets		
Shares issued for the acquisition of mining rights	42,000	
Accounts payable and accrued liabilities	3,219	16,588
Exploration equipment amortization	230	484
Other long-term financial assets		
Current period losses	75,863	257,664



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**18. RELATED PARTY TRANSACTIONS**

The Company's related parties include its joint key management and other related parties, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

**18.1. Transactions with key management personnel**

Remuneration of the key management personnel, that is, the President and Vice-President, Finance, includes the following expenses

	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-03-31</u>
	\$	\$	\$
Management fees	–	23,750	16,250
Professional services	7,488	45,000	35,250

During the reporting periods, key management personnel did not exercise any stock options.

**18.2 Transactions with an associate**

	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-03-31</u>
	\$	\$	\$
Advances to (from) an associate, without interest, payable or receivable on demand	(19,803)	(19,708)	64,525

**19. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners of the parent

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Company's own means.

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**Notes to Consolidated Financial Statements**  
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**19. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (Continued)**

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in the consolidated statement of changes in equity.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

**20. FINANCIAL INSTRUMENT RISKS**

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 14. The main types of risks are market risk, credit risk and liquidity risk. The Company's risk management is managed by the management. The Company does not actively engage in the trading of financial assets for speculative purposes.

**20.1 Credit risk analysis**

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-01-01</u>
	\$	\$	\$
Cash	20,652	29,877	71,343
Receivable from a private company	9,010		11,500
Advances to an officer	1,680	1,680	6,000
Advances to consultants			588
Advance to an associate company			64,525
Supplier's deposits			5,644
Carrying amounts	<u>31,342</u>	<u>31,557</u>	<u>159,600</u>

**SearchGold Resources Inc.**  
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**20. FINANCIAL INSTRUMENT RISKS (Continued)**

The Company has no trade accounts. The receivables are mainly receivables from an employee, and a related company. The exposure to credit risk for the Company's receivables is considered immaterial. The Company continuously monitors defaults of counterparties. No impairment loss has been accounted for the periods presented.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk regarding cash is considered to be negligible because the counterparties are reputable banks with an investment grade external credit rating.

**20.2 Liquidity risk analysis**

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

Over the past period, the Company has financed its exploration expense commitments, its working capital requirements and acquisitions through private and flow-through financings.

The Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Within three months		
	2011-03-31	2010-12-31	2010-01-01
	\$	\$	\$
Trade accounts	320,439	321,574	352,295
Due to an associate company, without interest	19,803	19,708	-
Total	<u>340,242</u>	<u>341,282</u>	<u>352,295</u>

**20.3 Price risk**

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 of March 31, 2011, a 10% decrease (increase) in the closing price on the stock market would not have a significant impact on net loss.

# SearchGold Resources Inc.

## Notes to Consolidated Financial Statements

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### 20. *FINANCIAL INSTRUMENT RISKS (Continued)*

#### 20.4 *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 March 31 2011, accounts payable and accrued liabilities total US\$ 115,200 as \$111,997 (US\$100,000 as \$99,800 in 2010). An increase or decrease of 1% in the exchange rate of the foreign currency in relation to the Canadian dollar would not have a significant impact on net loss.

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

#### 20.5 *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 as at March 31, 2011, a 1% increase (decrease) in the interest rate index would have no significant impact on earnings before income taxes.

### 21. *FIRST-TIME ADOPTION OF IFRS*

These are the Company's first interim consolidated financial statements prepared in accordance with IFRS for a portion of the period covered by the first annual financial statements. The date of transition to IFRS is January 1, 2010.

The Company's accounting policies presented in Note 4 have been applied in preparing the consolidated financial statements for the reporting period ended March 31, 2011, the comparative information and the opening consolidated statement of financial position at the date of transition.

The Company has applied IFRS 1 in preparing these first IFRS consolidated interim financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

#### 21.1 *First-time adoption – exemptions applied*

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Group are set out below:

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**21. FIRST-TIME ADOPTION OF IFRS (Continued)**

**Mandatory exceptions**

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets and liabilities that had been de-recognized before January 1, 2010 under Canadian GAAP have not been recognized under IFRS. The Company early adopted the amendment to IFRS 1 in this respect for the application date of the exception, that is January 1, 2010.

**Optional exemptions**

The Group has chosen not to apply IFRS 2, Share-based Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

**21.2 Reconciliation of equity**

Equity at the date of transition, March 31, 2010 and at December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Note	<u>2011-03-31</u>	<u>2010-12-31</u>	<u>2010-01-01</u>
		\$	\$	\$
Equity under pre-change accounting standards	13.1	17,887,122	17,881,622	17,881,622
Increase (decreases) in equity reported in accordance with pre-change accounting standards, as a result of the differences between pre-change accounting standards and IFRS		<u>—</u>	<u>—</u>	<u>—</u>
Equity under IFRS		<u><u>17,887,122</u></u>	<u><u>17,881,622</u></u>	<u><u>17,881,622</u></u>

**SearchGold Resources Inc.**  
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**21. FIRST-TIME ADOPTION OF IFRS (Continued)**

**21.3 Reconciliation of comprehensive loss**

Total comprehensive loss for the reporting period ended December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	<u>2010-12-31</u>	<u>2010-01-01</u>
	\$	\$
Comprehensive loss (income) under pre-change accounting standards	(1,019,700)	13,599
Increases (decreases) in total comprehensive income reported in accordance with pre-change accounting standards, as a result of the differences between pre-change accounting standards and IFRS	-	-
Total comprehensive loss under IFRS	<u>(1,019,700)</u>	<u>13,599</u>

**21.4 Presentation differences**

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

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The following tables list the total effect on the financial position :

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	December 31, 2010			January 1, 2010			IFRS description
		Previous GAAP \$	Effect of transition to IFRSs \$	IFRSs \$	Previous GAAP \$	Effect of transition to IFRSs \$	IFRSs \$	
<b>ASSETS</b>								<b>ASSETS</b>
Current assets								<b>Current</b>
Cash		29,877		29,877	71,343		71,343	Cash
Amounts receivable		7,013		7,013	34,120		34,120	Other receivables
						64,525	64,525	Advance to an associate, without interest, payable on demand
Prepaid expenses		9,577		9,577	8,142		8,142	Prepaid expenses
		46,467	–	46,467	113,605	64,525	178,130	
								<b>Non-current</b>
Plant and equipment			5,440	5,440	1,138	7,283	8,421	Plant and equipment
Exploration plant and equipment		5,440	(5,440)		7,283	(7,283)		
			2,314,465	2,314,465		2,354,541	2,354,541	Exploration and evaluation assets
Mining properties	21.5 d)	11,500	(11,500)		76,400	(76,400)		
Deferred exploration expenses	21.5 d)	2,302,965	(2,302,965)		2,278,141	(2,278,141)		
			222,776	222,776		220,812	220,812	Investment accounted for using the equity method
Investments in mining exploration companies		1,973,092	(222,776)	1,750,316	1,189,649	(285,337)	904,312	Other long-term financial assets
		4,292,997	–	4,292,997	3,552,611	(64,525)	3,488,086	
		4,339,464	–	4,339,464	3,666,216	–	3,666,216	<b>Total assets</b>
<b>LIABILITIES</b>								<b>LIABILITIES</b>
Current liabilities								<b>Current</b>
Accounts payable and accrued liabilities		321,574	19,708	341,282	352,295		352,295	Trade and other payables
Du to an associate company		19,708	(19,708)					
		341,282	–	341,282	352,295	–	352,295	<b>Total liabilities</b>
<b>SHAREHOLDERS' EQUITY</b>								<b>EQUITY</b>
Capital stock	21.5 (a)	17,887,122		17,887,122	17,881,622		17,881,622	Capital stock
Contributed surplus	21.5 (a)	3,578,782		3,578,782	3,578,782		3,578,782	Contributed surplus
Deficit	21.5 (a)	(17,126,783)		(17,126,783)	(18,146,483)		(18,146,483)	Retained deficit
Accumulated of other comprehensive loss		(340,939)		(340,939)				Accumulated of other comprehensive loss
		3,998,182	–	3,998,182	3,313,921	–	3,313,921	<b>Total equity</b>
		4,339,464	–	4,339,464	3,666,216	–	3,666,216	<b>Total liabilities and equity</b>

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The following table shows the total effect of the transition on the consolidated statement of comprehensive loss :

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	December 31, 2010			IFRS description
		Previous	Effect of	IFRSs	
		GAAP	transition		
		\$	to IFRSs	\$	
Management fees		27,500		27,500	Management fees
Professional services		222,794		222,794	Professional services
Travel and entertainment		13,065	(13,065)		
Investors related fees		11,033		11,033	Investors related fees
Corporate development		4,320	(4,320)		
Registration and listing fees		37,532		37,532	Regulatory fees
Telecommunication	21.5 e)	5,784	(5,784)		
Rental expenses	21.5 e)	21,185	(21,185)		
Insurance	21.5 e)	4,224	(8,369)	(4,145)	
Office supplies	21.5 e)	23,987	(4,227)	19,760	
Taxes, interests and bank charges	21.5 e)	8,369	(23,987)	(15,618)	
Property and equipment amortization		1,138		1,138	
	21.5 e)		4,762	4,762	Financial fees
	21.5 e)		76,175	76,175	Other expenses
			(105,420)	(105,420)	Expenses recovered
	21.5 e)		(9,686)	(9,686)	Profit from exchange differences
	21.5 e)		(92,457)	(92,457)	Gain on disposal of exploration and evaluation assets
	21.5 e)				Depreciation of exploration and evaluation assets
	21.5 e)		63,809	63,809	
		380,931	(143,754)	237,177	<b>Operating loss before the following item</b>
Gain on disposal of an interest in a subsidiary shares		(1,417,497)		(1,417,497)	
Loss on available for sale assets reclassified as other					Loss on available for sale assets reclassified as other
comprehensive income global		116,714		116,714	comprehensive income global
Gain on disposal of other long-term financial assets		45,870		45,870	Gain on disposal of other long-term financial assets
Gain on dilution of an interest in a company subject to significant influence		(28,212)		(28,212)	Gain on dilution from equity-accounted investment
Interest in a company subject to significant influence		26,248		26,248	Share of loss from equity-accounted investment
Write-off of mining properties	21.5 e)	7,394	(7,394)		
Write-off of deferred exploration expenses	21.5 e)	56,415	(56,415)		
Option payment	21.5 e)	(92,457)	92,457		
Exchange gain	21.5 e)	(9,686)	9,686		
Expenses recovered	21.5 e)	(105,420)	105,420		
<b>Net loss</b>		<u>(1,019,700)</u>	<u>-</u>	<u>(1,019,700)</u>	<b>Net Loss</b>
Other comprehensive loss					<b>Other comprehensive loss</b>
					Available-for-sale financial assets
Change in fair value of an investment in a mining exploration company			457,653	457,653	Current period gains (losses)
		340,939	(457,653)	(116,714)	Reclassification to loss
		340,939	-	340,939	
Comprehensive loss		<u>(678,761)</u>	<u>-</u>	<u>(678,761)</u>	<b>Total comprehensive loss for the period</b>
		\$	\$	\$	
Net loss per share					<b>Loss per share</b>
Basic and diluted net loss per share		<u>0.01</u>	<u>0.00</u>	<u>0.01</u>	Basic and diluted net loss per share



**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
(Unaudited, in canadian dollars)

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**21. FIRST-TIME ADOPTION OF IFRS (Continued)**

**21.5 Notes to reconciliation**

**(a) Share-based payments**

Pursuant to IFRS 2, each portion of an award with graded vesting options must be considered as a separate award with its own vesting date and fair value and must be recognized on that basis. Additionally, under IFRS, entities are required to estimate awards that are expected to vest and to revise that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates.

Under Canadian GAAP, the entity can consider the entire award as a group, determine the fair value using the average term of the instruments and then recognize the compensation expense on a straight-line basis over the vesting period. Additionally, under Canadian GAAP, forfeitures must be recognized as they occur.

As at January 1, 2010, and as at December 31, 2010, no adjustment was required as all options had vested and all awards during the periods had vested at the award date.

**(b) Consolidated statement of Financial position**

*Mining sites and deferred exploration expenses*

Under the pre-changeover accounting standards, mining sites and deferred exploration expenses were presented separately in long-term assets. Under IFRS, they are presented in non-current assets under Exploration and evaluation assets.

*Advance to an associate company*

Under the pre-changeover accounting standards, the advance to an associate company was presented in long-term assets under Investments in mining exploration companies. Under IFRS, it is presented separately in current assets.

*Investments in mining exploration companies*

Under the pre-changeover accounting standards, the shares own in Golden Share Mining Corporation were presented in long term assets under Investments in mining exploration companies. Under IFRS, there are presented in non-current assets as an Investment accounted for using the equity method.

*Due to an associate company*

Under the pre-changeover accounting standards, the due to an associate company was presented separately in current liabilities. Under IFRS, it is presented in current liabilities under trade accounts and other payables.

**SearchGold Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**21. FIRST-TIME ADOPTION OF IFRS (Continued)**

**(c) Consolidated statement of Comprehensive Loss**

*Change of presentation*

In order to simplify the information presented in the consolidated statement of comprehensive income, the Company decided to combine the following expenses under Other expenses in the IFRS financial statements.

- Entertainment and travel
- Corporate development
- Telecommunications
- Rental expenses
- Office supplies
- Taxes, interest and bank charges
- Insurance

*Interest*

Under the pre-changeover accounting standards, interest was presented in taxes, interest and bank charges under administrative expenses. Under IFRS, they are presented separately in net loss under financial fees.

*Exchange gains*

Under the pre-changeover accounting standards, exchange gains were presented under other expenses. Under IFRS, they are presented in net loss under profits from exchange differences.

*Write-off of mining sites and deferred exploration expenses*

Under the pre-changeover accounting standards, the write-off of mining sites and deferred exploration expenses were presented separately under other expenses. Under IFRS, they are combined in net loss under impairment of exploration and evaluation assets.

*Option revenue*

Under the pre-changeover accounting standards, option revenue was presented under other expenses. Under IFRS, it is presented in net loss under gain on disposal of exploration and evaluation assets.

*Expenses recovered*

Under the pre-changeover accounting standards, expenses recovered were presented under Administrative expenses. Under IFRS, they are presented separately in net loss.

## **SearchGold Resources Inc.**

### **Notes to Consolidated Financial Statements**

(Unaudited, in canadian dollars)

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#### **21. *FIRST-TIME ADOPTION OF IFRS (Continued)***

##### **21.6 Consolidated statement of cash flows**

Under pre-change accounting standards, interest paid and received were presented through the notes. Under IFRS, interests are classified to investing and financing activities. There are no other material adjustments to the consolidated statement of cash flows. The components of cash under pre-change accounting standards are similar to those presented under IFRS.

#### **22 – SUBSEQUENT EVENT**

In May 2011, the Company signed a Purchase and Sale Agreement (the "Agreement") with Managem International A.G., Managem and Ressources Golden Gram Gabon ("REG") for the sale of its remaining 27% interest in the Bakoudou-Magnima Gold Project ("Bakoudou-Magnima").

Under the terms of the Agreement, SearchGold will receive a cash consideration of US\$800,000 and retain a 0.75% Net Smelter Return ("NSR") in Bakoudou-Magnima.