Grenville Gold Corp.

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2011

Expressed in Canadian Dollars

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Grenville Gold Corp.
Consolidated statements of financial position
(Expressed in Canadian dollars – unaudited)

	Notes	March 31, 2011	December 31, 2010 (Note 21)	January 1, 2010 (Note 21)
ASSETS				
Current assets				
Cash and cash equivalents	4	$ 661,741	$ 38,678	$ 14,820
Prepaid		11,863	22,888	28,625
Receivables	5	144,853	85,607	119,881
		818,156	147,173	163,326
Non-current assets				
Property, plant and equipment	6	573	255	1,348
Exploration and evaluation assets	7	4,204,070	4.121,400	4,080,049
		4,204,643	4,121,655	4,081,397
TOTAL ASSETS		**$ 5,022,799**	**$ 4,268,828**	**$ 4,244,723**
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	8	$ 154,663	$ 485,854	763,290
Due to related parties	12	4,845	67,136	68,344
		159,508	522,990	832,264
Non-current liabilities				
Deferred tax liabilities		547,595	547,595	559,715
		547,595	547,595	559,715
TOTAL LIABILIITES		**707,103**	**1,100,585**	**1,391,979**
SHAREHOLDERS' EQUITY				
Share capital	10	7,580,359	7,698,655	7,581,730
Reserves		4,434,256	2,690,253	347,814
Deficit		(7,698,919)	(7,220,665)	(7,419,239)
TOTAL EQUITY		**4,315,696**	**3,168,243**	**2,852,744**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 5,022,799**	**$ 4,268,828**	**$ 4,244,723**

Statement of compliance and conversion to International Financial Reporting Standards (Note 2)

Approved on Behalf of the Board

(Signed) Thomas R. Tough
Thomas R. Tough

(Signed) Jack Bal
Jack Bal

See accompanying notes to the condensed consolidated interim financial statements

Grenville Gold Corp.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars – unaudited)

		Three month periods ended	
	Notes	March 31, 2011	March 31, 2010 (Note 21)
Expenses			
Amortization		$ 16	$ 1,014
Filing and transfer fees		20,648	6,338
Interest and bank charges		838	-
Management fees		22,952	58,086
Office and miscellaneous		11,261	1,008
Professional fees		38,124	17,222
Rent		10,101	-
Stock based compensation		388,737	-
Investor relations		-	4,461
		492,677	88,129
Other items			
Foreign exchange gain		(14,423)	(15,367)
Security deposit returned		-	(4,231)
		(14,423)	(19,598)
Net loss for the period		**$ (478,254)**	**$ (68,531)**
Total comprehensive loss for the period		**$ (478,254)**	**$ (68,531)**
Loss per share – basic and diluted	10	**$ (0.07)**	**$ (0.00)**

See accompanying notes to the condensed consolidated interim financial statements

Grenville Gold Corp.
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars – unaudited)

		Share capital		Reserves				
	Notes	Number of shares	Amount	Stock option reserve	Foreign currency translation reserve	Investment revaluation reserve	Deficit	Total
Restated balance at January 1, 2010	15	**5,336,539**	**$ 7,581,730**	**$ 2,690,253**	**$ -**	**$ -**	**$ (7,419,239)**	**$ 2,852,744**
Comprehensive income:								
Income for the year		-	-	-	-	-	198,574	198,574
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	198,574	198,574
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for debt		233,850	116,925	-	-	-	-	116,925
Total transactions with owners and other transfers		233,850	116,925	-	-	-	-	116,925
Restated balance at December 31, 2010		**5,570,389**	**$ 7,698,655**	**$ 2,690,253**	**$ -**	**$ -**	**$ (7,220,665)**	**$ 3,168,243**
Restated balance at January 1, 2011	15	**5,570,239**	**$ 7,698,655**	**$ 2,690,253**	**$ -**	**$ -**	**$ (7,220,665)**	**$ 3,168,243**
Comprehensive income:								
Loss for the period		-	-	-	-	-	(478,254)	(478,254)
Other comprehensive income (loss)		-	-	-	-	-	-	-
Total comprehensive loss for the period		5,570,239	-	-	-	-	(478,254)	(478,254)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash – private placement		5,050,000	1,320,000	-	-	-	-	1,320,000
Share issue costs		-	(83,030)	-	-	-	-	(83,030)
Warrants issued with private placement		-	(1,355,266)	1,355,266	-	-	-	-
Stock-based compensation		-	-	388,737	-	-	-	388,737
Total transactions with owners and other transfers		5,050,000	(118,296)	(1,744,003)	-	-	-	1,625,707
Restated balance at March 31, 2011		**10,620,239**	**$ 7,580,359**	**$ 4,434,256**	**$ -**	**$ -**	**$ (7,698,919)**	**$ 4,315,696**

See accompanying notes to the condensed consolidated interim financial statements

Grenville Gold Corp.
Consolidated statements of cash flows
(Expressed in Canadian dollars – unaudited)

	Three month periods ended	
	March 31, 2011	**March 31, 2010 (Note 21)**
Operating activities		
Loss before income taxes	$ (478,254)	$(68,532)
Adjustments for non-cash items:		
Amortization	16	1,014
Stock-based compensation	388,737	
Changes in non-cash working capital items:		
Accounts receivable	(59,246)	(2,054)
Prepaid	11,025	(13,251)
Trade payables and accrued liabilities	(393,182)	(77,049)
Net cash flows from (used in) operating activities	(530,904)	(159,871)
Investing activities		
Expenditures on exploration and evaluation assets	(82,670)	
Expenditures on property, plant and equipment	(333)	
Other deposits	-	656
Net cash flows from (used in) investing activities	(83,003)-	656
Financing activities		
Proceeds on issuance of common shares – net of share issue costs	1,236,970	
Share issued for debt	-	116,926
Repayment to related parties	-	42,136
Net cash flows from (used in) financing activities	1,236,970	159,062
Increase (decrease) in cash and cash equivalents	623,063	(152)
Cash and cash equivalents, beginning	38,678	14,820
Cash and cash equivalents, ending	**$ 661,741**	**$ 14,668**

See accompanying notes to the condensed consolidated interim financial statements

1. Nature and continuance of operations

Grenville Gold Corp. (formerly Grenville Gold Corporation) (the "Company") was incorporated as a private company under the laws of the province of Ontario by articles of incorporation effective November 17, 1994. By articles of amendment effective December 15, 1999, the private company restrictions were deleted from the articles. On June 19, 2009, the Company completed a continuance of business from Ontario to British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V:GVG"), the Frankfurt Stock Exchange in Germany ("Frankfurt:F9I"), and a pink sheet listing in the United States ("OTCPP:GVLGF").

The head office, principal address and records office of the Company are located at 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4. The Company's registered address is 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries (the "Group") will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2011 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities in Peru and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds raised from the private placement of common shares.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on May 25, 2011 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 21.

Basis of preparation

The consolidated financial statements of the Group have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont'd)

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**March 31, 2011**	**March 31, 2010**
Minera Espanola SAC	Peru	100%	100%
Minera Grenville SAC	Peru	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property, plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign currency translation

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the subsidiaries of the Group that have operations in Peru is the United States dollar.

<u>Transactions and balances:</u>

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation *(cont'd)*

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

<u>Group companies:</u>

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

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

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

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

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

Farms outs

The Group does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

2. Significant accounting policies and basis of preparation (cont'd)

Share-based payments

The Group operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments *(cont'd)*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Group does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Group's assets (which include property, plant and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes *(cont'd)*

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

Any premium received by the Group on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. Upon renouncement by the Group of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Group will reduce the deferred tax liability and record a deferred tax recovery.

Restoration and environmental obligations

The Group recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Group's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Group's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Group's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Group's accounting policy for exploration and evaluation assets.

2. Significant accounting policies and basis of preparation (cont'd)

Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	**Depreciation rate**
Office equipment	30%

3. Accounting standards issued by not yet effective

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011

(Expressed in Canadian dollars - unaudited)

3. Accounting standards issued by not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Group has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	March 31, 2011	December 31, 2010
Cash at bank	$ 661,741	$ 38,678
	$ 661,741	$ 38,678

5. Accounts receivable

	March 31, 2011	December 31, 2010
Value-added tax receivables	$ 4,075	$ 1,114
Exploration and tax credit receivable	140,477	107,381
Other receivables (prepaid)	11,863	-
	$ 156,415	$ 108,495

6. Property, plant and equipment

	Office equipment	Total
Cost:		
At December 31, 2010	$ 48,416	$ 48,416
Additions	333	333
Disposals	48,749	48,749
At March 31, 2011	-	-
Depreciation:		
At December 31, 2010	48,161	48,161
Charge for the period	16	16
Eliminated on disposal	48,177	48,177
At March 31, 2011	-	-
Net book value:		
At December 31, 2010	255	255
At March 31, 2011	**$ 588**	**$ 588**

	Motor vehicles	Total
Cost:		
At January 1, 2010	$ 48,416	$ 48,416
Additions	-	-
Disposals	-	-
At December 31, 2010	48,416	48,416
Depreciation:		
At January 1, 2010	47,068	47,068
Charge for the period	1,093	1,093
Eliminated on disposal	-	-
At December 31, 2010	48,161	48,161
Net book value:		
At January 1, 2010	1,348	1,348
At December 31, 2010	**$ 255**	**$ 255**

(Expressed in Canadian dollars - unaudited)

7. Exploration and evaluation assets

	Peru		Total for three month period ended March 31, 2011I	Peru		Total for year ended December 31, 2010
	Silveria	Espanola		Silveria	Espanola	
Property acquisition costs						
Balance, beginning of period	$ 2,556,950	$ 457,502	$ 3,014,542	$ 2,556,950	$ 457,502	$ 3,014,542
Additions	-	-	-	-	-	-
Proceeds from farm outs	-	-	-	-	-	-
Write-down due to impairment	-	-	-	-	-	-
Balance, end of period	$ 2,556,950	$ 457,502	$ 3,014,542	$ 2,556,950	$ 457,502	$ 3,014,542
Exploration and evaluation costs						
Balance, beginning of period	$ 996,571	$ 110,377	$ 1,106,948	$ 1,453,613	$ 89,874	$ 1,543,487
Costs incurred during period:						
Claim maintenance and lease costs	-	-	-	-	-	-
Drilling and related costs	-	-	-	-	-	-
Field and camp costs	-	-	-	-	-	-
Geological consulting	57,640	25,030	82,670	20,848	20,503	41,351
Project administration	-	-	-	-	-	-
Reclamation and environmental	-	-	-	-	-	-
Travel and accommodation	-	-	-	-	-	-
	1,054,211	135,407	1,189,618	1,474,461	110,377	1,584,838
Recovery of costs during period:						
Exploration tax credits	-	-	-	-	-	-
Proceeds from joint venture	-	-	-	(477,890)	-	(477,890)
	-	-	-	(477,890)	-	(477,890)
Other:						
Exploration tax credits	-	-	-	-	-	-
Increase in restoration and environmental obligation	-	-	-	-	-	-
Sale of exploration and evaluation asset	-	-	-	-	-	-
Write-down due to impairment	-	-	-	-	-	-
	-	-	-	-	-	-
Total	$ 3,611,161	$ 592,909	$ 4,204,070	$ 3,553,521	$ 567,879	$ 4,121,400

7. Exploration and evaluation assets (cont'd)

The following is a description of the Group's exploration and evaluation assets and the related spending commitments:

Silveria property

On January 17, 2007, the Company acquired four mines through its subsidiary, Minera Grenville S.A.C., in the San Mateo Mining District, Province of Huarochiri, Department of Lima, Peru, directly from the Peruvian government agency responsible for mining. The four mines, Pacococha, Millotingo, Silveria and Germania have all been grouped into one property. Additional claims have been purchased and added to this property bringing the total mineral concessions comprising the Silveria property to 6,122 hectares ("Ha").

In January 2009, also through its subsidiary, Minera Grenville S.A.C., the Company purchased all the common shares of Sociedad Minera de Responsabilidad Limitada Bella Rubia ("Bella Rubia"), a Peruvian association of mineral title holder.

On September 16, 2009, the Company entered into a letter of intent ("LOI") with Compania Minera Sunicancha S.A.C. to purchase 100% of 13 claims owned by Minera Sunicancha S.A.C. totaling 1,250 Ha. The purchase price was US$2,000,000. The Company paid US$25,000 upon signing an LOI. The Company had not paid the US$2,000,000 by December 27, 2009, and the US$25,000 payment was written off in 2009.

During the current period, the company made an offer to settle an old invoice from a previous owner with a geological consulting firm and the $57,640 was accepted.

As at March 31, 2010, significant work has been carried out on this property and plans are being prepared for further exploration

Espanola/Rosa Maria property

Pursuant to six letters of intent entered into on July 20, 2006, the Company, through its subsidiary, Minera Grenville S.A.C., has acquired a 7,129 Ha parcel of land located 100 kilometers ("km") southeast of the city of Lima, in the province of Canete, Peru.

In February 2009, through its subsidiary Minera Espanola S.A.C., the Company entered into a joint venture agreement with American Silver Compania Minera S.A.C., a Peruvian company, to mine copper on its 400 Ha of its 7,129 Ha Espanola property. Minera Espanola will be paid 7% of American Silver's mining revenue from mining activities on these claims. The joint venture was terminated in November 2009.

During the period ended March 31, 2011 the Company performed some exploration work on the property.

(Expressed in Canadian dollars - unaudited)

8. Trade payables and accrued liabilities

	March 31, 2011	December 31, 2010
Trade payables	$ 154,663	$ 425,854
Amounts due to related parties (Note 16)	4,845	67,136
	$ 159,508	$ 492,990

9. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Three month period ended March 31, 2011	Year ended December 31, 2010
Income before income tax	$ -	$ 198,574
Statutory tax rate	26.5%	28.5%
Expected income tax recovery at the statutory tax rate	$ -	$ 56,594
Non-deductible items and other	-	87
Effect of permanent tax differences	-	15,103
Benefits of tax losses recognized	-	(87,466)-
Change in valuation allowance	-	15,682
Income tax recovery	$ -	$ -

The components of the Group's deferred tax assets and liabilities are as follows:

	March 31, 2011	December 31, 2010
Exploration and evaluation assets	$ -	$ 173,189
Loss carry-forwards	-	926,291
Share issuance costs	-	5,217
Equipment	-	28,103
	-	1,132,800
Valuation allowance	-	(1,132,800)
Net deferred income tax asset	$ -	$ -

(Expressed in Canadian dollars - unaudited)

9. Income tax expense and deferred tax assets and liabilities

At March 31, 2011, the Group has the following tax pools available for deduction in future years:

	Canadian non-capital losses
2012	$ 76,770
2026	991,940
2027	1,595,940
2028	751,260
2029	207,204
2030	3,463
	$ 3,626,577

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2011 there were 10,620,239 issued and fully paid common shares (December 31, 2010 – 5,570,389).

Private placements

On January 21, 2011, the Company completed a non-brokered private placement consisting of 4,000,000 units, each unit consisting of one common share at a price of $0.23 and one Common Share purchase warrant exercisable to purchase one additional Common Share at a price of $0.31 for a period of two years from closing of the Private Placement for an aggregate total amount raised of $920,000. A finder's fee of $83,000 was paid in relation to this Private Placement.

On March 25, 2011, the Company completed a second non-brokered private placement consisting of 1,050,000 units, each unit consisting of one common share at a price of $0.40 and one Common Share purchase warrant exercisable to purchase one additional Common Share at a price of $0.47 for a period of three years from closing of the Private Placement for an aggregate total amount raised of $420,000. Units and the warrants were subject to a statutory hold period expiring on June 26, 2011.

Basic and diluted loss per share

The calculation of basic and diluted income per share for the three month period ended March 31, 2011 was based on the income attributable to common shareholders of $478,252 (December 2010 - $198,572) and the weighted average number of common shares outstanding of 6,832,889 (December 2010 – 5,556,936).

(Expressed in Canadian dollars - unaudited)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the three month period ended March 31, 2011 and the year ended December 31, 2010 are as follows:

	March 31, 2011			December 31, 2010		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
Options outstanding, beginning of period	233,000	$	2.48	343,000	$	2.80
Options granted	900,000		2.48	-		-
Options exercised	-		-	-		-
Options expired	-		-	(110,000)		4.2
Options forfeited	-		-	-		-
Options outstanding, end of period	1,133,000	$	2.48	233,000	$	2.48

Details of options outstanding as at March 31, 2011 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$0.50 - $1.00	5.00 years	1.015,000
$3.00 - $4.00	4.57 years	83,000
$5.00 - $6.00	1.41 years	35,000
		1,133,000

(Expressed in Canadian dollars - unaudited)

10. Share capital

Stock options *(cont'd)*

The weighted average grant date fair value of options granted during the three month period ended March 31, 2011 was $0.50 (2010 - $01.00). The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	Three month period ended March 31, 2011	**Year ended December 31, 2010**
Expected life of options	5 years	5 years
Annualized volatility	167.26%	127%
Risk-free interest rate	1.98%	0.97%
Dividend rate	0%	0%

Warrants

As at March 31, 2011 the Company had outstanding warrants enabling the holders to acquire one common share for each warrant as follows:

Number Of warrants	Exercise Price	Expiry date
500,164	$1.00	April 23, 2011
353,700	1.00	July 27,2011
148,358	1.00	September 8, 2011
4,000,000	0.31	Jan 21, 2013
1,050,000	0.47	Mar 25, 2014

	March 31, 2011		**December 31, 2010**	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Balance at beginning of period	1,002,222	$ 1.00	2,002,222	$ 1.00
Warrants issued	5,050,000	0.47	-	-
Warrants expired	-	-	(1,000,000)	1.00
Balance outstanding, end of period	6,052,222	$ 0.55	1,002,222	$ 1.00

The warrants issued were valued using the Black-Scholes model with the following assumptions:

Risk free interest – 1.98%, expected life – 2 and 3 years and volatility 167.26%

(Expressed in Canadian dollars - unaudited)

11. Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

Share purchase warrant reserve

The warrant option reserve records items recognized as warrants until such time that they are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to share capital.

12. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

		March 31, 2011		December 31, 2010
Companies controlled by directors of the Company	$	4,845	$	67,136
	$	4,845	$	67,136

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions

The Group incurred the following transactions with company's that are controlled by directors of the Company.

	Three month periods ended			
		March 31, 2011		March 31, 2010
Professional fees	$	22,952	$	54,448
Rent		7,500		-
	$	30,452	$	54,448

13. Financial risk management

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(Expressed in Canadian dollars - unaudited)

13. Financial risk management (cont'd)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Mexico. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has a planning and budgeting process in place to help determine the funds required to support the Group's normal operating requirements on an ongoing basis. The Group ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Group's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Group's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Group's non-derivative financial liabilities as at March 31, 2011:

	Within one year	**Between one and five years**	**More than five years**
Lease obligations	$ 22,500	-	-
	$ -	$ -	$ -

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Group's Mexican subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Peru Solo while its functional currency is the United States dollar. The Group does not hedge its exposure to fluctuations in foreign exchange rates.

	March 31, 2011	**December 31, 2010**
Cash and cash equivalents	$ 2,688	$ 38,678
Accounts receivable	141,835	85,607
Accounts payable	53,961	485,854
	$ 198,484	$ 610,139

Based on the above net exposures, as at March 31, 2011, a 10% change in the Peruvian currency to United States dollar exchange rate would impact the Group's net loss by $20,000.

(Expressed in Canadian dollars - unaudited)

13. Financial risk management (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Group's net loss of $7,000.

Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2011	December 31, 2010
Cash and cash equivalents	$ 661,741	$ 38,678
Loans and receivables:		
Other receivables	144,853	85,607
	$ 806,594	$ 124,285

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2011	December 31, 2010
Non-derivative financial liabilities:		
Trade payables	$ 154,663	485,854
	$ 154,663	$ 485,854

Fair value

The fair value of the Group's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

(Expressed in Canadian dollars - unaudited)

13. Financial risk management (cont'd)

***Fair value** (cont'd)*

The following is an analysis of the Group's financial assets measured at fair value as at March 31, 2011 and December 31, 2010:

	As at March 31, 2011		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ -	$ 661,741	$ -
Receivables	144,552		
Payables			154,663
	$ 144,552	$ -	$ 154,663

	As at December 31, 2010		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ -	$ 38,678	$ -
Receivables	85,607		
Payables			485,854
	$ 85,607	$ 38,678	$ 485,854

14. Segmented information

Operating segments

The Group operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The Group's non-current assets are located in the following countries:

	As at March 31, 2011		
	Canada	**Peru**	**Total**
Property, plant and equipment	-	588	588
Exploration and evaluation assets	-	4,204,070	4,204,070
	$ -	$ 4,204,658	$ 4,204,658

	As at March 31, 2010		
	Canada	**Peru**	**Total**
Property, plant and equipment	-	255	255
Exploration and evaluation assets	-	4,121,400	4,121,400
	$ -	$ 4,121,655	$ 4,121,655

15. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Group has adopted IFRS in these financial statements, making them the first interim financial statements of the Group under IFRS. The Group previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Group. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Group has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.
- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the date of transition to IFRS. The Group has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.
- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Group has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee ("IFRIC") "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Group has:
    - re-measured the liabilities as at January 1, 2010 in accordance with IAS 37;
    - estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the intervening period; and
    - calculate the accumulated depreciation on that amount, as at January 1, 2010, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity.
- The Group has applied the transitional provision in IFRIC 4 "Determining whether an Arrangement contains a Lease" and has assessed all arrangements as at January 1, 2010.

(Expressed in Canadian dollars - unaudited)

15. Transition to IFRS (cont'd)

Reconciliation of assets

		As at December 31, 2010			As at January 1, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
ASSETS							
Current assets							
Cash and cash equivalents		$ 38,678	$ -	$ 38,678	$ 14,820	$ -	$ 14,820
Prepaid		22,888	-	22,888	28,625	-	28,625
Accounts receivable		85,607	-	85,607	119,881	-	119,881
		147,173	-	147,173	163,326	-	163,326
Non-current assets							
Property, plant and equipment		255	-	255	1,328	-	1,328
Exploration and evaluation assets	15 (a), (b), (c), (d) and (f)	4,121,400	-	4,121,400	4,080,049	-	4,080,049
		4,121,655	-	4,121,655		-	
TOTAL ASSETS		**$ 4,268,828**	**$ -**	**$ 4,268,828**	**$ 4,081,377**	**$ -**	**$ 4,081,377**

(Expressed in Canadian dollars - unaudited)

15. Transition to IFRS (cont'd)

Reconciliation of liabilities

		As at December 31, 2010			As at January 1, 2010		
	Notes	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
LIABILITIES							
Current liabilities							
Trade payables and accrued liabilities	15(c)	$ 552,990	$ -	$ 552,990	$ 832,264	$ -	$ 832,264
		-	-	-	-	-	-
Non-current liabilities							
Deferred tax liabilities	15(c) and (d)	547,595	-	547,595	559,715	-	559,715
		-	-	-	-	-	-
TOTAL LIABILITIES		**1,100,585**	**-**	**1,100,585**	**1,391,979**	**-**	**1,391,979**
SHAREHOLDERS' EQUITY							
Share capital	15(c) and (f)	7,698,655	-	7,698,655	7,581,730	-	7,581,730
Contributed surplus	15 (f)	2,479,256	-	-	2,342,439	-	-
Warrants		210,997			347,814		
Reserves	15 (a), (f) and (g)	-	2,690,253	2,690,253	-	2,690,253	2,690,253
Deficit	15 (a), (b), (c), (d) and (f)	(7,220,665)	-	(7,220,665)	(7,419,239)	-	(7,419,239)
TOTAL EQUITY		**3,168,243**	**-**	**3,168,243**	**2,852,744**	**-**	**2,852,744**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**$ 4,268,828**	**$ -**	**$ 4,268,828**	**$ 4,244,723**	**$ -**	**$ 4,244,723**

(Expressed in Canadian dollars - unaudited)

15. Transition to IFRS (cont'd)

Reconciliation of loss and comprehensive loss for the three month period ended March 31, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Expenses				
Amortization		$ 16	$ -	$ 16
Interest	15(b)	838	-	838
Management fees		22,952	-	22,952
Office and miscellaneous		10,668	-	10,668
Professional fees		38,122	-	38,122
Rent		10,101	-	10,101
Stock-based compensation	15(f)	388,737	-	388,737
Transfer and filing fees		20,648	-	20,648
		$492,082.	-	$492,082.
Other items				
Foreign exchange gain		(14,423)		(14,423)
		-	-	-
Net loss for the period		**$ (14,423)**	**$ -**	**$ (14,423)**
Total comprehensive loss for the period		**$ 478,252**	**$ -**	**$ 478,252**
Loss per share – basic and diluted		**$ (0.07)**	**$ -**	**$ (0.07)**

(Expressed in Canadian dollars - unaudited)

15. Transition to IFRS (cont'd)

Reconciliation of cash flows for the three month period ended March 31, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Operating activities				
Loss before income taxes		$ (478,254)	$ -	$ (478,254)
Adjustments for non-cash items:				
Amortization		16	-	16
Stock-based compensation		388,737	-	388,737
Changes in non-cash working capital items:				
Accounts receivable		(59,246)	-	(59,246)
Prepaid		11,025	-	11,025
Trade payables and accrued liabilities		(393,182)	-	(393,182)
Net cash flows from (used in) operating activities		(530,904)	-	(530,904)
Investing activities				
Expenditures on exploration and evaluation assets		(82,670	-	(82,670
Expenditures on property, plant and equipment		(333)	-	(333)
Net cash flows from (used in) investing activities		(83,003	-	(83,003
Financing activities				
Proceeds on issuance of common shares - net of share issue costs		1,236,970	-	1,236,970
Net cash flows from (used in) financing activities		1,236,970	-	1,236,970
Increase (decrease) in cash and cash equivalents		623,063	-	623,063
Cash and cash equivalents, beginning		38,678	-	38,678
Cash and cash equivalents, ending		**$ 661,741**	**$ -**	**$ 661,741**

(Expressed in Canadian dollars - unaudited)

15. Transition to IFRS (cont'd)

Reconciliation of equity

	Notes	December 31, 2010	January 1, 2010
Equity previously reported under Canadian GAAP		**$ 3,168,243**	**$ 2,852,744**
Adjustments upon adoption of IFRS:			
Differences arising from applying the foreign exchange rate in effect at the balance sheet date to non-monetary items of foreign operations	15(a)	-	-
Difference due to a different discount rate being applied to the provision for restoration and environmental obligation provision	15(b)	-	-
Reversal of deferred tax liabilities recorded on the acquisition of exploration and evaluation assets	15(c)	-	-
Difference in the accounting treatment of flow-through shares	15(d)	-	-
Reclassification of warrants that are denominated in a currency other than the Company's functional currency as a derivative liability	15(e)	-	-
Equity reported under IFRS		**$ 3,168,243**	**$ 2,852,744**

Reconciliation of comprehensive loss for the three month period ended March 31, 2010

	Notes	
Comprehensive loss previously reported under Canadian GAAP		**$ (478,252)**
Adjustments upon adoption of IFRS:		
Differences arising from applying the foreign exchange rate in effect at the balance sheet date to non-monetary items of foreign operations	15(a)	-
Difference due to a different discount rate being applied to the provision for restoration and environmental obligation provision	15(b)	-
Difference in the accounting treatment of flow-through shares	15(c)	-
Adjustment to income tax recovery resulting from the reversal of deferred tax liabilities recorded on the acquisition of exploration and evaluation assets	15(d)	-
Fair value adjustment of warrants that are denominated in a currency other than the Company's functional currency as a derivative liability	15(e)	-
Difference in accounting for share-based payments	15(f)	-
Comprehensive loss reported under IFRS		**$ (478,252)**

15. Transition to IFRS (cont'd)

Notes to reconciliations

(a) Functional and presentation currency

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 "The Effects of Changes in Foreign Exchange Rates" and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the subsidiaries of the Group that have operations in Mexico is the United States dollar. The consolidated financial statements are presented in Canadian dollars which is the Group's presentation currency.

Under IFRS, the results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income and are recognized in the profit or loss in the period in which the operation is disposed.

Under IFRS, the cash flow statement of the group must be prepared in the functional currency and then translated to the presentation currency at the exchange rates at the date of the cash flows or an average rate in line with the income statement treatment. As a result of this application, the cash flows from operating, investing and financing activities increased by $240,000 with a corresponding adjustment to net foreign exchange differences.

As permitted under IFRS 1, the cumulative impact as at January 1, 2010 was recorded as an adjustment to deficit.

(b) Provision for restoration and environmental obligations

Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

IFRS requires decommissioning provisions to be measured based on management's best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current rates.

15. Transition to IFRS (cont'd)

Notes to reconciliations *(cont'd)*

(c) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 "Flow-through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through tax liability and included in trade payables and accrued liabilities. Upon renouncement by the Group of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Group will reduce the deferred tax liability and record a deferred tax recovery.

(d) Deferred tax liabilities

The Group has previously purchased assets where the carrying value of the asset on initial recognition differs from the tax value of the asset on initial recognition. Under Canadian GAAP, a deferred tax liability is recognized for the resulting temporary difference, with a corresponding increase to the value of the asset recorded. IAS 12 "Income Taxes" does not permit the recognition of a deferred income tax asset or liability resulting from differences between the carrying value and tax value of an asset or liability on initial recognition, unless acquired as part of a business combination.

(e) Warrants

Under Canadian GAAP the Group classified warrants it issued in Canadian dollars to purchase common shares as equity instruments. Under IFRS, warrants issued by the Group to purchase common shares, for a fixed price stated in a currency other than the functional currency of the issuing entity and not offered pro rata to all existing shareholders of the same class at the time of issuance, are considered derivative financial liabilities. Such warrants are required to be measured and recognized at fair value with changes subsequent to initial recognition charged to profit or loss. The Company determined fair value of the warrants using the Black-Scholes option pricing model.

(f) Share-based payments

The Group grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Group accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Group treats each installment as its own award. Therefore, each installment is measured and recognized separately.

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

15. Transition to IFRS (cont'd)

Notes to reconciliations *(cont'd)*

(g) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

(h) Interest income

Under Canadian GAAP, the Group classified interest income as operating activities. Under IFRS, interest income has been reclassified as an investing activity.

16. Subsequent Events

- Management has made modifications to the Company Web site to comply with established standards.
- Management has re-issued stock options at $0.50 that previously been granted at $0.40 to directors, officers and employees of the Company, in accordance with the Company's stock option Plan.
- Following the announcement that the Company and Newton Gold Corp.("Newton") have agreed to end the litigation between them, management is now reviewing its options with regards to its Bella Rubia concessions.