JAMES BAY RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's 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.

JAMES BAY RESOURCES LIMITED
Condensed Interim Consolidated Statement of Financial Position
Expressed in Canadian dollars

As at

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
		(Note 17)	(Note 17)
ASSETS			
Current assets			
Cash and cash equivalents	6,960,285	6,310,432	7,847,068
Prepaid expenses	10,298	12,202	12,431
Amounts receivable	10,117	747,244	1,972
	6,980,700	7,069,878	7,861,471
Exploration and evaluation assets (Note 7)	2,438,662	2,438,662	2,431,529
Equipment	475	521	702
Investments (Note 8)	225,000	407,500	190,000
Loan receivable (Note 9)	152,602	138,704	-
	9,797,439	10,055,265	10,483,702
LIABILITIES			
Current			
Accounts payable and accrued liabilities	72,257	144,029	41,386
EQUITY			
Common shares (Note 10)	9,261,904	9,261,904	9,261,904
Share-based payments reserve (Note 11)	1,294,394	1,294,394	1,538,626
Warrant reserve (Note 12)	1,329,372	1,329,372	1,217,372
Deficit	(2,160,488)	(1,974,434)	(1,575,586)
	9,725,182	9,911,236	10,442,316
	9,797,439	10,055,265	10,483,702

COMMITMENTS AND CONTINGENCIES (Notes 17, 11 and 16)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY" , Director

Signed "MARK BRENNAN" , Director

JAMES BAY RESOURCES LIMITED
Condensed Interim Consolidated Statements of Comprehensive Loss
Expressed in Canadian dollars

	Three months ended March 31, 2011 $	2010 $ (Note 17)
General and administrative expenses		
Share-based compensation	-	49,198
Professional fees	29,425	5,657
Office and general	63,878	27,739
Amortization	45	45
Consulting fees	3,250	7,702
Shareholder relations	11,243	15,756
Management salaries	75,278	76,118
Transfer agent and filing fees	7,953	8,351
Loss before the undernoted	191,072	190,566
Foreign exchange loss	44,636	16,528
Net gain on fair value through profit or loss investments	(23,880)	-
Interest income	(25,774)	(16,153)
Loss and Comprehensive loss for the period	186,054	190,941
Loss per share		
Basic and diluted	(0.01)	(0.01)
Weighted average common shares outstanding		
Basic and diluted	28,040,350	28,040,350

JAMES BAY RESOURCES LIMITED
Condensed Interim Consolidated Statements of Cash Flows
Expressed in Canadian dollars

	Three months ended March 31, 2011 $	2010 $ (Note 17)
Cash used in operating activities:		
Net loss for the period	(186,054)	(190,941)
Add (deduct) items not affecting cash:		
Amortization	45	45
Share-based compensation	-	49,198
Foreign exchange loss	44,636	-
Net gain on fair value through profit or loss investments	(23,880)	-
Interest income	(25,774)	-
Change in non-cash working capital		
Amounts receivable and prepaid expenses	739,030	552
Accounts payable and accrued liabilities	(71,772)	(18,145)
	476,231	(159,291)
Cash used in investing activities:		
Proceeds received from sale of investments	206,380	-
Exploration and evaluation assets	-	356
Finance income received	11,878	-
	218,258	356
Changes in cash and cash equivalents during the period	694,489	(158,935)
Effect of changes in foreign exchange on cash and cash equivalents balance	(44,636)	-
Cash and cash equivalents at beginning of period	6,310,432	7,847,068
Cash and cash equivalents at end of period	6,960,285	7,688,133

Cash and cash equivalents are as follows:		
Cash	2,821,658	67,976
Cash equivalents	4,138,627	7,620,157
Cash and cash equivalents	6,960,285	7,688,133

JAMES BAY RESOURCES LIMITED
Condensed Interim Consolidated Statements of Changes in Equity
Expressed in Canadian dollars

	Common shares $	**Share-Based Payments Reserve $**	**Warrant Reserve $**	**Accumulated Deficit $**	**Total Equity $**
Balance, December 31, 2010	**9,261,904**	**1,294,394**	**1,329,372**	**(1,974,434)**	**9,911,236**
Loss for the period	**-**	**-**	**-**	**(186,054)**	**(186,054)**
Balance, March 31, 2011	**9,261,904**	**1,294,394**	**1,329,372**	**(2,160,488)**	**9,725,182**

	Common shares $	Share-Based Payments Reserve $	Warrant Reserve $	Accumulated Deficit $	Total Equity $
Balance, January 1, 2010	9,261,904	1,538,626	1,217,372	(1,575,586)	10,442,316
Shared-based compensation	-	49,198	-	-	49,198
Loss for the period	-	-	-	(190,941)	(190,941)
Balance, March 31, 2010	9,261,904	1,587,824	1,217,372	(1,766,527)	10,300,573

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company currently has interests in resource properties in the Porcupine mining district of Ontario, Canada (the "Claims"). The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The Company has not yet discovered any deposits, nor has it earned any income from the Claims.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require a material write-down of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

The Company's shares are listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at 20 Victoria Street, Suite 800, Toronto, Ontario, Canada, M5C 2N8.

2. BASIS OF PREPARATION

(a) Conversion to IFRS

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, these condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "*Interim Financial Reporting*" ("IAS 34") using accounting policies consistent with the IFRS issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION (continued)

(a) Conversion to IFRS (continued)

These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards and IFRIC interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in notes along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, comprehensive income, and the statement of financial position and cash flows.

(b) Basis of preparation

These financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of investments which are measured at fair value through profit or loss ("FVTPL").

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new accounting standards, amendments to standards and interpretations have been issued.

IFRS 9, Financial Instruments
This amendment addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

4. PRINCIPLES OF CONSOLIDATION

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries
Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. Intercompany transactions are eliminated on consolidation.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, warrants, investments and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(b) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

(c) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Tax

Current tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its deferred tax assets and liabilities on a net basis.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration and evaluation assets

The Company's property interests are in the exploration and evaluation stage and accordingly the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in profit or loss costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount. Upon transfer of "Exploration and evaluation costs" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines".

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed. To the extent that exploration expenditures are not expected to be recovered, they are charged to profit or loss.

(f) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Computer equipment	-	30%, declining balance basis
Computer software	-	100%, declining balance basis

(g) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation assets and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of comprehensive loss so as to reduce the carrying amount to its recoverable amount.

(h) Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at FVTPL, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, amounts receivables, loan receivable and investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income and finance costs in the statement of comprehensive loss.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss. The Company evaluates its financial assets at fair value through profit or loss to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive loss. The losses arising from impairment are recognised in the statement of comprehensive loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Expressed in Canadian dollars

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

7. EXPLORATION AND EVALUATION ASSETS

James Bay Property, Ontario Canada

The Company acquired, by staking, certain claims in Ontario, Canada.

Balance, January 1, 2010	$ 2,431,529
Additions	7,133
Balance, December 31, 2010 and March 31, 2011	$ 2,438,662

Exploration and evaluation expenditures expensed immediately in the statement of comprehensive loss for the three month period ended March 31, 2011 amounted to $Nil (2010 - $Nil).

Nigeria Oil & Gas Property

On March 21, 2011, the Company signed a memorandum of understanding (the "MoU") to conduct due diligence, and if a suitable target is identified, to form a special purpose vehicle (the "SPV") with D&H (a 50/50 partnership between Hemla of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering)) to further evaluate the identified oil & gas opportunities in Nigeria, and if suitable negotiate an agreement to acquire and develop these assets. It is intended that James Bay will earn a 50% interest in the SPV on the condition that the Company invests up to US$32 million. As part of the initial MoU, James Bay has deposited US$2 million in an escrow account to provide initial funding assurances to its future joint venture partner D&H for purposes of conducting the initial due diligence to identify and secure the acquisition of oil & gas property targets. An additional up to US$10 million will be invested by James Bay after signing an agreement to acquire an advanced oil & gas project, with the funds due within 30 days of receipt of all regulatory approvals, with the up to US$20 million balance to be invested within one year of signing an acquisition agreement in respect of an identified target.

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil & gas service provider, MAK MERA. Subject to locating and completing an acquisition of a target oil & gas asset, James Bay will pay US$300,000 and will issue up to 12.5 million shares to MAK MERA based on the following schedule:

a) US$300,000 to be paid and 3.25 million shares to be issued upon successful completion of due diligence and acquisition of oil & gas assets in Nigeria;
b) 3 million shares to be issued upon the Company reaching 1,500 boe per day;
c) 3 million shares to be issued upon the Company reaching 4,000 boe per day; and
d) 3 million shares to be issued upon the Company reaching 5,500 boe per day.

If a target is identified through this process, completion of an acquisition could represent a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction would be subject to a number of conditions, including TSX Venture Exchange acceptance and if required shareholder approval.

Expressed in Canadian dollars

8. INVESTMENTS

As at March 31, 2011, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value March 31, 2011 $
Royal Coal Corp.	(i)	1,000,000 warrants	90,000
Morumbi Oil & Gas Inc.	(iii)	500,000 warrants	135,000
Hendricks Resources Limited	(iv)	1,000,000 warrants	0
			225,000

As at December 31, 2010, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value December 31, 2010 $
Royal Coal Corp.	(i)	1,000,000 warrants	140,000
Largo Resources Ltd.	(ii)	500,000 common shares	177,500
Morumbi Oil & Gas Inc.	(iii)	500,000 warrants	90,000
			407,500

As at January 1, 2010, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value January 1, 2010 $
CDR Minerals Inc. (subsequently changed to Royal Coal Corp.)	(i)	1,000,000 warrants	190,000

(i) Royal Coal Corp. (Formerly CDR Minerals Inc.)

On June 29, 2009, the Company entered into a letter of agreement with CDR Minerals Inc. ("CDR"), regarding a proposed business combination. As part of the agreement, the Company provided a loan of US$500,000 ($576,500) to CDR. The loan bore interest at 7.5% and was due upon closing of the business combination with a provision that if the business combination was not completed, the interest rate would increase to 15%. The loan was also convertible at the option of the Company at any time prior to the due date at a rate of $0.50 per share. The business combination was not completed and the loan and accrued interest were repaid in full prior to December 31, 2009. The Company received 1,000,000 CDR warrants on October 21, 2009, exercisable at a price of $0.50 for a period of two years following the date of issue. In addition, CDR agreed to pay a corporate finance fee of $200,000 to the Company in the event that warrants are exercised.

The fair value of these warrants was originally estimated at $190,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 1.5% and expected life of 2 years. The estimated fair value of these warrants has been recorded as gain on termination of letter of agreement in the statement of comprehensive loss for the year ended December 31, 2009.

During 2010, CDR completed an amalgamation with Amalfi Capital Corporation, a public company which trades on the TSX Venture Exchange. The amalgamated company then changed its name to Royal Coal Corp. All warrants of CDR were exchanged for warrants of Royal Coal Corp. on a one-for-one basis, having the same terms as the original CDR warrants.

8. INVESTMENTS (continued)

(i) Royal Coal Corp. (Formerly CDR Minerals Inc.) (continued)

The fair value of these warrants as at December 31, 2010 was estimated at $140,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146%; risk free interest rate of 1.5% and expected life of 0.81 years. The unrealized loss of $50,000 has been recorded as part of the net gain on fair value through profit or loss investments in the statement of comprehensive loss for the year ended December 31, 2010.

The fair value of these warrants as at March 31, 2011, 2010 was estimated at $135,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 1.72% and expected life of 0.56 years. The unrealized loss of $50,000 has been recorded as part of the net gain on fair value through profit or loss investments in the statement of comprehensive loss for the period ended March 31, 2011.

(ii) Largo Resources Ltd.

On August 30, 2010**,** the Company entered into a short term bridge loan agreement with Largo Resources Ltd. (“Largo”). As part of the agreement, the Company provided a loan of $750,000 to Largo. The loan bore interest at 12%, was to mature on August 31, 2011 and was secured against all the assets of Largo and its subsidiaries. The Company has the right at any time up to August 31, 2011 to convert up to 50% of the outstanding loan balance into units of Largo at a conversion price of $0.17 per unit. Each unit would be comprised of one common share of Largo and one half of one common share purchase warrant with each whole warrant exercisable into a common share of Largo for $0.25 for a period of twelve months from August 30, 2010. In addition, as consideration for the loan, the Company received 500,000 share purchase warrants of Largo. Each warrant is exercisable for one common share of Largo at an exercise price of $0.17 for a period of one year following the date of issue.

The fair value of these warrants upon receipt was estimated at $25,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 70%; risk free interest rate of 1.22% and expected life of 1 year. The value of these warrants was applied against the carrying value of the loan receivable and was to be recognized as income over the term of the loan.

The conversion option was valued at $88,000. The fair value of the conversion option was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 94%; risk-free interest rate of 0.94%; and expected life of three months. This amount was recorded as an asset on the balance sheet and was also applied against the carrying value of the loan receivable. The conversion option was available until November 30, 2010.

During 2010, the Company received $776,677 from Largo which consisted of $750,000 principal repayment, $22,500 of due diligence fees and $4,177 of interest income. The carrying values of the loan and conversion option asset totaled $712,236 at the time of repayment. The difference between this and the $750,000 face value of the loan has been recorded as a gain on loan in the statement of comprehensive loss for the year ended December 31, 2010.

On October 17, 2010, the Company exercised the 500,000 share purchase warrants of Largo at an exercise price of $0.17. At December 31, 2010, the Company recorded an unrealized gain of $67,500 on this investment.

The shares were sold during the period ended March 31, 2011. The Company realized a gain of $28,880 which is included in the net gain on fair value through profit or loss investments on the statement of comprehensive loss for the three months ended March 31, 2011. A director of the Company is also a director of Largo.

8. INVESTMENTS (continued)

(iii) Morumbi Oil & Gas Inc.

See Note 9. The fair value of these warrants as at December 31, 2010 was estimated at $90,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 112%; risk-free interest rate – 1.74%; expected life – 2.6 years.

The fair value of these warrants as at March 31, 2011 was estimated at $135,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 112%; risk-free interest rate – 1.74%; expected life 2.4 years.

(iv) Hendricks Resource Limited

On September 2, 2010, the Company entered into an agreement to acquire certain coal assets. The completion of the transaction was subject to the signing of a definitive purchase and sale agreement, among other conditions. A definitive purchase and sale agreement was not signed and the transaction was not completed. Subsequent to December 31, 2010, the Company was reimbursed for due diligence costs incurred totalling $733,496. This amount is included in amounts receivable on the balance sheet as at December 31, 2010. The Company also received 1,000,000 warrants in Hendricks Resources Limited, a private corporation, subsequent to December 31, 2010. The warrants are exercisable into 1,000,000 shares of Hendricks Resources Limited at USD$1.20 per share until January 31, 2013.

The fair value of these warrants as at March 31, 2011 was estimated at $Nil using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 100%; risk-free interest rate – 1.67%; expected life 2 years.

9. LOAN RECEIVABLE

On August 13, 2010, the Company entered into a loan agreement with Morumbi Oil & Gas Inc. ("Morumbi") to extend a net amount of $250,000 which requires Morumbi to repay an aggregate of $275,000 plus interest on or before August 13, 2013. The loan bears an interest rate of 5% for the first year and 9% for the following two years and is secured against the assets of Morumbi. As consideration for the loan, the Company received a total of 500,000 warrants of Morumbi. Each warrant entitles the Company to acquire one common share of Morumbi at a price of $0.25 for a period of three years. These warrants expire on August 13, 2013.

The fair value of these warrants upon receipt was estimated at $75,000 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 112%; risk-free interest rate – 1.74%; and expected life – three years. The value of these warrants has been applied against the carrying value of the loan receivable and will be recognized as income over the term of the loan.

The loan is also convertible at the Company's option into: a 10% working interest in the Morumbi McKinley well (the "Well"); a 7% royalty over production from the Well (which royalty decreases to 3.5% once the loan and interest are repaid in full); or the outstanding principal amount can be converted into units of Morumbi at a conversion price of $0.25 per unit (the "Conversion Option"). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant will be exercisable into one common share of Morumbi at a price of $0.40 until August 13, 2011.

Expressed in Canadian dollars

9. LOAN RECEIVABLE (continued)

The Conversion Option was valued at $55,000 upon issuance of the loan instrument. The fair value of the Conversion Option was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility 81%; risk-free interest rate – 0.89%; and expected life – four months. This amount was recorded as an asset on the balance sheet and has also been applied against the carrying value of the loan receivable. The Conversion Option was available until December 13, 2010 and it expired on that date. The value of $55,000 was recorded in the net loss on fair value through profit or loss investments on the statement of comprehensive loss for the year ended December 31, 2010.

The loan is being accreted to its face value using an effective interest rate of 41%.

Certain directors and officers of the Company are also directors and officers of Morumbi.

10. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares

(b) **Issued** - 28,040,350 common shares

	#	$
Balance at January 1, 2010, December 31, 2010 and March 31, 2011	28,040,350	9,261,904

11. SHARE-BASED PAYMENTS

The Company has an incentive stock option plan (the "Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital at the time of granting of options for a maximum term of five years. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

Expressed in Canadian dollars

11. SHARE-BASED PAYMENTS (continued)

On June 11, 2010, the Company granted a total of 200,000 stock options. The options vested immediately. Each option allows the holder to purchase one share of the Company at an exercise price of $0.75 for a period of five years from the date of grant. The estimated grant date fair value of these options was estimated at $0.49 each using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 105%; risk free interest rate of 2.7%; and expected life of five years. Expected volatility is estimated by considering historic average share price volatility.

The following reconciles the share options outstanding during the period:

	From December 31, 2010 to March 31, 2011		From January 1, 2010 to December 31, 2010	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of period	2,765,000	0.75	3,201,835	0.85
Granted		-	200,000	0.75
Expired	-	-	(636,835)	(0.85)
Balance, end of period	2,765,000	0.75	2,765,000	0.75

The Company has the following share options and compensation options outstanding at March 31, 2011:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
783,750	1,350,000	1,350,000	0.75	April 2, 2013
5,700	10,000	10,000	0.75	April 16, 2013
421,750	1,205,000	1,205,000	0.75	September 17, 2013
98,000	200,000	200,000	0.75	June 11, 2015
1,309,200	2,765,000	2,765,000		

The weighted average exercise price of options exercisable at March 31, 2011 is $0.75 (December 31, 2010 - $0.75).

The weighted average contractual life of options outstanding at March 31, 2011 is 2.1 years (December 31, 2010 – 2.6 years).

Expressed in Canadian dollars

12. WARRANTS

The following table reflects the continuity of warrants:

	Number #	Amount $
Balance at December 31, 2009	3,723,925	1,217,372
Revaluation of warrants – extended term (i)	-	112,000
Balance at December 31, 2010 and March 31, 2011	3,723,925	1,329,372

(i) On June 7, 2010, the Company extended the expiry date of common share purchase warrants issued by the Company in connection with the initial public offering (the "IPO") financing that closed on July 24, 2008. The expiry date for all these warrants has now been extended until July 24, 2011. The incremental fair value of the warrants created by the extension of the expiry date of $112,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 78%; risk free interest rate of 3.12%; expected life of 1.12 years. These warrants have an exercise price of $2.00. Expected volatility is estimated by considering historic average share price volatility.

As of March 31, 2011, the following warrants were outstanding:

Estimated Grant Date Fair Value $	Outstanding Warrants #	Exercise Price $	Expiry Date
1,329,372	3,723,925	2.00	July 24, 2011

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital structure of the Company at March 31, 2011 consists of equity attributable to common shareholders comprised of common share-based payments reserve, warrant reserve and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended March 31, 2011. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS

The Company has designated its investments as fair value through profit or loss, measured at fair value. Cash and cash equivalents, amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Credit risk
The Company's credit risk is primarily attributable to guaranteed investment certificates, amounts receivable and the loan receivable. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable at March 31, 2011 consist of goods and services tax due from the Federal Government of Canada. The Company also has credit risk in the form of a loan receivable which has a carrying value of $152,602 as at March 31, 2011. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2011, the Company had cash and cash equivalents of $6,960,285 (December 31, 2010 - $6,310,432; January 1, 2010 - $7,847,068) to settle current liabilities of $72,257 (December 31, 2010 - $144,029; January 1, 2010 - $41,386). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk
(a) Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The loan receivable bears interest at a fixed rate and therefore does not give rise to interest rate risk.

(b) Price risk
The ability of the Company to develop its property and the future profitability of the Company is directly related to the market price of certain minerals. The Company is also exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

(c) Foreign currency risk
The Company is subject to foreign exchange risk as the Company has certain assets and liabilities, and makes certain expenditures, in US dollars. The Company is therefore subject to gains and losses due to fluctuations in the US dollar relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a three month period:

The Company’s cash equivalents as at March 31, 2011 are held at a fixed interest rate of 1.1% and are therefore not subject to fluctuations in interest rates. A change in interest rates of 1% will result in a corresponding change in net loss of approximately $7,000 based on the cash balance at March 31, 2011.

14. FINANCIAL INSTRUMENTS (continued)

As at March 31, 2011, the Company has cash and cash equivalents of approximately $1,943,600 (US $2,000,000). A 10% change in the value of the Canadian dollar relative to the US dollar would result in a corresponding change in net loss of approximately $194,000 based on the balance of these assets held in US dollars at March 31, 2011.

Sensitivity analysis (continued)
A 10% decrease in the closing prices on its portfolio investments would result in a corresponding change in net loss of approximately $20,000. This estimated impact on net loss includes the estimated value of the non-traded warrants held, as determined using the Black-Scholes option pricing model.

Fair Value
The carrying value of cash and cash equivalents, investments, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the financial instruments. The fair value of the loan receivable approximates its carrying value given the short amount of time passed since its inception.

Fair Value hierarchy and liquidity risk disclosure
Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At March 31, 2011, the Company's financial instruments that are carried at fair value, consisting of investments in non-trading warrants on public marketable securities (Note 8), have been classified as Level 2 in the fair value hierarchy.

15. RELATED PARTY DISCLOSURES

These unaudited condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the three months ended March 31, 2011 and 2010 the Company entered into the following transactions involving related parties:

The Company rents office space from a corporation controlled by a director of the Company. During the period, approximately $14,300 (March 31, 2010 - $8,100) was charged by this corporation. The amount is included in office and general expense on the statement of comprehensive loss. In February 2011, the Company renewed the sublease agreement for another 12 months, resulting in a lease commitment of approximately $43,600.

The Company incurred legal fees of approximately $6,137 (March 31, 2010 - $5,461) paid to a law firm of which a partner is a director of the Company. This amount is included in office and general expense on the statement of comprehensive loss.

Expressed in Canadian dollars

15. RELATED PARTY DISCLOSURES (continued)

The condensed interim consolidated financial statements include the financial statements of the Company and its subsidiaries and their respective ownership listed in the following table:

James Bay Coal Co., USA	100%
2255431 Ontario Limited, Canada	100%

The remuneration of directors and other members of key management personnel during the periods ended March 31, 2011 and 2010 was as follows:

	2011	2010
	$	$
Management salaries	75,278	76,118
Share-based payments	49,198	-
	124,476	76,118

16. COMMITMENTS AND CONTINGENCIES

a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $528,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $680,000.

b) In February 2011, the Company renewed the sublease agreement for another 12 months, resulting in a lease commitment of approximately $43,600.

c) The Company's mining and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

17. TRANSITION TO IFRS

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these condensed interim consolidated financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

17. TRANSITION TO IFRS (continued)

IFRS Exemption Options

1. *Share-based payments* - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

2. *Changes in Existing Decommissioning, Restoration and Similar Liabilities – IFRIC 1.* The Company did not apply the recognition and measurement principles of IFRIC 1 prior to January 1, 2010.

IFRS Mandatory Exceptions

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

Adjustments on transition to IFRS

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 share options and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus. The impact of the change was a decrease to deficit and a decrease to share-based payments reserve of $670,254 at December 31, 2010 (January 1, 2010 - $243,575; March 31, 2010 - $243,575).

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive income have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

Expressed in Canadian dollars

17. TRANSITION TO IFRS (continued)

Reconciliation of consolidated balance sheet as of January 1, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		7,847,068	-	7,847,068
Prepaid expenses		12,431	-	12,431
Amounts receivable		1,972	-	1,972
		7,861,471	-	7,861,471
Exploration and evaluation assets		2,431,529	-	2,431,529
Equipment		702	-	702
Investments		190,000	-	190,000
		10,483,702	-	10,483,702
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		41,386	-	41,386
EQUITY				
Common shares		9,261,904	-	9,261,904
Share-based payments reserve	17	1,782,201	(243,575)	1,538,626
Warrant reserve		1,217,372	-	1,217,372
Deficit	17	(1,819,161)	243,575	(1,575,586)
		10,442,316	-	10,442,316
		10,483,702	-	10,483,702

Expressed in Canadian dollars

17. TRANSITION TO IFRS (continued)

Reconciliation of consolidated balance sheet as of March 31, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		7,688,133	-	7,688,133
Prepaid expenses		6,761	-	6,761
Amounts receivable		7,090	-	7,090
		7,701,984	-	7,701,984
Exploration and evaluation assets		2,438,631	-	2,438,631
Equipment		657	-	657
Investments		190,000	-	190,000
		10,331,272	-	10,331,272
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		30,699	-	30,699
EQUITY				
Common shares		9,261,904	-	9,261,904
Share-based payments reserve	17	1,831,399	(243,575)	1,587,824
Warrant reserve		1,217,372	-	1,217,372
Deficit	17	(2,010,102)	243,575	(1,766,527)
		10,300,573	-	10,300,573
		10,331,272	-	10,331,272

Expressed in Canadian dollars

17. TRANSITION TO IFRS (continued)

Reconciliation of consolidated balance sheet as of December 31, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		6,310,432	-	6,310,432
Prepaid expenses		12,202	-	12,202
Amounts receivable		747,244	-	747,244
		7,069,878	-	7,069,878
Exploration and evaluation assets		2,438,662	-	2,438,662
Equipment		521	-	521
Investments		407,500	-	407,500
Loan receivable		138,704	-	138,704
		10,055,265	-	10,055,265
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		144,029	-	144,029
EQUITY				
Common shares		9,261,904	-	9,261,904
Share-based payments reserve	17	1,964,648	(670,254)	1,294,394
Warrant reserve		1,329,372	-	1,329,372
Deficit	17	(2,644,688)	670,254	(1,974,434)
		9,911,236	-	9,911,236
		10,055,265	-	10,055,265

Expressed in Canadian dollars

17. TRANSITION TO IFRS (continued)

Reconciliation of consolidated statement of comprehensive loss for the three months ended March 31, 2010

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Expenses			
Share-based compensation	49,198	-	49,198
Management salaries and benefits	76,118	-	76,118
Professional fees	5,657	-	5,657
Office and general	27,739	-	27,739
Consulting fees	7,702	-	7,702
Shareholder relations	15,756	-	15,756
Transfer agent and listing fees	8,351	-	8,351
Amortization	45	-	45
Loss before the undernoted	190,566	-	190,566
Foreign exchange loss	16,528	-	16,528
Interest income	(16,153)	-	(16,153)
Comprehensive loss for the period	190,941	-	190,941
Loss per share			
Basic and diluted	(0.01)	-	(0.01)
Weighted average number of shares outstanding – basic and diluted	28,040,350	-	28,040,350

Expressed in Canadian dollars

17. TRANSITION TO IFRS (continued)

Reconciliation of consolidated statement of comprehensive loss for the year ended December 31, 2010

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Expenses			
Share-based compensation	182,447	-	182,447
Management salaries and benefits	286,819	-	286,819
Professional fees	89,505	-	89,505
Office and general	98,357	-	98,357
Consulting fees	23,417	-	23,417
Shareholder relations	66,899	-	66,899
Warrant extension valuation	112,000	-	112,000
Transfer agent and listing fees	26,482	-	26,482
Amortization	181	-	181
Loss before the undernoted	886,107	-	886,107
Foreign exchange loss	51,422	-	51,422
Net loss on fair value through profit or loss investments	22,500	-	22,500
Gain on loan	(37,764)	-	(37,764)
Interest income	(96,738)	-	(96,738)
Comprehensive loss for the period	825,527	-	825,527
Loss per share			
Basic and diluted	(0.03)	-	(0.03)
Weighted average number of shares outstanding – basic and diluted	28,040,350	-	28,040,350