CAZA GOLD CORP.

First Quarter Report

Management Discussion and Analysis

(stated in Canadian dollars)

Three Months ended March 31, 2011

CAZA GOLD CORP.

(the “**Company**”)

Management’s Discussion and Analysis
For the Three Months Ended March 31, 2011

CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 or “forward-looking information” under Canadian securities legislation. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements or information”. We caution you that such “forward looking statements or information” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company’s filings with Canadian securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements or information, except as may be required by law.

1.0 Preliminary Information

The following Management’s Discussion and Analysis (“MD&A”) of Caza Gold Corp. (the “Company”) should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011, which are available at the SEDAR website at www.sedar.com.

All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards (“IFRS”), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of June 24, 2011 unless otherwise indicated.

1.1 Background

The Company was incorporated on November 15, 2007 under the laws of British Columbia and is engaged in the evaluation, acquisition, exploration, development and exploitation of precious metal properties in Mexico and Nicaragua. The Company currently owns or holds, directly or indirectly, interests in precious metal properties, known as Moris, Santiago Fraction, El Relampago, Oaxaca and Tecolote, and Santiago, in Mexico, and Los Andes in Nicaragua.

On November 22, 2010 (the “Listing Date”), the Company listed its common shares and the underlying warrants in the units in the initial public offering for trading on the TSX Venture Exchange (“TSX-V”).

1.2 Overall Performance

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves in its mineral properties, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permits and upon future profitable production or proceeds from the disposition thereof. Such exploration and development activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. The sales value of any mineralization discovered and developed by the Company is largely dependent upon factors beyond the Company's control such as the market prices of the metals produced.

Los Arrastres property

In February 2007, Minera Canarc de Mexico SA de CV ("Minera Canarc), which was a wholly-owned subsidiary of Canarc Resource Corp. ("Canarc") but become a wholly-owned subsidiary of the Company pursuant to a plan of arrangement in 2008, entered into an option agreement to acquire a 100% interest in the Los Arrastres property by making US$2.5 million in cash payments and spending US$2 million on exploration over a 3 year period. The vendor retained a 2% net smelter return ("NSR") and Canarc had the right to reduce the NSR to 1% by paying US$1 million at any time. Canarc made an initial payment of US$50,000 upon the signing of the option agreement, a payment of US$75,000 in August 2007 and then another payment of US$25,000 in February 2008. The property was written-off in fiscal 2008. As at December 31, 2009, Minera Canarc accrued US$75,000 which is due to the vendor and then in June 2010, accrued an additional US$100,000.

On September 30, 2010, the Company, Minera Canarc and the vendor of the Los Arrastres property entered into a debt settlement agreement whereby the vendor agreed to accept US$80,000 in cash which was paid in October 2010 and 690,000 common shares of the Company which were issued in September 2010 at a value of $0.2605 (US$0.25) per common share in full settlement of outstanding cash payments of US$175,000 plus surface taxes of approximately $85,000 related to the Los Arrastres property. This resulted in the recognition of a net write-off of mineral property interests of $95,969 in 2010.

Santiago property

In May 2007, Minera Canarc entered into an option agreement to acquire a 100% interest in the Santiago gold property by making US$2 million in cash payments over a 5 year period and spending US$200,000 on exploration over a 2 year period. The vendor retained a 2% NSR. Canarc made an initial payment of US$30,000 upon the signing of the option agreement and further cash payments of US$30,000 in November 2007 and US$60,000 in May 2008.

In May 2009 and then in April 2010 and April 2011, the Company's wholly-owned subsidiary, Minera Caza SA de CV ("Minera Caza"), amended the option agreement to acquire 100% interest in the property for US$2.02 million of which US$120,000 was previously paid, and thereafter further payments totalling US$100,000 from May 2009 to October 2010 were made by the Company, with a remaining balance of US$1.8 million payable over a 4 year period, and spending US$200,000 on exploration over a 1 year period which the Company did incur by the end of fiscal 2010. In April 2011, the Company made a payment of US$34,000 to the vendor. The vendor retains a 2% NSR.

Drilling program began in early May 2011 for 3,000 meters of Phase 1 core drilling.

Moris, Santiago Fraction, El Relampago, Oaxaca and Tecolote properties

In September 2007, Minera Canarc entered into an option and joint venture agreement with Exmin Resources Inc. ("Exmin") to acquire up to a 75% interest in the Santiago Fraction property by issuing 15,000 common shares, paying US$25,000 in cash after 1 year, and spending up to US$1 million in exploration over a 5-year period. Canarc issued 15,000 common shares at a value of $0.45 per share in 2007. The Company made a cash payment of US$25,000 in September 2008.

In September 2009, Canarc and Minera Canarc cancelled the option and joint venture agreement with Exmin, and the Company and Minera Caza entered into a mineral properties sale and purchase agreement with Exmin. The Company and Minera Caza acquired a 100% interest in the Moris and Santiago Fraction properties from Exmin by the issuance of 400,000 common shares (issued) of the Company. Exmin retains a 1% NSR which is capped at US$1 million for the Moris properties and US$0.5 million for the Santiago Fraction property.

Underlying the mineral properties sale and purchase agreement dated September 24, 2009 with Exmin are option to purchase agreements, as amended, for El Relampago, Oaxaca and Tecolote properties.

On November 17, 2009, the Company amended the option to purchase agreement for the El Relampago concession, in which the Company can earn a 100% interest by making cash payments of US$105,000 over a 3 year period. Cash payments of US$15,000 were paid in fiscal 2009, US$30,000 in fiscal 2010 and US$15,000 in May 2011.

On November 17, 2009, the Company amended the option to purchase agreement for the Oaxaca property concessions, in which the Company can earn a 100% interest by making cash payments of US$786,000 over a 5 year period. Cash payments of US$6,000 were paid in fiscal 2009, US$12,000 in fiscal 2010 and US$3,000 for the three months ended March 31, 2011.

For the Tecolote property concession, the Company can earn a 100% interest by making cash payments of US$25,000 in September 2009 and US$25,000 in March 2010 of which US$25,000 was accrued at December 31, 2009. In March 2010, the option agreement was amended whereby total cash option payments of US$50,000 are due and payable during fiscal 2010. Cash payments of US$20,000 were paid in April 2010, US$15,000 in July 2010 and then US$15,000 in September 2010.

Drilling program began in late May 2011 for 4,000 meters of core drilling.

Los Andes property

In December 2010 as amended in January 2011, the Company entered into an option agreement to acquire a 100% interest in the Los Andes property by making US$1.17 million in cash payments, issuing 1.5 million common shares and spending US$2.97 million on exploration over a 4 year period. The Company also agreed to issue 150,000 common shares for the staking of additional properties to the vendors in January 2011, and thereafter the Company shall issue that number of common shares equal to 1.6 multiplied by the number of hectares staked in the area of mutual interest as defined. The vendor will retain a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million. At December 31, 2010, the Company accrued US$45,000 which was due to the vendor and which was subsequently paid in January 2011. In April 2011, 450,000 common shares at a value of $0.43 per share were issued to the vendors.

In February 2011, the Company staked a 100% interest in 11 new properties. In the first quarter of fiscal 2011, the Company commenced reconnaissance mapping and sampling of alteration systems to prioritize them for detailed gold exploration.

Other:

Effective April 2011, Dr. Greg Myers, Chief Executive Officer and President of the Company, was nominated to the Board of Directors. Mr. Donald Cameron was appointed Vice-President of Exploration, and was granted 200,000 stock options with an exercise price of $0.57 and an expiry date of April 29, 2016 and which are subject to vesting provisions.

On March 17, 2011, the Company closed a private placement for 16.3 million units at $0.50 per unit for gross proceeds of $8.15 million. Each unit was comprised of one common share and one-half of a whole common share purchase warrant; each full common share purchase warrant is exercisable to acquire one common share at $0.70 until September 17, 2012.

At the Company's annual general meeting held in June 2011, Messrs. Bradford Cooke, Greg Myers, Anthony Hawkshaw, Stewart Lockwood and Philip Yee were re-elected to the Board of Directors for the ensuing year. Mr. Gregg Wilson was appointed Vice-President of Shareholder Communications. The Company's incentive stock option plan was also approved at the annual general meeting.

In June 2011, the Company granted 1,590,000 stock options with an exercise price of $0.375 and an expiry date of June 22, 2016 and which are subject to vesting provisions over a two-year period.

1.3 Selected Annual Information

All financial information is prepared in accordance with IFRS, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

		Year ended December 31,
		2010
Total revenues	$	-
Loss before discontinued operations and extraordinary items:		
(i) Total	$	(1,766,272)
(ii) Basic loss per share	$	(0.06)
(iii) Fully diluted loss per share	$	(0.06)
Net loss:		
(i) Total	$	(1,766,272)
(ii) Basic loss per share	$	(0.06)
(iii) Fully diluted loss per share	$	(0.06)
Total assets	$	2,547,211
Total long-term liabilities	$	-
Dividends per share	$	-

1.4 Results of Operations

First Quarter of Fiscal 2011 – Three months ended March 31, 2011 compared with March 31, 2010

The Company incurred a net loss of $558,338 for the three months ended March 31, 2011, compared to the net loss of $353,982 for the same period in fiscal 2010. Operating expenses increased in the current quarter relative to the comparative quarter for a variety of reasons. Employee remuneration decreased during the quarter even though the operating activities of the Company increased. In the first quarter of fiscal 2010, employment fees were incurred in the employment of two new senior management personnel to Company at that time. Also employee remuneration directly related to mineral exploration projects were allocated to those specific projects rather than to operations which was more applicable to the first quarter of 2011 as the Company implemented its exploration programs for Santiago, Moris and Los Andes projects at the beginning of the fiscal year. Higher legal fees were incurred for the property option agreement for the Los Andes property including regulatory approvals thereto.

Higher operating expenses for office and sundry were attributable to the vendor licenses and upgrades of existing systems to assist in financial reporting and modeling of financial valuation tools and support, and ancillary support for more active operating and exploration activities of the Company in the first quarter for 2011.

In 2010, increased expenditures specifically for property investigation reflect a concerted program of property evaluations in Mexico to identify exploration and acquisition targets. These costs were higher in 2010 as the Company's management proceeded with initiatives in Mexico and Central America. Corporate development goals for 2010 required heightened ongoing efforts toward property investigations and project generation during the year which culminated in the option agreement to acquire a 100% interest in the Los Andes property in Nicaragua in December 2010 and the staking of 11 additional properties in Nicaragua in February 2011. Such expenditures decreased in the first quarter of 2011 as the Company primarily focused on developing and implementing exploration programs on its mineral property interests.

As a listed company effective November 2010, the Company incurred annual sustaining listing fees, fees related to the issuance of shares for property acquisitions and exercise of warrants, all of which contributed to the increase in regulatory expenses in the first quarter of 2011.

Following the closing of the offering and the listing of its common shares on the TSXV in November 2010, the Company initiated and implemented its plans and activities to raise the profile of the Company and the status and progress of its Mexican projects, thereby contributing to its increased expenses incurred for shareholder relations in fiscal 2010 especially in the fourth quarter. Sequentially, the listing of its common shares on the Frankfurt Stock Exchange in December 2010 was also of premier importance for the Company to create greater exposure in Europe. These efforts continued into the first quarter of 2011 for shareholder relations activities.

Share-based payments are for the granting and vesting of stock options. On June 21, 2010, the Company granted options to purchase an aggregate of 2,415,000 common shares at an exercise price of $0.35 per share for a period expiring on November 22, 2015. These stock options are subject to vesting provisions in which 20% of the options vest on November 22, 2010 and 20% vest every six months thereafter. On November 30, 2010, the Company granted additional options to purchase 200,000 common shares at an exercise price of $0.35 and an expiry date of November 30, 2015, and 187,900 common shares at an exercise price of $0.42 and an expiry date of November 30, 2015. These stock options are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter. No stock options were granted in the first quarter of fiscal 2011 and such expenses would therefore relate to the vesting of previously granted stock options.

The foreign exchange loss is conducive of the Canadian dollar which strengthened relative to the Mexican peso for the Company's integrated Mexican subsidiaries during the quarter.

The Company has no source of operating revenues.

As at March 31, 2011, the Company has mineral property interests which are comprised of the following:

(Stated in Canadian dollars)

	March 31, 2011							
	Mexico						Nicaragua	
	Santiago	Moris	Santiago Fraction	El Relampago	Oaxaca	Tecolote	Los Andes	Total
Acquisition Costs:								
Balance, beginning of period	$ 197,834	$ 103,428	$ 29,977	$ 47,647	$ 18,957	$ 52,058	$ 44,757	$ 494,658
Option payment (adjustment)	-	-	-	-	2,980	-	(186)	2,794
Balance, end of period	197,834	103,428	29,977	47,647	21,937	52,058	44,571	497,452
Deferred Exploration Expenditures:								
Balance, beginning of period	219,902	175,326	11,729	2,128	15,015	4,292	16,833	445,225
Advances	-	-	-	-	-	-	14,596	14,596
Aerial photos and mapping	-	-	-	-	-	-	31,634	31,634
Assays and surveys	30,376	41,395	-	-	-	-	8,739	80,510
Camp and field supplies	-	-	-	-	-	-	29,112	29,112
Equipment and systems	-	-	-	-	-	-	14,593	14,593
Geochemistry	-	-	-	-	-	-	60,006	60,006
Geology and consultants	40,431	63,876	-	-	-	-	84,571	188,878
Local labour	10,606	1,716	-	-	-	-	29,598	41,920
Roads and drill pads	46,591	142	-	-	-	-	-	46,733
Road rehabilitation	-	-	-	-	-	-	8,113	8,113
Sundry	1,218	8,213	-	300	-	-	6,814	16,545
Surface taxes	588	23,008	-	-	4,156	1,380	-	29,132
Travel and transportation	12,446	67,527	-	-	-	-	65,017	144,990
Balance, end of period	362,158	381,203	11,729	2,428	19,171	5,672	369,626	1,151,987
Mineral property interests, end of period	$ 559,992	$ 484,631	$ 41,706	$ 50,075	$ 41,108	$ 57,730	$ 414,197	$ 1,649,439

As at March 31, 2011, to maintain the Company's interest and to fully exercise the options under various property agreements covering its properties, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Option Payments (US dollars)	Monthly Option Payments (US dollars)	Expenditure Commitments (US dollars)	Shares
Santiago:				
April 27, 2011 (paid)	$ 34,000	$ -	$ -	-
July 27, 2011	33,000	-	-	-
August 27, 2011	33,000	-	-	-
June 5, 2012	120,000	-	-	-
June 5, 2013	1,580,000	-	-	-
El Relampago:				
May 18, 2011 (paid)	15,000	-	-	-
November 18, 2011	15,000	-	-	-
May 18, 2012	15,000	-	-	-
November 18, 2012	15,000	-	-	-
Oaxaca:				
April 1, 2011 to June 2014	-	1,000	-	-
July 2014	726,000	-	-	-
Los Andes:				
April 6, 2011 (issued)	-	-	-	300,000
December 15, 2011	100,000	-	-	300,000
December 15, 2012	125,000	-	597,092	300,000
December 15, 2013	300,000	-	800,000	300,000
December 15, 2014	600,000	-	1,200,000	300,000
	$ 3,711,000	$ 1,000	$ 2,597,092	1,500,000

These amounts may be reduced in the future as the Company determines which properties to continue to explore and which to abandon.

1.5 Summary of Quarterly Results

Quarterly financial information for fiscals 2011 and 2010 is prepared in accordance with IFRS and for fiscal 2009 in accordance with Canadian GAAP, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, March 31, 2011:

(Stated in Canadian dollars)

	IFRS					Canadian GAAP		
	2011	2010				2009		
	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loss before discontinued discontinued operations and extraordinary items:								
(i) Total	$ (558,338)	$ (824,295)	$ (229,015)	$ (358,980)	$ (353,982)	$ (145,552)	$ (179,002)	$ (85,441)
(ii) Basic loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -
(iii) Fully diluted loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -
Net loss:								
(i) Total	$ (558,338)	$ (824,295)	$ (229,015)	$ (358,980)	$ (353,982)	$ (145,552)	$ (179,002)	$ (85,441)
(ii) Basic loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -
(iii) Fully diluted loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ -	$ (0.01)	$ -
Total assets	$ 10,980,744	$ 2,547,211	$ 1,150,152	$ 1,113,597	$ 1,083,451	$ 739,623	$ 588,606	$ 627,980
Total long-term liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

1.6 Liquidity and Capital Resources

The Company is in the exploration stage and has not yet determined whether its mineral properties contain reserves. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller mineral exploration companies. Since its incorporation in 2007, the Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal periods since incorporation. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of the Company's liquidity:

	March 31, 2011	December 31, 2010
Cash	$ 8,933,843	$ 1,427,459
Working capital (deficiency)	9,127,292	1,413,063

On March 17, 2011, the Company closed a private placement for 16.3 million units at $0.50 per unit for gross proceeds of $8.15 million. Each unit was comprised of one common share and one-half of a whole common share purchase warrant; each full common share purchase warrant is exercisable to acquire one common share at $0.70 until September 17, 2012.

During the three months ended March 31, 2011, the Company also received proceeds of $3,150 from the exercise of stock options and $931,630 from the exercise of warrants.

The Company has a number of option agreements for mineral property interests that involve payments in the form of cash and/or common shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.4, further details of contractual obligations are provided as at March 31, 2011. The Company will continue to rely upon equity financing as its principal source of financing its projects.

1.7 Capital Resources

Item 1.6 provides further details.

1.8 Off-Balance Sheet Arrangements

There are no known off-balance sheet arrangements which have not been disclosed.

1.9 Transactions with Related Parties

Except as disclosed elsewhere in the MD&A, related party transactions during the three months ended March 31, 2011 include:

- $38,108 in legal fees to a law firm in which a director of the Company is a partner. As at March 31, 2011, the Company owed $14,799 to the law firm which is included in accounts payable and accrued liabilities; and
- $48,674 in office and sundry, rent and salary allocations from companies with one common director. As at March 31, 2011, the Company owed $10,605 to the companies which is included in accounts payable and accrued liabilities.

Amounts which are incurred to related parties are in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to transactions with non-related parties. The Company shares common office facilities, employee and administrative support, and office sundry amongst companies with one common director, and such allocations to the Company are on a full cost recovery basis.

1.10 First Quarter

Items 1.2, 1.4, 1.5 and 1.6 provide further details for the three months ended March 31, 2011.

1.11 Proposed Transactions

There are no proposed material asset or business acquisitions or dispositions, other than those in the ordinary course and other than those already disclosed in this MD&A, before the board of directors for consideration, and other than those already disclosed in its regulatory and public filings.

1.12 Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, shareholders' equity and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests and property, plant and equipment, the determination of accrued liabilities and accrued site remediation, rates of amortization for property and equipment, the variables used in the determination of the fair value of stock options granted and warrants issued, and the determination of the valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Acquisition costs of mineral properties and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a mineral property interest from which there is production will be amortized using the unit-of-production method over estimated reserves. Capitalized costs are written down to their estimated recoverable amount if the mineral property interest is subsequently determined to be uneconomic. The amounts shown for mineral property interests represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

1.13 Changes in Accounting Policies Including Initial Adoption

International Financial Reporting Standards ("IFRS")

The Company's First Quarter Report for fiscal 2011 includes the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements to be presented in accordance with IFRS for the year to end December 31, 2011.

IFRS have been applied in preparing the condensed consolidated interim financial statements for the three months ended March 31, 2011, the comparative financial information presented in these condensed consolidated interim financial statements for the three months ended March 31, 2010, the opening balance sheet under IFRS as at January 1, 2010 which is the date of the Company's date of transition from Canadian GAAP to IFRS and at December 31, 2010.

(a) IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1):

In preparing these condensed consolidated interim financial statements, the Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

(i) Business combinations

The Company has elected to apply IFRS 3, Business Combinations, prospectively to business combinations that occur after the date of transition. The Company has elected this exemption under IFRS 1, which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS.

(ii) Fair value or revaluation as deemed cost

The Company has used the amount determined under a previous GAAP revaluation as the deemed cost for certain assets. The Company elected the exemption for certain assets which were written down under Canadian GAAP, as the revaluation was broadly comparable to fair value under IFRS. The carrying value of those assets on transition to IFRS is therefore consistent with the Canadian GAAP carrying value on the transition date.

(iii) Share-based payments

The Company elected to not apply IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

(b) Adjustments on transition to IFRS:

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However there are important differences with regard to recognition, measurement and disclosure. Although adoption of IFRS did not change the Company's actual cash flows, it did result in changes to the Company's statements of financial position, statements of comprehensive loss, and statements of changes in shareholders' equity as set out below:

(i) Warrants:

Under Canadian GAAP, the Company classified warrants which were exercisable in Canadian dollars as equity instruments. Under IFRS, warrants issued by the Company to purchase common shares at an exercise price which is stated in a currency other than the Company's functional currency are considered derivative financial liabilities. Such warrants are required to be measured and recognized at fair value with changes to initial recognition charged to operations. The exercise prices of the Company's warrants are stated in the same currency as the Company's functional currency and did not result in the recognition of derivative financial liabilities.

(ii) Share-based payments:

Under Canadian GAAP, the Company accounts for forfeitures of stock options as they occur. For IFRS, estimates of forfeitures are initially recognized when stock options are granted, and subsequently adjusted for actual forfeitures as they occur. The Company has recognized vesting of stock options on an accelerated grading basis which is similar to IFRS. On the transition date of January 1, 2010, the Company recognized IFRS transition provisions for unvested stock options.

Under Canadian GAAP, expired unexercised stock options remained in contributed surplus. On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based compensation whereby amounts included in reserve for share-based payments for expired unexercised stock options are transferred to deficit.

(c) The effect of the differences between Canadian GAAP and IFRS on select accounts in the statements of financial position and the statements of comprehensive loss is summarized as follows:

(Stated in Canadian dollars)

	2010 December 31,	March 31,	January 1,
Contributed Surplus under Canadian GAAP	$ 535,675	$ -	$ -
Transferred to reserve for share-based payments	(535,675)	-	-
Contributed Surplus under IFRS	$ -	$ -	$ -

	2010 December 31,	March 31,	January 1,
Reserve for share-based payments:			
Adjustments to transition to IFRS:			
Transferred from contributed surplus for unexercised share-based payments	$ 535,675	$ -	$ -
Share-based payments for the period	(39)	-	-
Reserve for share-based payments under IFRS	$ 535,636	$ -	$ -

	2010 December 31,	March 31,	January 1,
Deficit under Canadian GAAP	$ (3,913,684)	$ (2,265,862)	$ (1,911,880)
Adjustments to transition to IFRS:			
Share-based payments for the period	39	-	-
Deficit under IFRS	$ (3,913,645)	$ (2,265,862)	$ (1,911,880)

(Stated in Canadian dollars)

	2010	
	December 31,	March 31,
Comprehensive loss under Canadian GAAP	$ (1,766,311)	$ (353,982)
Adjustments to transition to IFRS:		
Share-based payments	39	-
Comprehensive loss under IFRS	$ (1,766,272)	$ (353,982)

(d) Reconciliation to previously reported financial statements:

A reconciliation of the above noted changes is included in these following Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Loss for the dates noted below. The effects of transition from Canadian GAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented.

Transitional Consolidated Statement of Financial Position – January 1, 2010

Consolidated Interim Statement of Financial Position Reconciliation – March 31, 2010
Consolidated Interim Statement of Comprehensive Loss Reconciliation – March 31, 2010

Consolidated Statement of Financial Position Reconciliation – December 31, 2010
Consolidated Statement of Comprehensive Loss Reconciliation – December 31, 2010

(Stated in Canadian dollars)

(i) The January 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP	Effects of Transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash	$ 122,410	$ -	$ 122,410
Receivables and prepaids	154,549		154,549
	276,959	-	276,959
Non-Current Assets			
Mineral property interests	460,710		460,710
Equipment	1,954		1,954
	462,664	-	462,664
	$ 739,623	$ -	$ 739,623
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	$ 476,539	$ -	$ 476,539
Shareholders' Equity			
Share capital	2,174,964		2,174,964
Deficit	(1,911,880)		(1,911,880)
	263,084	-	263,084
	$ 739,623	$ -	$ 739,623

(Stated in Canadian dollars)

(ii) The March 31, 2010 Canadian GAAP consolidated interim statement of financial position has been reconciled to IFRS as follows:

	March 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash	$ 384,264	$ -	$ 384,264
Receivables and prepaids	174,128		174,128
Total Current Assets	558,392	-	558,392
Non-Current Assets			
Mineral property interests	523,239		523,239
Equipment	1,820		1,820
Total Non-Current Assets	525,059	-	525,059
Total Assets	$ 1,083,451	$ -	$ 1,083,451
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	$ 496,598	$ -	$ 496,598
Shareholders' Equity			
Share capital	2,330,964		2,330,964
Common share subscription	406,251		406,251
Contributed surplus	115,500	(115,500)	-
Reserve for share-based payments	-	115,500	115,500
Deficit	(2,265,862)		(2,265,862)
Total Shareholders' Equity	586,853	-	586,853
Total Liabilities and Shareholders' Equity	$ 1,083,451	$ -	$ 1,083,451

(Stated in Canadian dollars)

(iii) The Canadian GAAP consolidated interim statement of comprehensive loss for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

	March 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses:			
Amortization	$ 134	$ -	$ 134
Employee remuneration	167,775		167,775
Legal	6,851		6,851
Office and sundry	16,196		16,196
Property investigation	22,304		22,304
Regulatory	2,688		2,688
Shareholder relations	12,010		12,010
Loss before the undernoted	(227,958)	-	(227,958)
Warrant modification expense	(115,500)		(115,500)
Foreign exchange loss	(10,524)		(10,524)
Net loss and comprehensive loss for the period	$ (353,982)	$ -	$ (353,982)
Basic and diluted loss per share	$ (0.01)		$ (0.01)
Weighted average number of common shares outstanding	23,901,645		23,901,645

(Stated in Canadian dollars)

(iv) The December 31, 2010 Canadian GAAP consolidated interim statement of financial position has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effects of Transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash	$ 1,427,459	$ -	$ 1,427,459
Receivables and prepaids	168,097		168,097
Total Current Assets	1,595,556	-	1,595,556
Non-Current Assets			
Mineral property interests	939,883		939,883
Equipment	11,772		11,772
Total Non-Current Assets	951,655	-	951,655
Total Assets	$ 2,547,211	$ -	$ 2,547,211
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	$ 182,493	$ -	$ 182,493
Shareholders' Equity			
Share capital	5,742,727		5,742,727
Contributed surplus	535,675	(535,675)	-
Reserve for share-based payments	-	535,636	535,636
Deficit	(3,913,684)	39	(3,913,645)
Total Shareholders' Equity	2,364,718	-	2,364,718
Total Liabilities and Shareholders' Equity	$ 2,547,211	$ -	$ 2,547,211

(Stated in Canadian dollars)

(v) The Canadian GAAP consolidated statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses:			
Accounting and audit	$ 56,706	$ -	$ 56,706
Amortization	802		802
Employee remuneration	447,040		447,040
Legal	218,248		218,248
Office and sundry	103,173		103,173
Property investigation	153,613		153,613
Regulatory	92,672		92,672
Shareholder relations	169,789		169,789
Share-based payments	223,324	(39)	223,285
Loss before the undernoted	(1,465,367)	39	(1,465,328)
Foreign exchange loss	(23,256)		(23,256)
Interest expense	(14,053)		(14,053)
Interest and other income	-		-
Write-off of value added tax receivables	(167,666)		(167,666)
Write-off of mineral property interests	(95,969)		(95,969)
Net loss and comprehensive loss for the year	$ (1,766,311)	$ 39	$ (1,766,272)
Basic and diluted loss per share	$ (0.06)		$ (0.06)
Weighted average number of common shares outstanding	27,175,171		27,175,171

1.14 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

- cash as fair value through profit or loss,
- receivables as loans and receivables, and
- accounts payable and accrued liabilities as borrowings and other financial liabilities.

Management of financial risk:

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair values using level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractural taxes receivables from government agencies are not considered financial instruments.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company attempts to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. The Company continues to rely on additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests.

Accounts payable and accrued liabilities are due in accordance with normal terms of trade and are payable in 2011.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is foreign currency risk and interest rate risk.

Foreign currency risk:

The Company's mineral property interests are in Mexico and Nicaragua, and a portion of its operations are in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in Mexican peso would impact the earnings (losses) of the Company and the values of its assets and liabilities as the Company's reporting and functional currency is the Canadian dollar. The Canadian dollar fluctuates and floats with the Mexican peso.

At March 31, 2011, the Company is exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Held in Mexican Pesos (stated in Canadian dollars)
Cash	$ 89,778
Receivables and prepaids	28,440
Accounts payable and accrued liabilities	(16,872)
Net financial assets	$ 101,346

Based upon the above net exposure as at March 31, 2011 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar relative to the Mexican pesos could result in a decrease/increase of $10,135 in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

1.15 Other MD&A Requirements

1.15.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

(a) may be found on SEDAR at www.sedar.com; and

(b) is also provided in the Company's unaudited condensed consolidated interim financial statements for the three ended March 31, 2011.

1.15.2 Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

Changes in the Company's share capital for the three months ended March 31, 2011 are as follows:

(Stated in Canadian dollars)

	Number of Shares		Amount
Balance at December 31, 2010	36,277,612	$	5,742,727
Issued:			
Private placement, net of share issue costs	16,475,000		7,873,479
Exercise of stock options	9,000		5,596
Exercise of warrants	2,661,800		1,181,369
Balance at March 31, 2011	55,423,412	$	14,803,171

Pursuant to the escrow agreement dated October 19, 2010, 1,912,727 shares of the Company are held in escrow (the "Escrowed Shares"). The Escrowed Shares will be released under the following schedule:

On November 22, 2010	1/4 of the Escrow Shares
6 months after November 22, 2010	1/3 of the remaining Escrow Shares
12 months after November 22, 2010	1/2 of the remaining Escrow Shares
18 months after November 22, 2010	the remaining Escrow Shares

As at March 31, 2011, 1,434,545 common shares were held in escrow.

At June 24, 2011, there were 56,029,400 common shares issued and outstanding.

At March 31, 2011, the Company had outstanding stock options to purchase an aggregate 2,577,900 common shares as follows:

	March 31, 2011	
	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of period	2,802,900	$0.35
Exercised	(9,000)	$0.35
Cancelled / Forfeited	(216,000)	$0.35
Outstanding, end of period	2,577,900	$0.36

At March 31, 2011, 2,577,900 options are outstanding of which 511,580 options are exercisable.

At June 24, 2011, stock options for 4,367,900 common shares remain outstanding.

At March 31, 2011, the Company had outstanding warrants to purchase an aggregate of 13,933,263 common shares as follows:

(Stated in Canadian dollars)

Exercise Prices	Expiry Dates	Outstanding at December 31, 2010	Issued	Exercised	Expired	Outstanding at March 31, 2011
$0.35	March 30, 2011	1,970,000	-	(1,970,000)	-	-
$0.30	April 2, 2012	400,000	-	-	-	400,000
$0.35	October 31, 2011	1,365,251	-	(502,084)	-	863,167
$0.45	May 18, 2012	4,000,000	-	-	-	4,000,000
$0.35	May 18, 2012	622,312	-	(189,716)	-	432,596
$0.70	September 17, 2012	-	8,237,500	-	-	8,237,500
		8,357,563	8,237,500	(2,661,800)	-	13,933,263

At June 24, 2011, warrants for 13,327,275 common shares remain outstanding.

1.16 Outlook

The Company will continue to depend upon equity capital to finance its existing projects. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its properties in the foreseeable future.

1.17 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

Exploration and Development Risks

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.

Financing Risks

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral property interests.

The Company does not presently have sufficient financial resources or operating cash-flow to undertake by itself all of its planned exploration and development programs. The development of the Company's properties may therefore depend on the Company's joint venture partners and on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity capital financings, the attainment of profitable operations, external financings, and further share issuance to satisfy working capital and operating needs.

Estimates of Mineral Deposits

There is no assurance given by the Company that any estimates of mineral deposits herein will not change.

No assurance can be given that any identified mineralized deposit will ever qualify as a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other work. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations.

Mineral Prices

There is no assurance given by the Company that mineral prices will not change.

The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions, and governmental policies with respect to gold holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Conflicts of Interest

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public mineral exploration or mining companies or have significant shareholdings in other public mineral exploration or mining companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

Uninsured Risks

There is no assurance given by the Company that it is adequately insured against all risks.

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities.

Environmental and Other Regulatory Requirements

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration or, if any, development activities or, if any, commencement of production on its mineral property interests, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence exploration or, if any, production on its various property interests will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence exploration, or construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Reclamation

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the waste rock or tailings and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Foreign Countries and Regulatory Requirements

Certain of the Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company and its joint venture partners to obtain any required production financing for its mineral properties.

Currency Fluctuation and Foreign Exchange Controls

The Company maintains a portion of its funds in U.S. dollar denominated accounts. Certain of the Company's property and related contracts are denominated in U.S. dollars. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in U.S. dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Such restrictions have existed in the past in countries in which the Company holds property interests and future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Possible Dilution to Current Shareholders based on Outstanding Options and Warrants

At March 31, 2011, the Company had 55,423,412 common shares and 2,577,900 share purchase options and 13,933,263 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At March 31, 2011, dilutive securities represented approximately 30% of the Company's issued shares. Certain of these dilutive securities were exercisable at prices below the March 31, 2011 closing market price of $0.60 for the Company's shares, which would accordingly result in dilution to existing shareholders if exercised.