FINANCIAL STATEMENTS OF

SGX RESOURCES INC.

March 31, 2011
(unaudited)

SGX RESOURCES INC.

Statements of financial position
(unaudited)

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS			
Current assets			
Cash	$ 217,036	$2,808,656	$5,946,021
Share subscriptions	-	-	284,447
Short-term investments (note 4)	1,206,377	97,444	-
Other accounts receivable	926,378	387,234	712
Prepaid expenses	109,493	38,971	-
	2,459,284	3,332,305	6,231,180
Mining claims (note 5)	1,227,295	1,274,795	738,580
	$3,686,579	$4,607,100	$6,969,760
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$1,699,754	$ 778,812	$ 74,429
Flow-through share premium	-	289,215	2,496,442
	1,699,754	1,068,027	2,570,871
Equity	1,986,825	3,539,073	4,398,889
	$3,686,579	$4,607,100	$6,969,760

Approved by the Board:

"Hugh Wynne" Director

"Benjamin Hubert" Director

SGX RESOURCES INC.

Statements of income (loss) and comprehensive income (loss)
(unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Exploration expenditures	$ 1,650,679	$ 302,542
General and administrative	160,846	118,687
Mining claims (note 5)	47,500	-
Net loss before the following	(1,859,025)	(421,229)
Interest income	4,362	16,110
Net loss before income tax	(1,854,663)	(405,119)
Future income tax benefit (expense) (note 11)	289,215	1,077,242
Net income (loss) and comprehensive income (loss)	$ (1,565,448)	$ 672,123
Net income (loss) per share - basic and diluted (note 10)	$ (0.02)	$ 0.01

SGX RESOURCES INC.

Statements of changes in equity
(unaudited)

	Share capital	Contributed surplus	Deficit	Total
Balance January 1, 2010	$ 5,556,981	$ 651,448	$ (1,809,540)	$ 4,398,889
Net income	-	-	672,123	672,123
Balance March 31, 2010	$ 5,556,981	$ 651,448	$ (1,137,417)	$ 5,071,012
Private placement	2,471,060	-	-	2,471,060
Issued for mining claims	387,795	-	-	387,795
Exercise of warrants	23,424	(2,924)	-	20,500
Proceeds allocated to warrants issued	(223,407)	223,407	-	-
Proceeds allocated to warrants amended	(485,860)	485,860	-	-
Share issue costs	(269,201)	-	-	(269,201)
Options granted	-	411,679	-	411,679
Options cancelled	-	(17,706)	-	(17,706)
Net loss	-	-	(4,536,066)	(4,536,066)
Balance December 31, 2010	$ 7,460,792	$ 1,751,764	$ (5,673,483)	$ 3,539,073
Exercise of warrants	15,083	(1,883)	-	13,200
Net loss	-	-	(1,565,448)	(1,565,448)
Balance March 31, 2011	$ 7,475,875	$ 1,749,881	$ (7,238,931)	$ 1,986,825

SGX RESOURCES INC.

Statements of cash flows
(unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash flows from operating activities		
Interest income	$ 4,362	$ 16,110
Payments to suppliers	(1,500,249)	(289,351)
	(1,495,887)	(273,241)
Cash flows from financing activities		
Proceeds from share capital	-	284,447
Proceeds from warrants exercised	13,200	-
	13,200	284,447
Cash flows from investing activities		
Change in short-term investments	(1,108,933)	(5,016,110)
Change in cash	(2,591,620)	(5,004,904)
Cash, beginning of period	2,808,656	5,946,021
Cash, end of period	$ 217,036	$ 941,117

1. Incorporation:

SGX Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act on December 5, 2008. The Company acquires, explores, and develops mineral properties in the Timmins region of Ontario, Canada.

The Company's corporate head office is located at 646 Erin Street, Winnipeg, Manitoba, R3G 2V9. The registered office of the Company is Aikins, MacAulay & Thorvaldon LLP, 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1. The Company is listed on the TSX Venture Exchange. The Company's common shares trade under the symbol "SXR".

SGX Resources Inc. (the "Company") is a listed public company, incorporated and domiciled in Canada. The address of the Company's corporate head office is 646 Erin Street, Winnipeg, Manitoba, R3G 2V9. The registered office of the Company is Aikins, MacAulay & Thorvaldson LLP, 30th floor, 360 Main Street, Winnipeg, Manitoba, R3C 4G1.

For the three month period ended March 31, 2011, the Company had a loss of $1,565,448 (2010 – net income of $672,123) and a deficit of $7,238,931 (December 31, 2010 - $1,137,417, January 1, 2010 - $1,809,540). In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs. Although management may have been successful in the past in undertaking financings, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. These interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and statement of financial position classifications that may be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Summary of significant accounting policies:

a) Basis of presentation –

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 16, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of June 28, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

2. Summary of significant accounting policies (continued):

a) Basis of presentation (continued) –

The interim financial statements should be read in conjunction with the Company's Canadian generally accepted accounting practice GAAP (Canadian GAAP) annual financial statements for the year ended December 31, 2010.

These interim financial statements are presented in Canadian dollars, which is also the Company's functional currency as it is the currency of the primary economic environment in which the transactions are undertaken. All reference to dollars ($) are to Canadian dollars unless otherwise noted. The interim financial statements have been prepared on a historical cost basis, except for short-term investments.

b) Accounting estimates –

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal year.

c) Cash –

Cash consists of funds on deposit.

d) Financial instruments –

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as at fair value through profit or loss, available for sale, held to maturity, loans and receivables, or financial liabilities measured at amortized cost. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of financial instruments at initial recognition. Transactions to purchase or sell financial assets are recorded on the settlement date.

Financial assets and financial liabilities classified at fair value through profit or loss are subsequently measured at fair value with gains and losses recognized in net income (loss). Loans and receivables and financial liabilities measured at amortized cost are subsequently measured at their amortized cost, using the effective interest method.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net income (loss), except for derivatives that are designated as cash flow hedges. The Company presently does not have any derivative financial instruments.

The Company has designated its accounts payable as a financial liability measured at amortized cost, which is reflected on the statement of financial position as amortized cost using the effective interest method of measurement. Short-term investments have been designated at fair value through profit or loss, and are reflected on the statement of financial position at fair value. The Company has designated cash, other accounts receivable and share subscriptions as loans and receivables, which are reflected on the statement of financial position at amortized cost using the effective interest method of measurement.

2. Summary of significant accounting policies (continued):

d) Financial instruments (continued) –

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current net income (loss).

e) Fair Value –

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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
- Inputs for the asset or liability that are not based on observable market date (unobserved inputs) (Level 3).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

f) Income taxes –

Current tax for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax is recognized using the statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. Summary of significant accounting policies (continued):

f) Income taxes (continued) –

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

Current and deferred taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

Mining Taxes
Income tax expense includes the mining taxes payable to governments that are calculated based on a percentage of taxable profit whereby taxable profit represents net income adjusted for certain items defined in the applicable legislation.

Interim Reporting
The income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

In addition to the application of the budgeted income tax rate, income tax expense in each interim period includes, in addition to other items, changes in the recognition of deferred tax assets, legislative changes and tax rate changes.

g) Revenue recognition –

Interest income is recognized using the effective interest method.

h) Exploration expenditures and mining claims –

Exploration expenditures relate to activities that are directed towards less than proven and probable ore reserves and are expensed as incurred. The costs to acquire mining claims are capitalized.

2. Summary of significant accounting policies (continued):

i) Impairment of non-financial assets –

Mining claims are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of income.

j) Provisions –

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

k) Share-based compensation plan and warrants –

The Company has a share-based compensation plan as described in Note 8 and Note 9. The fair value based method of accounting is applied to all share-based compensation. The fair value of the share options granted is estimated on the date of grant using the Black-Scholes option-pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Any consideration paid by the directors on exercise of the share option is credited to share capital. Awards of options and warrants related to private placements or public offerings of shares are treated as share issue costs.

l) Net Income (loss) per share –

Basic net income (loss) per share is calculated using the daily weighted average number of shares outstanding.

Diluted net income (loss) per share is calculated using the daily weighted average number of shares that would have been outstanding during the year had all dilutive potential common shares been issued at the beginning of the year, or when the underlying options or convertible securities were granted or issued, if later. The treasury share method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options to acquire shares.

2. Summary of significant accounting policies (continued):

m) Recent accounting pronouncements –

The following new or amended standards have been issued by the IASB:

- IFRS 9 - replaces IAS 39 – Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 10 – Consolidated Financial Statements – replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities, provides a single consolidation model that identifies control as the basis for consolidation for all types of entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 11 – Joint Arrangements - supersedes IAS 31 Interests in Joint Ventures and SIC-13—Jointly Controlled Entities–Non-monetary Contributions by Venturers, established principles for the financial reporting by parties to a joint arrangement, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 12 – Disclosure of Interests in Other Entities - combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangement, associates and unconsolidated structured entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 13 – Fair Value Measurement - defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

The Company is currently evaluating the impact of these standards on its financial statements.

3. Critical accounting estimates and judgments:

The preparation of the Company's financial statement requires management to use estimates and judgments that affect the reported amounts of assets and liabilities, as well as revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net income (loss) in the period in which they become known.

The recoverability of deferred expenditures is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

4. Short-term investments:

Short-term investments classified as held for trading include a Scotiabank guaranteed investment certificate bearing interest at 1.46% (December 31, 2010 - 1.4%) maturing on January 5, 2012 (December 31, 2010 - January 7, 2011).

5. Mining claims:

Partner	Location	Agreement entered	December 31, 2010 Carrying Value	Commitment for option
Pierre C. Robert Claims	Timmins, Ontario 8 claims	May 2008 – Amended May 2010	$140,000 (December 31, 2010 - $140,000, January 1, 2010 - $74,400) 3% net smelter return with the right to buy back 1% for $1,000,000	$100,000 and 80,000 shares of San Gold Corporation on or before June 2011. Additionally, an exploration commitment of $450,000 over a three-year period ending in 2011.
Bristol-Carscallen Claims	Timmins, Ontario 15 claims	May 2008	$496,500 (December 31, 2010 - $496,500, January 1, 2010 - $365,500) 2% net smelter return with the right to buy back 1% for $1,000,000	$150,000 and 60,000 shares or San Gold Corporation on or before July 21, 2011. Additionally, an exploration commitment of $450,000 over a three-year period ending in 2011.
Odyssey Explorations Ltd. Claims	Timmins, Ontario 11 claims	July 2008	$nil (December 31, 2010, $nil, January 1, 2010 - $241,200) 2% net smelter return with the right to buy back 1% for $1,000,000	As at March 31, 2011, commitments were not met.
Orlando Claims	Timmins, Ontario 1 claim	August 2008	$nil (December 31, 2010, $nil, January 1, 2010 - $30,480) 2% net smelter return with the right to buy back 1% for $1,000,000	As at March 31, 2011, commitments were not met.
Robert/ Allaire Claims	Timmins, Ontario 2 claims	December 2009	$49,750 (December 31, 2010 - $49,750, January 1, 2010 - $15,000) 2% net smelter return with the right to buy back 1% for $1,000,000	$25,000 and 10,000 shares of San Gold Corporation on or before August 28, 2011. Additionally, an exploration commitment of $50,000 over three-year period ending in 2012.
Kornik Claims	Timmins, Ontario 4 claims	February 2009	$nil (December 31, 2010 - $47,500, January 1, 2010 - $12,000) 2% net smelter return with the right to buy back 1% for $1,000,000	As at March 31, 2011, commitments were not met.
Croxall, Kangas, Miller, Salo, Bryant Claims	Timmins Ontario 36 claims	May 2010	$25,005 (December 31, 2010 - $25,005, January 1, 2010 - $nil) 2% net smelter return with the right to buy back 1% for $1,000,000 multiplied by the percentage increase in the CPI from the month the property is transferred to the Company to the month the net smelter return is purchased	$18,000 and 48,000 shares of the Company on or before May 11, 2011, $25,000 and 84,000 shares of the Company on or before May 11, 2012, $50,000 and 262,000 shares of the Company on or before May 11, 2013. There is no required work commitment from the Company pursuant to the agreement.

5. Mining claims (continued):

Partner	Location	Agreement entered	December 30, 2010 Carrying Value	Commitment for option
Shoreacres claim	Timmins, Ontario 1 claim	May 2010	$51,000 (December 31, 2010 - $51,000, January 1, 2010 - $nil) 2% net smelter return with the right to buy back 1% for $1,500,000	$25,000 and 100,000 shares of the Company on or before May 17, 2011, $25,000 and 100,000 shares of the Company on or before May 17, 2012, $37,500 and 150,000 shares of the Company on or before May 17, 2013 and $62,500 and 250,000 shares of the Company on or before May 17, 2014 There is no required work commitment from the Company pursuant to the agreement
Canada Lithium	Timmins, Ontario 50% interest in 18 claims	September 2010	$404,000 (December 31, 2010 - $404,000, January 1, 2010 - $nil)	The properties have a 5% net profits interest with Talisman Energy Inc., and a net profits interest acquisition agreement with Falconbridge Limited where Falconbridge Limited is entitled to a one-time cash payment of 0.1% of the gold price set forth in a feasibility study leading to production on the claims multiplied by the number of recoverable ounces of gold identified in the feasibility study due at the commencement of commercial production as defined by the agreement. Falconbridge Limited is also entitled to a 0.5% net smelter royalty on all ounces produced over and above those identified in the feasibility study.
2205730 Ontario Inc.	Timmins, Ontario 3 claims	September 2010	$23,040 (December 31, 2010 - $23,040, January 1, 2010 - $nil) 1% net smelter return with the right to buy back 0.5% for $1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Rousseau, Rochon Claims	Timmins, Ontario 3 claims	November 2010	$38,000 (December 31, 2010 - $38,000, January 1, 2010 - $nil) 2% net smelter return with the right to buy back 1% for $1,000,000	$20,000 and 100,000 shares of the Company on or before November 4, 2012 and $40,000 and 100,000 shares of the Company on or before November 4, 2012. Additionally, an exploration commitment of $100,000 over two years.
Cunnison, Londry, Pyke and Rair Claims	Timmins, Ontario 2 claims	January 2011	$nil (December 31, 2010 - $nil, January 1, 2010 - $nil) 3% net smelter return to January 13, 2016 with the right to buy back 2% for $1,000,000, if 2% buy back not exercised 5% subsequent to January 13, 2016 with the right to buy back 2% for $1,000,000	$20,000 and 100,000 shares of the Company on or before January 13, 2013, $40,000 on or before January 13, 2014, $60,000 on or before January 13, 2015 and $80,000 and 100,000 shares of the Company on or before January 13, 2016. Additionally, an exploration commitment of $500,000 before January 3, 2016 with a drilling commitment of 1000m by January 13, 2013, of which at least 300m must be drilled by July 4, 2011.
Total			$1,227,295 (December 31, 2010 - $1,274,795, January 1, 2010 - $738,580)	

5. Mining claims:

The Company agreed to enter into a right of first refusal agreement with San Gold Corporation. Pursuant to the agreement, the Company granted to San Gold a right of first refusal with respect to the sale by the Company of any of the Company's interest in the option agreements, the properties or any mineral property or any interest in any mineral property held by the Company. The agreement requires that until December 4, 2014, the Company must first offer to San Gold Corporation the Company's interest in the option agreements, the properties or any mineral property or interest in any mineral property held by the Company that the Company desires to sell before selling to a third party, on terms and conditions that are the same as those contained in the offer to San Gold Corporation.

6. Share capital:

Authorized:
Unlimited number of common shares
Issued:
60,841,621 common shares
(December 31, 2010 - 60,797,621)
(January 1, 2010 - 51,582,160)

	March 31, 2011	December 31, 2010
Share capital, beginning of period	$ 7,460,792	$ 5,556,981
Private placement	-	2,471,060
Issued for mining claims	-	387,795
Exercise of warrants	15,083	23,424
Proceeds allocated to warrants issued	-	(223,407)
Proceeds allocated to warrants amended	-	(485,860)
Share issue costs	-	(269,201)
Share capital, end of period	$ 7,475,875	$ 7,460,792

On December 4, 2009 the Company issued 19,000,000 common shares for the purchase of mining claims from San Gold Corporation. The shares were valued at $2,500,000.

On December 4, 2009 the Company completed a private placement issuing 15,943,840 common shares and 15,943,840 warrants for aggregate gross proceeds of $3,985,960. On December 22, 2009 the Company completed a second closing of its private placement issuing 9,383,946 common shares and 9,383,946 warrants for gross proceeds of $2,345,987 and on December 30, 2009 the Company completed a third closing of its private placement issuing 1,254,374 common shares and 1,254,374 warrants for gross proceeds of $313,594. During the year ended December 31, 2010, the expiry date of the warrants issued in 2009 was extended to July 15, 2011 resulting in a charge of $485,860 to proceeds allocated to warrants.

On June 3, 2010 the Company issued 388,462 common shares at a value of $0.26 share pursuant to a mining claim agreement. On June 18, 2010 the Company issued 49,000 common shares at a value of $0.245 per common share pursuant to a mining claim agreement. On September 3, 2010 the Company issued 600,000 common shares at a value of $0.34 per common share pursuant to a mining claim agreement. On September 22, 2010 the Company issued 72,000 common shares at a value of $0.32 per common share pursuant to a mining claim agreement. On October 22, 1010 the Company issued 51,166 common shares at a value of $0.386 per share pursuant to a mining claim agreement. On November 1, 2010 the Company issued 100,000 common shares at a value of $0.28 pursuant to a mining claim agreement.

6. Share capital (continued):

On December 1, 2010 the Company issued 68,333 common shares on the exercise of share options for gross proceeds of $20,500.

On December 31, 2010 the Company completed a private placement issuing 7,886,500 common shares and 3,943,250 warrants for aggregate gross proceeds of $2,760,275.

13,663,949 common shares and 1,163,949 warrants are held in escrow pursuant to the requirements of the TSX Venture Exchange to be released as to 25% thereof on the date of the listing for trading of the common shares on April 28, 2010, 25% on the date that is six months from the listing date, 25% on the date that is 12 months following the listing date and the remaining common shares and warrants on the date that is 18 months from the listing date. On April 28, 2010, 6,831,974 common shares and 581,974 warrants, being 25% of the original number of escrowed common shares and warrants, were released from escrow. On October 28, 2010, 6,831,974 common shares and 581,974 warrants, being 25% of the original number of escrowed common shares and warrants, were released from escrow.

On March 29, 2011 the Company issued 44,000 common shares on the exercise of share options for gross proceeds of $13,200.

7. Contributed surplus:

	March 31, 2011	December 31, 2010
Contributed surplus, beginning of period	$ 1,751,764	$ 651,448
Warrants granted	-	223,407
Options granted	-	411,679
Warrants amended	-	485,860
Options cancelled	-	(17,706)
Warrants exercised	(1,883)	(2,924)
Share capital, end of period	$ 1,749,881	$ 1,751,764

8. Share options:

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

During the year ended December 31, 2010, the fair value of each share option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions used for the grant: dividend yield of 0%, expected volatility ranging from 40% to 74%, risk free interest rates ranging from 1.79% to 2.55% and expected life of 1,825 days.

A summary of the status of the Company's outstanding options as of March 31, 2011 and December 31, 2010 and changes during the periods then ended are as follows:

8. Share options (continued):

	March 31, 2011	Average Price	December 31, 2010	Average Price
Options, beginning of the period	3,900,000	$ 0.25	-	$ -
Options issued	-	-	4,050,000	0.26
Options cancelled	-	-	(150,000)	0.30
Options outstanding and vested, end of period	3,900,000	$ 0.25	3,900,000	$ 0.25
Weighted average remaining life (years)	4.38		4.64	

9. Warrants:

During the year ended December 31, 2010, the fair value of each warrant grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: dividend yield of 0%, expected volatility of 68% to 74%, risk free interest rate of 1.66% to 1.70%, and expected life of 235 days to 559 days.

A summary of the status of the Company's outstanding warrants as of March 31, 2011 and December 31, 2010 and changes during the periods then ended are as follows:

	March 31, 2011	Average Price	December 31, 2010	Average Price
Warrants, beginning of the period	30,457,077	$ 0.32	26,582,160	$ 0.30
Warrants issued	-	-	3,943,250	0.45
Warrants exercised	(44,000)	0.30	(68,333)	0.30
Warrants outstanding and vested, end of period	30,413,077	$ 0.32	30,457,077	$ 0.32
Weighted average remaining life (years)	0.42		0.67	

During the year ended December 31, 2010 the Company obtained approval to extend the expiry of certain warrants to July 15, 2011.

10. Net income (loss) per share:

The weighted average basic and diluted common shares outstanding for the three months ended March 31, 2011 and 2010 are 60,798,599 and 51,582,160 respectively. Net loss available to common shareholders for the period ended March 31, 2011 is $1,565,448 (March 31, 2010 – net income $672,123). There are no dilutive instruments.

11. Income taxes:

The Company has issued flow-through shares to finance certain of its exploration activities. During the year ended December 31, 2010, the Company renounced $6,041,400 of expenditures to the purchasing shareholders and as a result, tax deductibility of these costs will not be available to the Company. During the year ended December 31, 2010, the Company issued $2,484,248 of flow through shares. During the three months ended March 31, 2011, the Company renounced $2,484,248 of expenditures to shareholders.

Significant components of the Company's future income tax asset (liability) are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Non-capital loss carryforward	$ 117,300	$ 71,800	$ 31,400
Canadian exploration and development expense pools	439,900	675,400	625,000
Share issue costs	112,900	122,000	90,800
Mining claims	(330,600)	(318,700)	(184,600)
Future income tax asset	339,500	550,500	562,600
Valuation allowance	(339,500)	(550,500)	(562,600)
Share capital, end of period	$ -	$ -	$ -

12. Related party transactions:

Included in accounts receivable is $603,681 due from San Gold Corporation for costs incurred by the Company on behalf of San Gold Corporations. Included in accounts payable at December 31, 2010 is $123,000 payable to San Gold Corporation for the issue of share capital to meet certain mining claim commitments. There are no related party balances as at January 1, 20101. San Gold Corporation exerts significant influences over the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive of otherwise) of the Company. Total salaries and other short-term compensation expense for the three months ended March 31, 2011 is $39,753 (2010 - $18,814).

13. Commitments:

The Company has entered into lease commitments for equipment and premises with minimum lease payments as follows:

2011	$ 61,985
2012	35,046
2013	29,846
2014	16,800
2015	11,200

14. Capital management:

The Company's total capital of $1,986,825 (December 31, 2010 - $3,539,073, January 1, 2010 - $5,071,012) consists of $7,475,875 (December 31, 2010 - $7,460,792, January 1, 2010 - 5,556,981) of share capital, $1,749,881 (December 31, 2010 - $1,751,764, January 1, 2010 - 651,448) of contributed surplus and an offsetting deficit of $7,238,931 (December 31, 2010 - $5,673,483, January 1, 2010 – $1,137,417).

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

15. Risk management and fair values:

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Company's financial obligations associates with financial liabilities.

Accounts payable are due within one year.

15. Risk management and fair values (continued):

Credit Risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company only enters into transaction in Canadian dollars and is not exposed to currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. In general, the risk of investing cash equivalents into fixed interest rate investments is mitigated by the short terms in which the investments mature.

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Mineral prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

15. Risk management and fair values (continued):

Fair values

The fair values of the Company's financial assets and liabilities consisting of cash and share subscriptions, other accounts receivable and accounts payable approximate their recorded values as at March 31, 2011, December 31, 2010 and January 1, 2009 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

The fair value hierarchy of financial instruments measured at fair value on the statement of financial position is level 2 for short-term investments (December 31, 2010 – level 2 for short-term investments).

16. First time adoption of IFRS:

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian GAAP. These interim financial statements, for the period ended March 31 2011, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS).

Accordingly, the Company has prepared interim financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2011. In preparing these interim financial statements, the Company's opening statement of financial position was prepared as at 1 January 2010, the Company's date of transition to IFRS. This note explains how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance, and cash flows as set out in the following tables and notes.

IFRS election option and mandatory exception

a) IFRS allows first-time adopters to not apply IFRS 2 to equity instruments granted after November 7, 2002 that vested before transition to IFRS.

   The Company has elected this exemption and as a result will only apply IFRS 2 for share-based payments that had not vested at January 1, 2010.

b) 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. Estimates under IFRS at January 1, 2010 are consistent with estimates made for that same date under Canadian GAAP.

16. First time adoption of IFRS (continued):

Reconciliation of the statement of financial position as previously reported under Canadian GAAP to IFRS as at January 1, 2010:

	Canadian GAAP January 1, 2010	December 31, 2010 change in policy	Effect of change	IFRS restated January 1, 2010
ASSETS				
Current assets				
Cash	$ 5,946,021	$ -	$ -	$ 5,946,021
Share subscriptions	284,447	-	-	284,447
Other accounts receivable	712	-	-	712
	6,231,180	-	-	6,231,180
Mining claims	738,580	-	-	738,580
	$ 6,969,760	$ -	$ -	$ 6,969,760
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$ 74,429	$ -	$ -	$ 74,429
Flow-through share premium	-	-	2,496,442	2,496,442
	74,429	-	2,496,442	2,570,871
Equity				
Share capital	9,145,601	(1,092,178)	(2,496,442)	5,556,981
Contributed surplus	651,448		-	651,448
Deficit	(2,901,718)	1,092,178	-	(1,809,540)
	6,895,331	-	(2,496,442)	4,398,889
	$ 6,969,760	$ -	$ -	$ 6,969,760

16. First time adoption of IFRS (continued):

Reconciliation of the statement of financial position as previously reported under Canadian GAAP to IFRS as at March 31, 2010:

	Canadian GAAP March 31, 2010	December 31, 2010 change in policy	Effect of change	IFRS restated March 31, 2010
ASSETS				
Current assets				
Cash	$ 941,117	$ -	$ -	$ 941,117
Short-term investments	5,016,110	-	-	5,016,110
Other accounts receivable	17,609	-	-	17,609
Prepaid expenses	3,100	-	-	3,100
	5,977,936	-	-	5,977,936
Mining claims	774,080	-	-	774,080
Deferred charges	82,875	-	-	82,875
	$ 6,834,891	$ -	$ -	$ 6,834,891
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$ 344,679	$ -	$ -	$ 344,679
Future tax liability	1,419,200	-	-	1,419,200
	1,763,879	-	-	1,763,879
Equity				
Share capital	9,145,601	(2,634,678)	(953,942)	5,556,981
Contributed surplus	651,448		-	651,448
Deficit	(4,726,037)	2,634,678	953,942	(1,137,417)
	5,071,012	-	-	5,071,012
	$ 6,834,891	$ -	$ -	$ 6,834,891

16. First time adoption of IFRS (continued):

Reconciliation of the statement of financial position as previously reported under Canadian GAAP to IFRS as at December 31, 2010:

	Canadian GAAP December 31, 2010	Effect of change	IFRS restated December 31, 2010
ASSETS			
Current assets			
Cash	$ 2,808,656	$ -	$ 2,808,656
Short-term investments	97,444	-	97,444
Other accounts receivable	387,234	-	387,234
Prepaid expenses	38,971	-	38,971
	3,332,305	-	3,332,305
Mining claims	1,274,795	-	1,274,795
	$ 4,607,100	$ -	$ 4,607,100
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 778,812	$ -	$ 778,812
Flow-through share premium	-	289,215	289,215
	778,812	289,215	1,068,027
Equity			
Share capital	8,373,649	(912,857)	7,460,792
Contributed surplus	1,751,764	-	1,751,764
Deficit	(6,297,125)	623,642	(5,673,483)
	3,828,288	(289,215)	3,539,073
	$ 4,607,100	$ -	$ 4,607,100

16. First time adoption of IFRS (continued):

Reconciliation of statement of net loss and comprehensive loss as previously reported under Canadian GAAP to IFRS for the three months ended March 31, 2010:

	Canadian GAAP March 31, 2010	Effect of change	IFRS restated March 31, 2010
Exploration expenditures	$ 302,542	$ -	$ 302,542
General and administrative	118,687	-	118,687
Net loss before the following	(421,229)	-	(421,229)
Interest income	16,110	-	16,110
Net loss before income tax	(405,119)	-	(405,119)
Future income tax benefit (expense)	123,300	953,942	1,077,242
Net income (loss) and comprehensive income (loss)	$ (281,819)	$ 953,942	$ 672,123

Reconciliation of statement of loss and comprehensive loss as previously reported under Canadian GAAP to IFRS for the year ended December 31, 2010:

	Canadian GAAP December 31, 2010	Effect of change	IFRS restated December 31, 2010
Exploration expenditures	$ 4,405,316	$ -	$ 4,405,316
General and administrative	785,610	-	785,610
Mining claims	822,930	-	822,930
Share based compensation	393,973	-	393,973
Net loss before the following	(6,407,829)	-	(6,407,829)
Interest income	47,444	-	47,444
Net loss before income tax	(6,360,385)	-	(6,360,385)
Future income tax benefit (expense)	1,872,800	623,642	2,496,442
Net loss and comprehensive loss	$ (4,487,585)	$ 623,642	$ (3,863,943)

16. First time adoption of IFRS (continued):

December 31, 2010 change in policy

As disclosed on the financial statements for the year ended December 31, 2010, the policy for share issue costs was changed. Share issue costs that had previously been charged to retained earnings were now charged to share capital. The change in accounting policy was applied retrospectively with restatement of comparative figures. The balance of deficit and share capital as at January 1, 2010 has been restated by $1,092,178 representing the cumulative share issue costs charged to retained earnings in prior periods. The balance of deficit and share capital as at March 31, 2010 has been restated by $2,634,678 representing the cumulative share issue costs charged to retained earnings in prior periods.

Effect of change

Under IFRS, on the issue of flow-through shares the Company will record a liability for the difference between the proceeds received and the market price of the Company's shares on the date of the transaction ("premium"). This premium will be recognized as income upon the related renouncement of expenditures. At this point, the Company will also record the deferred tax liability associated with the renouncement of the tax benefits. Any difference between the deferred tax liability and the original premium liability will be recorded in the statement of income.

The adjustment on transition to IFRS to record the change in accounting for flow-through shares is computed as the difference between the tax attributes renounced to subscribers (and recorded against share capital for Canadian GAAP and the premium on the flow through share issuance (which is the only amount that should be recorded for IFRS). Under IFRS, the difference is recorded to future tax expense, which impacts accumulated retained earnings. The difference between the proceeds received and the market price of the Company's shares on transition from prior flow-through shares before January 1, 2010 was $2,496,442. The amount was recorded as a reduction of share capital and an increase to flow through share premium as at January 1, 2010.

Upon renouncing expenditures from previously issued flow-through shares in the period ended March 31, 2010, an income tax expense was recorded as the difference between the premium and value of tax attributes renounced to shareholders. The value of the tax attributes of $1,542,500 previously recorded against share capital less the premium of $2,496,442 was recorded as a future income tax benefit. For the year ended December 31, 2010, the value of the tax attributes renounced of $1,872,800 previously recorded against share capital less the premium of $2,496,442 was recorded as a future income tax benefit.

The Company also issued flow through shares in the fourth quarter of 2010. The difference between the proceeds received and the market price of the Company's shares on the date of the transaction of $289,215 was recorded as a reduction of share capital and increase to flow through share premium as at December 31, 2010.

Other impacts

a) Cash flow statement
There are no material differences between the cash flow statements presented under IFRS and the cash flow statements presented under Canadian GAAP for the quarter ended March 31, 2010 and the year ended December 31, 2010.

b) Net income (loss) per share
As a result of the change in accounting for flow-through shares as described above, the Company's loss per common share has decreased by $0.02 to income of $0.01 per common share for the three months ended March 31, 2010 and decreased $0.02 to a loss of $0.07 per common share for the year ended December 31, 2010.

17. Subsequent events:

Subsequent to March 31, 2011, the Company closed a private placement issuing 300,000 flow-through units and 1,200,000 non flow-through units for aggregate gross proceeds of $390,000. Each flow-through unit is comprised of one common share of the Company issued as a "flow-through share" within the meaning of the Income Tax Act (Canada) and one common share purchase warrant. Each non flow-through unit was comprised of one regular common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.35 per share until the date that is two years from the date of issuance.

Subsequent to March 31, 2011, the Company issued 142,000 common shares to meet certain mining claim commitments. The Company also issued 1,636,256 common shares to San Gold Corporation to settle an amount owing between the companies.