

SAMPLE PRECIOUS & OTHER METALS EXPLORATION CORPORATION
ILLUSTRATIVE IFRS CONDENSED INTERIM FINANCIAL STATEMENTS
CANADIAN FIRST-TIME ADOPTER

For the three month period ended March 31, 2011



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The purpose of this publication is to assist precious and other metals exploration companies in preparing their first International Financial Reporting Standards (IFRS) quarterly financial statements.

Financial Statement Preparation Assumptions

The illustrative financial statements are based on the following assumptions:

- All investments were classified as available-for-sale under pre-changeover Canadian GAAP and the available-for-sale classification will be maintained under IFRS.
- All property, plant and equipment will be accounted for using the cost model.
- The fair value as deemed cost election will not be used for property, plant and equipment
- The Company has no complex financing arrangements such as convertible debt.
- The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRS'
- The going concern disclosures are considered appropriate for this company, which we assume has sufficient cash resources to meet its obligations for a minimum of twelve months from the end of the reporting period. The appropriate disclosure may be different based on facts and circumstances of each individual company.

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The publication is based on standards and interpretations that have been issued by the International Accounting Standards Board (IASB) by March 31, 2011. The sample financial statements should not be used as a substitute for referring to standards and interpretations themselves.

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Precious & Other Metals Exploration

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three month period ended March 31, 2011

CONTENTS

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)	2
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS/INCOME (UNAUDITED)	3
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	4
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)	5
1. Corporate Information.....	6
2. Basis of Preparation.....	6
3. Summary of Significant Accounting Policies	7
4. Critical Accounting Estimates and Judgments	15
5. Cash and Cash Equivalents.....	16
6. Available-For-Sale Investment	16
7. Reclamation Deposits.....	16
8. Exploration and Evaluation Assets.....	16
9. Property, Plant and Equipment	17
10. Other Liabilities	18
11. Provisions	18
12. Share Capital and Reserves	19
13. Share-Based Payments.....	21
14. Nature of Expenses.....	22
15. Income Taxes.....	23
16. Related Party Transactions	25
17. Segmental Reporting.....	25
18. Loss Per Share.....	25
19. Events After the Reporting Date.....	25
20. First Time Adoption of International Financial Reporting Standards.....	26

Precious & Other Metals Exploration

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

Expressed in Canadian Dollars

March 31, 2011

References: IAS 1.10(a), IAS 1.38, IAS 1.54, IAS 1.60, IAS 1.66, IAS 1.69, IAS 1.78, IAS 1.113, IFRS 6.23

Reference:	March 31, 2011 \$'000	December 31, 2010 \$'000	January 1, 2010 \$'000
IAS 1.54	Assets		
IAS 1.60	Current assets		
IAS 1.55	Cash and cash equivalents (Note 5)	\$ xxx	\$ xxx
IAS 1.66	Prepaid expenses and deposits	xxx	xxx
	Available-for-sale investment (Note 6)	xxx	xxx
	Total current assets	\$ xxx	\$ xxx
	Non-current assets		
	Reclamation deposits (Note 7)	\$ xxx	\$ xxx
IFRS 6.23(c)	Exploration and evaluation assets (Note 8)	xxx	xxx
	Property, plant and equipment (Note 9)	xxx	xxx
	Total non-current assets	\$ xxx	\$ xxx
	Total assets	\$ xxx	\$ xxx
IAS 1.54	Liabilities and shareholders' equity		
IAS 1.69	Current liabilities		
	Trade and other payables	\$ xxx	\$ xxx
	Other liabilities (Note 10)	xxx	xxx
	Total current liabilities	\$ xxx	\$ xxx
	Non-current liabilities		
	Provisions (Note 11)	xxx	xxx
	Total non-current liabilities	\$ xxx	\$ xxx
	Total liabilities	\$ xxx	\$ xxx
IAS 1.54	Shareholders' equity		
IAS 1.78	Share capital (Note 12)	\$ xxx	\$ xxx
IAS 1.55	Contributed surplus (Note 12)	xxx	xxx
	Accumulated other comprehensive loss/income	xxx	xxx
IAS 1.55	Accumulated deficit	(xxx)	(xxx)
	Total shareholders' equity	\$ xxx	\$ xxx
	Total liabilities and shareholders' equity	\$ xxx	\$ xxx

Signed on behalf of the Board of Directors by: _____

The accompanying notes form an integral part of these condensed interim financial statements

Precious & Other Metals Exploration

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS/INCOME (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

References: IAS 1.10(b), IAS 1.81, IAS 1.82, IAS 1.85, IAS 1.87, IAS 1.97, IAS 1.99, IAS 1.104

Reference:	March 31, 2011 \$'000	March 31, 2010 \$'000	
IAS 1.82	Interest and other income (Note 10)	\$ xxx	\$ xxx
IAS 1.99	Depreciation (Note 9)	xxx	xxx
	Employee costs	xxx	xxx
	Finance expense	xxx	xxx
	Other expenses (Note 14)	xxx	xxx
	Total expenses	xxx	xxx
	Loss before income tax	(xxx)	(xxx)
IAS 12.77	Income tax expense (Note 15)	xxx	xxx
	Loss after income tax	\$ (xxx)	\$ (xxx)
	Other comprehensive income, net of tax		
IFRS 7.20	Fair value gains/(losses) on available-for-sale investments	xxx	xxx
	Total other comprehensive income, net of tax	\$ xxx	\$ xxx
	Total comprehensive loss/income for the period	\$ xxx	\$ xxx
IAS 33.66	Loss per common share, basic and diluted (Note 18)	\$ (x.xx)	\$ (x.xx)

The accompanying notes form an integral part of these condensed interim financial statements

Precious & Other Metals Exploration

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

References: IAS 1.10(c), IAS 1.79, IAS 1.106

Reference:		Share capital \$'000	Contributed surplus \$'000	Accumulated other comprehensive loss \$'000	Deficit \$'000	Total \$'000
IAS 1.82 IAS 1.106 IFRS 7.20	Balance at January 1, 2010	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx
	Loss for the period				(xxx)	(xxx)
	Share capital issued (Note 12)	xxx				xxx
	Stock options issued		xxx			xxx
	Options exercised	xxx	(xxx)			xxx
	Warrants issued		xxx			xxx
	Warrants exercised	xxx	(xxx)			xxx
	Share issue costs	(xxx)	xxx			(xxx)
	Available-for-sale investment			xxx		xxx
IAS 1.106	Balance at March 31, 2010	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx
IAS 1.106	Balance at January 1, 2011	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx
	Loss for the period				(xxx)	(xxx)
	Share capital issued (Note 12)	xxx				xxx
	Stock options issued		xxx			xxx
	Options exercised	xxx	(xxx)			xxx
	Warrants issued		xxx			xxx
	Warrants exercised	xxx	(xxx)			xxx
	Share issue costs	(xxx)	xxx			(xxx)
	Available-for-sale investment			xxx		xxx
IAS 1.106	Balance at March 31, 2011	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx

The accompanying notes form an integral part of these condensed interim financial statements

Precious & Other Metals Exploration

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

References: IAS 1.10(d), IAS 7.10, IAS 7.17, IAS 7.18, IAS 7.20, IAS 7.21, IAS 7.31, IAS 7.35, IAS 7.43, IAS 7.45

Reference:	March 31, 2011 \$'000	March 31, 2010 \$'000
IAS 7.18-21	Cash flows from operating activities	
	Loss for the period	\$ (xxx) \$ (xxx)
	Adjustments to reconcile loss to net cash used in operating activities:	
	Depreciation (Note 9)	xxx xxx
	Interest income	xxx xxx
	Finance expense	xxx xxx
	Income tax expense	xxx xxx
	Changes in non-cash working capital balances:	
	Other receivables	xxx xxx
	Prepaid expenses	xxx xxx
	Trade and other payables	xxx xxx
	Other liabilities	xxx xxx
	Provisions	xxx xxx
	Cash generated from operations	xxx xxx
IAS 7.35	Income tax paid	(xxx) (xxx)
IAS 7.10	Total cash inflows from operating activities	\$ xxx \$ xxx
	Cash flows from investing activities	
	Acquisition of property, plant and equipment	(xxx) (xxx)
	Investment in exploration and evaluation assets	(xxx) (xxx)
	Change in reclamation deposits	xxx xxx
IAS 7.31	Interest received	xxx xxx
IAS 7.10	Total cash (outflows) from investing activities	\$ (xxx) \$ (xxx)
IAS 7.17	Cash flows from financing activities	
	Proceeds from share issuance	xxx xxx
	Costs of issue of shares	(xxx) (xxx)
	Proceeds from exercise of stock options	xxx xxx
IAS 7.31	Interest paid	(xxx) (xxx)
IAS 7.10	Total cash inflows from financing activities	\$ xxx \$ xxx
	Total increase in cash during the period	\$ xxx \$ xxx
	Cash and cash equivalents at beginning of period (Note 5)	\$ xxx \$ xxx
IAS 7.45	Cash and cash equivalents at end of period (Note 5)	\$ xxx \$ xxx

The accompanying notes form an integral part of these condensed interim financial statements

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: 1. CORPORATE INFORMATION

IAS 1.10(e)
IAS 1.51
IAS 1.113
IAS 1.138

Precious & Other Metals Exploration's business activity is the exploration and evaluation of mineral properties in Canada. Precious & Other Metals Exploration (the "Company") was incorporated under the Canada Business Corporations Act on Month DD, xxxx, and has continued as a company under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange, having the symbol xxxx-V, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is 123 Any Street, Vancouver, British Columbia, Canada.

IAS 1.112(a) 2. BASIS OF PREPARATION

a) Statement of Compliance

IAS 1.16

The financial statements of the Company for the year-ending December 31, 2011 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). These condensed interim financial statements for the three month period ended March 31, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 20.

IAS 10.17

The condensed interim financial statements were authorized for issue by the Board of Directors on Month DD, 2011.

b) Basis of Measurement

IAS 1.117

The condensed interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

IAS 1.51
IAS 21.8
IAS 21.53

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand (CDN \$'000), unless otherwise indicated.

IAS 1.122
IAS 1.125

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

c) Going Concern of Operations

IAS 1.25

The Company has not generated revenue from operations. The Company incurred a net loss of \$xxx during the three months-ended March 31, 2011 and, as of that date the Company's deficit was \$xxx. However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

IAS 1.10(e) The accounting policies set out below are expected to be adopted for the year-ending December 31, 2011 and have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

IAS 21.21 At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, IAS 21.23 unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument. IAS 21.30 IAS 21.32

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

b) Cash and Cash Equivalents

IFRS 7.B5(f) Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. IAS 39.58

c) Leased Assets

IAS 17.7 Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor. IAS 17.19

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

Reference: d) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

IFRS 6.23 Exploration and Evaluation Expenditures¹
IFRS 6.24

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

IFRS 6.10 Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

e) Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

¹ Capitalizing vs. Expensing Exploration and Evaluation Costs:

Under IFRS 6, upon transition to IFRS, an entity may continue to follow their current accounting policies, whereby E&E expenditures are capitalized or a Company may elect to expense all E&E costs. Current industry practice on the capitalization vs. expensing of E&E activities varies by company. Significant management judgment is required to determine appropriate accounting policies relating to the treatment of E&E expenditures upon transition to IFRS. Precious & Other Metals Exploration has elected to continue to capitalize E&E activities that are directly related to the discovery, acquisition or development of E&E activities upon transition to IFRS.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: f) Property, Plant and Equipment

IAS 16.6 Recognition and Measurement

IAS 16.73

IAS 16.16

IAS 16.30

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

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

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

IAS 16.73 Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Furniture and Fixtures	Straight line over x Years
Office Equipment	Straight line over x Years
Vehicles	Straight line over x Years
Field Equipment	Straight line over x Years

IAS 16.51 Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

Reference: **g) Impairment of Non-Financial Assets**

IAS 36.12 Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

IAS 39.9 **h) Financial Instruments**

Financial Assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

IFRS 7.21 **Loans and Receivables**

IAS 39.43
IAS 39.46

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

IFRS 7.21B5 **Available-For-Sale Investments**

IAS 39.43
IAS 39.44
IAS 39.45
IAS 39.46

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

IFRS 7 B5 **Impairment on Financial Assets**

IAS 39.58

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: **Financial Liabilities**

IFRS 7.21 Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within x days of recognition.

IAS 37.10 i) **Provisions**

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

IAS 37.10 **Other Provisions**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

j) **Income Taxes**

IAS 1.32 **IAS 12.34** **IAS 12.58** Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

IAS 12.12 **IAS 12.46** Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

IAS 12.15 **IAS 12.24** Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

IAS 12.24 **IAS 12.34** **IAS 12.37** Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: k) Government Grants

IAS 20.39 From time to time the Company receives government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in operations in the period in which it is determined.

IFRS 7.76 l) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 10.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

IAS 33.70 Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: m) Share-based Payments

IFRS 2.12
IFRS 2.46 Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

IFRS 2.13 Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

IAS 1.79(b) All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: n) Standards, Amendments and Interpretations Not Yet Effective²

IAS 1.31,
IAS 8.30,
IAS 8.31

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods.

The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements, will or may have an effect on the Company's future results and financial position:

- IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements, will not have an effect on the Company's future results and financial position:

- IFRS 1: Severe Hyperinflation (Effective for periods beginning on or after July 1, 2011)
- IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2012)
- Amendments to IFRS 9: Financial Instruments (Effective for periods beginning on or after January 1, 2013)

² "Standards, Amendments and Interpretations Not Yet Effective" section may need further updating prior to condensed interim financial statement release.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

IAS 1.122
IAS 1.125
IAS 1.129
IAS 1.130

Precious & Other Metals Exploration makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

IAS 8.36

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

i) Rehabilitation Provisions

Rehabilitation provisions have been created based on Precious & Other Metals Exploration's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

The discount rate currently applied in the calculation of the net present value of the provision is x.x%.

ii) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

iii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iv) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

6. AVAILABLE-FOR-SALE INVESTMENT

IFRS 7.7

Available-for-sale investment consists of an investment in common shares of XYZ Mine Company Limited, and therefore has no fixed maturity date or coupon rate. The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

7. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in certificates of deposits with a maturity date of 20xx and an interest rate of x.xx%.

8. EXPLORATION AND EVALUATION ASSETS

IFRS 6.23

IFRS 6.24

IFRS 6.25

	Property xxx \$'000	Property xxx \$'000	Total \$'000
Balance at January 1, 2010	\$ xxx	\$ xxx	\$ xxx
Exploration costs	xxx	xxx	xxx
Acquisition of property xxx	xxx	xxx	xxx
Write-off of unsuccessful exploration expenditure	(xxx)	(xxx)	(xxx)
Balance at December 31, 2010	\$ xxx	\$ xxx	\$ xxx
Exploration costs	xxx	xxx	xxx
Acquisition of property xxx	xxx	xxx	xxx
Write-off of unsuccessful exploration expenditure	(xxx)	(xxx)	(xxx)
Balance at March 31, 2011	\$ xxx	\$ xxx	\$ xxx

The impairment assessment of exploration and evaluation assets resulted in no amounts being written off the Company's properties. Property xxx is 100% owned and is located in north-western Québec. Property xxx is 100% owned and is located in northern Ontario.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: **9. PROPERTY, PLANT AND EQUIPMENT**

		Furniture and fixtures \$'000	Office equipment \$'000	Vehicles \$'000	Field equipment \$'000	Total \$'000
	Cost					
IAS 16.73d	Balance at January 1, 2010	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
IAS 16.73e	Additions	xxx	xxx	xxx	xxx	xxx
IAS 16.73e	Disposals	xxx	xxx	xxx	xxx	xxx
		\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
IAS 16.73d	Balance at December 31, 2010					
IAS 16.73e	Additions	xxx	xxx	xxx	xxx	xxx
IAS 16.73e	Disposals	xxx	xxx	xxx	xxx	xxx
		\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
IAS 16.73d	Balance at March 31, 2011					
	Depreciation and impairment losses					
IAS 16.73d	Balance at January 1, 2010	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
IAS 16.73e	Depreciation for the year	xxx	xxx	xxx	xxx	xxx
IAS 16.73e	Impairment loss	xxx	xxx	xxx	xxx	xxx
IAS 16.73e	Disposals	xxx	xxx	xxx	xxx	xxx
		\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
IAS 16.73d	Balance at December 31, 2010					
IAS 16.73e	Depreciation for the period	xxx	xxx	xxx	xxx	xxx
IAS 16.73e	Impairment loss	xxx	xxx	xxx	xxx	xxx
IAS 16.73e	Disposals	xxx	xxx	xxx	xxx	xxx
		\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
IAS 16.73d	Balance at March 31, 2011					
	Carrying amounts					
	At January 1, 2010	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	At December 31, 2010	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
IAS 1.78a	At March 31, 2011	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

As of March 31, 2011, depreciation of \$xxx (December 31, 2010 - \$xxx) has been capitalized to exploration and evaluation activities.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: 10. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

IFRS 7.7 Flow-through Shares

	Issued on Month DD, 2009 \$'000	Issued on Month DD, 2010 \$'000	Total \$'000
Balance at January 1, 2010	\$ xxx	\$ -	\$ xxx
Liability incurred on flow-through shares issued		xxx	xxx
Settlement of flow-through share liability on incurring expenditures	(xxx)		
Balance at December 31, 2010	\$ xxx	\$ xxx	\$ xxx
Liability incurred on flow-through shares issued			
Settlement of flow-through share liability on incurring expenditures	(xxx)	(xxx)	
Balance at March 31, 2011	\$ xxx	\$ xxx	\$ xxx

On Month DD, 2009, the Company completed a brokered private placement, consisting of the issue and sale of xxx flow-through units at a price of \$x.xx per flow-through unit and xxx common share units at a price of \$x.xx per unit, for aggregate gross proceeds of \$xxx. Each flow-through unit consisted of one flowthrough common share and one-half of one common share purchase warrant.

As at December 2010, the Company had fulfilled its commitment to incur exploration expenditures in relation to flow-through share financing in 2010.

On Month DD, 2010, the Company completed a brokered private placement, consisting of the issue and sale of xxx flow-through units at a price of \$x.xx per flow-through unit and xxx common share units at a price of \$x.xx per unit, for aggregate gross proceeds of \$xxx. Each flow-through unit consisted of one flowthrough common share and onehalf of one common share purchase warrant; each common share unit consisted of one common share and one-half of one common share purchase warrant.

As at March 2011, the Company had fulfilled its commitment to incur exploration expenditures in relation to flow-through share financing in 2010.

11. PROVISIONS

IAS 37.84
IAS 37.88

	Rehabilitation \$'000	Other \$'000	Total \$'000
Balance at January 1, 2010	\$ xxx	\$ xxx	\$ xxx
Change in liability estimate	xxx	xxx	xxx
Accretion of interest	xxx	xxx	xxx
Balance at December 31, 2010	\$ xxx	\$ xxx	\$ xxx
Change in liability estimate	xxx	xxx	xxx
Accretion of interest	xxx	xxx	xxx
Balance at March 31, 2011	\$ xxx	\$ xxx	\$ xxx

Rehabilitation Provision

Precious & Other Metals Exploration makes full provision for the future cost of site rehabilitation on a discounted basis at the time exploration and evaluation activities take place. The rehabilitation provision represents the present value of rehabilitation costs relating to exploration and evaluation activities, which are expected to be incurred up to 20xx.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: **12. SHARE CAPITAL AND RESERVES**

IAS 1.79 a) **Common Shares**

IAS 1.134

The Company is authorized to issue an unlimited number of common shares, issuable in series.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital from January 1, 2010 to March 31, 2011:

	Number of Shares	Issue Price	Amount \$'000's
Balance at January 1, 2010	xxx		\$ xxx
Shares issued via private placement	xxx	\$ x.xx	xxx
Flow-through share issuance	xxx	\$ x.xx	xxx
Issue of shares on exercise of warrants	xxx	\$ x.xx	xxx
IAS 1.79(a) Issue of shares on exercise of options	xxx	\$ x.xx	xxx
Less share issue costs			(xxx)
Balance at December 31, 2010	xxx		\$ xxx
Issue of shares on exercise of warrants	xxx	\$ x.xx	xxx
Issue of shares on exercise of options	xxx	\$ x.xx	xxx
Less share issue costs			(xxx)
Balance at March 31, 2011	xxx		\$ xxx

IAS 1.79(a) b) **Preferred Shares**

The Company is authorized to issue an unlimited number of preference shares, issuable in series.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued since the Company's inception.

c) **Contributed Surplus**

The following is a summary of changes in contributed surplus from January 1, 2010 to March 31, 2011:

	March 31, 2011	December 31, 2010	January 1, 2010
	\$'000	\$'000	\$'000
Warrants	\$ xxx	\$ xxx	\$ xxx
Share Options (Note 13)	xxx	xxx	xxx
Contributed Surplus	\$ xxx	\$ xxx	\$ xxx

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: d) Share Purchase Warrants

IAS 1.79 The following is a summary of changes in warrants from January 1, 2010 to March 31, 2011:
IAS 1.134

	Number of Warrants	Amount \$'000's
Balance at January 1, 2010	xxx	\$ xxx
Issue of warrants	xxx	xxx
Exercised warrants	(xxx)	(xxx)
Balance December 31, 2010	xxx	\$ xxx
Issue of warrants	xxx	xxx
Exercised warrants	(xxx)	(xxx)
Balance as at March 31, 2011	xxx	\$ xxx

As at March 31, 2011, the Company had outstanding warrants as follows:

Number of warrants	Exercise price	Expiry
xxx	\$ x.xx	MM/DD/ 20YY
xxx	\$ x.xx	MM/DD/ 20YY
xxx	\$ x.xx	MM/DD/ 20YY

On Month DD, 2010, the Company completed a brokered private placement, consisting of the issue and sale of xxx flow-through units at a price of \$x.xx per flow-through unit and xxx common share units at a price of \$x.xx per unit, for aggregate gross proceeds of \$xxx. Each flow-through unit consisted of one flowthrough common share and one-half of one common share purchase warrant; each common share unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$x.xx per share for a period of xx months after the closing of the offering. The Company paid commission of \$xxx and issued xxx broker compensation warrants exercisable at \$x.xx per share expiring Month DD, 20XX valued at \$xxx. Share issuance costs related to the placement totaled \$xxx.

e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: **13. SHARE-BASED PAYMENTS**

IFRS 2.45 a) **Option Plan Details**

IFRS 2.44 The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to four years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. In accordance with the Plan, 25% of the options vest immediately, with a further 25% vesting in each of the subsequent three years on the anniversary of the initial grant date.

IFRS 2.45 The following is a summary of changes in options from January 1, 2010 to March 31, 2011:

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the Year			Closing Balance	Vested and Exercisable	Unvested
				Granted	Exercised	Forfeited			
MM/DD/YY	MM/DD/YY	\$ x.xx	xxx	xxx	(xxx)	(xxx)	xxx	xxx	xxx
MM/DD/YY	MM/DD/YY	\$ x.xx	xxx	xxx	(xxx)	(xxx)	xxx	xxx	xxx
MM/DD/YY	MM/DD/YY	\$ x.xx	xxx	xxx	(xxx)	(xxx)	xxx	xxx	xxx
MM/DD/YY	MM/DD/YY	\$ x.xx	xx	xxx	(xxx)	(xxx)	xxx	xxx	xxx
			xxx	xxx	xxx	xxx	xxx	xxx	xxx
Weighted Average Exercise Price			\$ x.xx	\$ x.xx	\$ x.xx	\$ x.xx	\$ x.xx	\$ x.xx	\$ x.xx

b) **Fair Value of Options Issued During the Period**

The weighted average fair value at grant date of options granted during the period ended March 31, 2011 was \$x.xx per option (year-ended December 31, 2010: \$x.xx).

IFRS 2.44 **Options Issued to Employees**

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

IFRS 2.44 Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

IFRS 2.45(d) The model inputs for options granted during the period ended March 31, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
MM/DD/YY	MM/DD/YY	\$ x.xx	\$ x.xx	x.xx%-x.xx%	xx-months	x.xx%-x.xx%	-%
MM/DD/YY	MM/DD/YY	\$ x.xx	\$ x.xx	x.xx%-x.xx%	xx-months	x.xx%-x.xx%	-%
MM/DD/YY	MM/DD/YY	\$ x.xx	\$ x.xx	x.xx%-x.xx%	xx-months	x.xx%-x.xx%	-%
MM/DD/YY	MM/DD/YY	\$ x.xx	\$ x.xx	x.xx%-x.xx%	xx-months	x.xx%-x.xx%	-%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

IFRS 2.45(c) The weighted average share price at the date of exercise of options during the period ended March 31, 2011 was \$x.xx per share (year-ended December 31, 2010: \$x.xx).

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: c) Expenses Arising from Share-based Payment Transactions
IFRS 2.51(a) Total expenses arising from share-based payment transactions recognized during the period as part of employee benefit expense were \$xxx (3 months ended March 31, 2010: \$xxx).

IFRS 6.23 d) Amounts Capitalized Arising from Share-based Payment Transactions
Total expenses arising from share-based payment transaction that were capitalized during the period as part of exploration and evaluation activities were \$xxx (3 months ended March 31, 2010: \$xxx).

14. NATURE OF EXPENSES

IAS 1.99

	March 31, 2011 \$'000	March 31, 2010 \$'000
Other expenses include:		
General and administrative expenses	\$ xxx	\$ xxx
Transportation expenses	xxx	xxx
Advertising expenses	xxx	xxx
	<u>\$ xxx</u>	<u>\$ xxx</u>

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: **15. INCOME TAXES**

IAS 12.80 Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate for the period ending March 31, 2011 was x.xx% (March 31, 2010: x.xx%).

The difference between tax expense for the period and the expected income taxes based on the statutory tax rate are as follows:

	March 31, 2011 \$'000	March 31, 2010 \$'000
Loss before income taxes	\$ (xxx)	\$ (xxx)
Tax recovery based on the statutory rate of xx% (2010: xx%)	\$ (xxx)	\$ (xxx)
Change in tax rates	xxx	xxx
Non-deductible expenses	xxx	xxx
Unrecognized non-capital loss carry-forwards	xxx	xxx
Total income tax expense (recovery)	\$ xxx	\$ xxx

IAS 12.80(d) Changes to the federal and provincial tax rates were announced in 2011 which resulted in an adjustment to the opening carrying value of temporary differences.

Deferred Tax Assets and Liabilities

IAS 12.81 The nature and tax effect of the temporary differences giving rise to the future income tax assets and liabilities at March 31, 2011 and December 31, 2010 are summarized as follows:

	January 1, 2011 \$'000	Recognized in net income	Recognized directly in equity	Recognized in accumulated other comprehensive income	March 31, 2011 \$'000
Property, plant and equipment	\$ xxx	\$ xxx	\$ xxx		\$ xxx
Share issue costs	xxx		xxx		xxx
Non-capital losses carried forward	xxx	xxx			xxx
Capital losses carried forward	xxx	xxx			xxx
	\$ xxx	\$ xxx	\$ xxx		\$ xxx
Offset against deferred tax liabilities	(xxx)	(xxx)	(xxx)		(xxx)
Unrecognized deferred tax asset	(xxx)	(xxx)	(xxx)		(xxx)
Deferred tax assets	\$ -	\$ xxx	\$ -	\$ -	\$ xxx
Exploration	\$ (xxx)	\$ (xxx)			\$ (xxx)
Available-for-sale investment				\$ (xxx)	
Offset against deferred tax assets	xxx	xxx			xxx
Deferred tax liabilities	\$ -	\$ -	\$ -	\$ (xxx)	\$ (xxx)
Net deferred tax balance	\$ -	\$ xxx	\$ -	\$ (xxx)	\$ -

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference:

	January 1, 2010 \$'000	Recognize in net income	Recognize directly in equity	Recognized in accumulated other comprehensive income	December 31, 2010 \$'000
Property, plant and equipment	\$ xxx	\$ xxx	\$ xxx		\$ xxx
Share issue costs	xxx		xxx		xxx
Non-capital losses carried forward	xxx	xxx			xxx
Capital losses carried forward	xxx	xxx			xxx
	\$ xxx	\$ xxx	\$ xxx		\$ xxx
Offset against deferred tax liabilities	(xxx)	(xxx)	(xxx)		(xxx)
Unrecognized deferred tax asset	(xxx)	(xxx)	(xxx)		(xxx)
Deferred tax assets	\$ -	\$ xxx	\$ -	\$ -	\$ xxx
Exploration	\$ (xxx)	\$ (xxx)			\$ (xxx)
Available-for-sale investment				\$ (xxx)	
Offset against deferred tax assets	xxx	xxx			xxx
Deferred tax liabilities	-	-		(xxx)	(xxx)
Net deferred tax balance	\$ -	\$ xxx	\$ -	\$ (xxx)	\$ -

As at March 31, 2011, the Company had estimated capital losses for Canadian tax purposes of \$xxx. These losses do not expire and may be utilized to reduce future capital gains, if any.

IAS 12.81
IAS 12.81(e)

As at March 31, 2011, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses is provided below.

Tax Losses

IAS 12.81

These tax losses will expire as follows:

Year of Expiry	Taxable Losses
20XX	\$ xxx
20XX	xxx
20XX	xxx
Total	\$ xxx

IAS 12.81

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these condensed interim financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: 16. RELATED PARTY TRANSACTIONS

IAS 24.18 The following is a summary of the Company's related party transactions during the period:

a) Legal Fees

Legal fees of \$xxx (three months-ended March 31, 2010: \$xxx), incurred in connection with the Company's financings as well as general corporate matters, were paid to a law firm of which one partner is a director of the Company. At March 31, 2011, \$xxx (January 1, 2010: \$xxx, December 31, 2010: \$xxx) owing to this legal firm was included in accounts payable.

b) Rental Payments

Rental payments of \$xxx (three months-ended March 31, 2010: \$xxx) were paid to Office Company, which is controlled by a director of the Company. At March 31, 2011, \$xxx (January 1, 2010: \$xxx, December 31, 2010: \$xxx) owing was included in accounts payable.

IAS 24.17 c) Key Management Compensation

Key management personnel compensation comprised:

	March 31, 2011 \$'000	March 31, 2010 \$'000
Short term employee benefits and director fees	\$ xxx	\$ xxx
Share-based payments	xxx	xxx
	<u>\$ xxx</u>	<u>\$ xxx</u>

17. SEGMENTAL REPORTING

IFRS 8.20 The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

18. LOSS PER SHARE

IAS 33.70 Weighted Average Number of Common Shares:

	March 31, 2011 \$'000	March 31, 2010 \$'000
Issued common shares at January 1	\$ xxx	\$ xxx
Effect of shares issued in xxxx	xxx	xxx
Effect of share options exercised	xxx	xxx
Effect of share options on issue	xxx	xxx
Effect of share warrants on issue	xxx	xxx
	<u>\$ xxx</u>	<u>\$ xxx</u>

19. EVENTS AFTER THE REPORTING DATE

IAS 10.21 Private Placement Financing

On April 15, 2011 the Company obtained a brokered private placement for total proceeds of \$xxx consisting of xxx flow-through units at a price of \$x.xx. Each flow-through unit consisted of one flow-through share and one non-transferrable share purchase warrant exercisable at a price of \$x.xx for each warrant.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: 20. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1.23-28 The Company's financial statements for the year-ending December 31, 2011 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

OPTIONAL EXEMPTIONS

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

IFRS 1.C1-C5 Business Combinations

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

IFRS 1.D2 Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

IFRS 1.D18 Compound Financial Instruments

The Company has elected not to retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the date of transition to IFRS.

IFRS 1.D21 Changes in Existing Decommissioning, Restoration and Similar Liabilities

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result the Company has re-measured the provisions at January 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

IFRS 1.D23 Borrowing Costs

The Company has elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

MANDATORY EXCEPTIONS

IFRS 1.B2,B3 Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

Reference: Estimates

IFRS 1.14-16 The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

IFRS 1.23 RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND COMPREHENSIVE INCOME TO IFRS

IFRS 1.25 IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

Reference: **RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT JANUARY 1, 2010 – TRANSITION DATE**

IFRS 1.24-25

	Sub note	Canadian GAAP \$'000	Effect of transition to IFRS \$'000	IFRS \$'000
Assets				
Current assets				
Cash and cash equivalents		\$ xxx		\$ xxx
Prepaid expenses and deposits		xxx		xxx
Available-for-sale investment		xxx		xxx
Total current assets		\$ xxx	\$ -	\$ xxx
Non-current assets				
Reclamation deposits		\$ xxx		\$ xxx
Exploration and evaluation assets	(i) (ii)	xxx	xxx	xxx
Property, plant and equipment		xxx	xxx	xxx
Total non-current assets		\$ xxx	\$ xxx	\$ xxx
Total assets		\$ xxx	\$ xxx	\$ xxx
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables		\$ xxx		\$ xxx
Other liabilities	(iii)	xxx	xxx	xxx
Total current liabilities		\$ xxx	\$ xxx	\$ xxx
Non-current liabilities				
Provisions	(i)	\$ xxx	xxx	\$ xxx
Total non-current liabilities		\$ xxx	\$ xxx	\$ xxx
Total liabilities		\$ xxx	\$ xxx	\$ xxx
Shareholders' equity				
Share capital	(iii)	\$ xxx	\$ xxx	\$ xxx
Contributed surplus	(ii)	xxx	xxx	xxx
Accumulated other comprehensive income		xxx		xxx
Accumulated deficit	(i), (iii)	(xxx)	(xxx)	(xxx)
Total shareholders' equity		\$ xxx	\$ xxx	\$ xxx
Total liabilities and shareholders' equity		\$ xxx	\$ xxx	\$ xxx

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

Reference: RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2010

IFRS 1.24-25

	Sub note	Canadian GAAP \$'000	Effect of transition to IFRS \$'000	IFRS \$'000
Assets				
Current assets				
Cash and cash equivalents		\$ xxx		\$ xxx
Prepaid expenses and deposits		xxx		xxx
Available-for-sale investment		xxx		xxx
Total current assets		\$ xxx	\$ -	\$ xxx
Non-current assets				
Reclamation deposits		\$ xxx		\$ xxx
Exploration and evaluation assets	(i) (ii)	xxx	xxx	xxx
Property, plant and equipment		xxx	xxx	xxx
Total non-current assets		\$ xxx	\$ xxx	\$ xxx
Total assets		\$ xxx	\$ xxx	\$ xxx
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables		\$ xxx		\$ xxx
Other liabilities	(iii)	xxx	xxx	xxx
Total current liabilities		\$ xxx	\$ xxx	\$ xxx
Non-current liabilities				
Provisions	(i)	\$ xxx	xxx	\$ xxx
Total non-current liabilities		\$ xxx	\$ xxx	\$ xxx
Total liabilities		\$ xxx	\$ xxx	\$ xxx
Shareholders' equity				
Share capital	(iii)	\$ xxx	\$ xxx	\$ xxx
Contributed surplus	(ii)	xxx	xxx	xxx
Accumulated other comprehensive income		xxx		xxx
Accumulated deficit	(i), (iii)	(xxx)	(xxx)	(xxx)
Total shareholders' equity		\$ xxx	\$ xxx	\$ xxx
Total liabilities and shareholders' equity		\$ xxx	\$ xxx	\$ xxx

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

Reference: **RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010**

IFRS 1.24-25

	Sub note	Canadian GAAP \$'000	Effect of transition to IFRS \$'000	IFRS \$'000
Assets				
Current assets				
Cash and cash equivalents		\$ xxx		\$ xxx
Prepaid expenses and deposits		xxx		xxx
Available-for-sale investment		xxx		xxx
Total current assets		\$ xxx	\$ -	\$ xxx
Non-current assets				
Reclamation deposits		\$ xxx		\$ xxx
Exploration and evaluation assets	(i) (ii)	xxx	xxx	xxx
Property, plant and equipment		xxx	xxx	xxx
Total non-current assets		\$ xxx	\$ xxx	\$ xxx
Total assets		\$ xxx	\$ xxx	\$ xxx
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables		\$ xxx		\$ xxx
Other liabilities	(iii)	xxx	xxx	xxx
Total current liabilities		\$ xxx	\$ xxx	\$ xxx
Non-current liabilities				
Provisions	(i)	\$ xxx	xxx	\$ xxx
Total non-current liabilities		\$ xxx	\$ xxx	\$ xxx
Total liabilities		\$ xxx	\$ xxx	\$ xxx
Shareholders' equity				
Share capital	(iii)	\$ xxx	\$ xxx	\$ xxx
Contributed surplus	(ii)	xxx	xxx	xxx
Accumulated other comprehensive income		xxx		xxx
Accumulated deficit	(i), (iii)	(xxx)	(xxx)	(xxx)
Total shareholders' equity		\$ xxx	\$ xxx	\$ xxx
Total liabilities and shareholders' equity		\$ xxx	\$ xxx	\$ xxx

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

Reference: RECONCILIATION OF THE STATEMENT OF COMPREHENSIVE LOSS/INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2010
IFRS 1.24-25

	Sub note	Canadian GAAP \$'000	Effect of transition to IFRS \$'000	IFRS \$'000
Interest and other income	(iii)	\$ xxx	\$ xxx	\$ xxx
Depreciation	(i)	xxx	xxx	xxx
Employee costs	(ii)	xxx	xxx	xxx
Finance expense		xxx		xxx
Other expenses		xxx		xxx
Total expenses		\$ xxx	\$ xxx	\$ xxx
Loss before income tax		\$ xxx	\$ xxx	\$ xxx
Income tax expense	(iv)	xxx		xxx
Loss for the period attributable to owners of the parent		\$ xxx	\$ xxx	\$ xxx
Other comprehensive income, net of tax				
Fair value gains / (losses) on available-for-sale investments		xxx		xxx
Total other comprehensive income, net of tax		\$ xxx	\$ xxx	\$ xxx
Total comprehensive income for the year attributable to owners of the parent		\$ xxx	\$ xxx	\$ xxx
Loss per common share, basic and diluted		\$ x.xx	\$ x.xx	\$ x.xx

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference: RECONCILIATION OF THE STATEMENT OF COMPREHENSIVE LOSS/INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	Sub note	Canadian GAAP \$'000	Effect of transition to IFRS \$'000	IFRS \$'000
Interest and other income	(iii)	\$ xxx	\$ xxx	\$ xxx
Depreciation	(i)	xxx	xxx	xxx
Employee costs	(ii)	xxx	xxx	xxx
Finance expense		xxx		
Other expenses		xxx		xxx
Total expenses		\$ xxx	\$ xxx	\$ xxx
Loss before income tax		\$ xxx	\$ xxx	\$ xxx
Income tax expense	(iv)	xxx		xxx
Loss for the period attributable to owners of the parent		\$ xxx	\$ xxx	\$ xxx
Other comprehensive income, net of tax				
Fair value gains / (losses) on available-for-sale investments		xxx		xxx
Total other comprehensive income, net of tax		\$ xxx	\$ xxx	\$ xxx
Total comprehensive income for the period attributable to owners of the parent		\$ xxx	\$ xxx	\$ xxx
Loss per common share, basic and diluted		\$ x.xx	\$ x.xx	\$ x.xx

Reference: EXPLANATIONS FOR THE ADJUSTMENTS ARE AS FOLLOWS:

i) Rehabilitation Provision

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

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

As a result, the rehabilitation provision will increase by \$xxx at January 1, 2010 (December 31, 2010 - \$xxx) with an increase of \$xxx at January 1, 2010 (December 31, 2010 - \$xxx) to exploration and evaluation expenditures. The remaining \$xxx (March 31, 2010 - \$xxx; December 31, 2010 - \$xxx) represents the accretion of the liability which decreases retained earnings.

ii) Share-based Payments

IFRS 2 is effective for the Company as at January 1, 2010 and is applicable to:

- New grants of stock-based payments subsequent to January 1, 2010;
- Equity-settled stock-based compensation awards granted subsequent to November 7, 2002 and that vest after January 1, 2010; and
- Awards that are modified on or after January 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

Pre-changeover Canadian GAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using the graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

IFRS 2 requires each tranche in an award with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

As a result contributed surplus was increased by \$xxx at January 1, 2010 (December 31, 2010 - \$xxx) and exploration and expenditure has been increased by \$xxx at January 1, 2010 (December 31, 2010 - \$xxx).

Further under pre-changeover Canadian GAAP, the Company previously capitalized exploration expenditures settled in the Company's shares, including any related deferred tax. These temporary differences do not arise as a result of business combinations and affect neither accounting nor taxable profit on initial recognition. As a result, they meet the criteria outlined in IAS 12 Income Taxes, to exempt the Company from recognizing deferred tax on initial recognition (the "initial recognition exemption"). This has led to the derecognition of all deferred tax impacts which had previously been recognized, resulting in a decrease in exploration and evaluation asset and deferred tax liabilities of \$xxx at January 1, 2010 (December 31, 2010 - \$xxx).

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

Reference:

iii) Flow-through Shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was increased by \$xxx at the date of transition (December 31, 2010 - \$xxx) and retained earnings were decreased by \$xxx (December 31, 2010 - \$xxx). The impact on net income for the three months-ended March 31, 2011 was \$xxx (three months-ended March 31, 2010 - \$xxx; year-ended December 31, 2010 - \$xxx).

Where flow-through shares were issued but expenditures not incurred by the end of the reporting period, a liability is shown in 'other liabilities'. This resulted in a liability of \$xxx at the date of transition (December 31, 2010 - \$xxx).

iv) Deferred Income Taxes

As a result of the transition to IFRS the carrying amounts of various assets and liabilities have been adjusted (see (i) to (ii) above). There has not been a corresponding change to the tax basis of these assets and liabilities. This will not impact the deferred taxes recognized. However, this will impact the disclosure of individual temporary differences. Details of the various deferred tax liabilities at January 1, 2010 and December 31, 2010 and March 31, 2011 and the corresponding amounts recorded in income and other comprehensive income for the three months-ended March 31, 2011 and 2010 are provided in Note 15.

Precious & Other Metals Exploration

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars
For the three months ended March 31, 2011

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