

GREAT BEAR RESOURCES LTD.
Condensed Interim Financial Statements
Three months ended March 31, 2011
(Expressed in Canadian Dollars)
(Unaudited)

GREAT BEAR RESOURCES LTD.
Index to Condensed Interim Financial Statements
March 31, 2011
(Expressed in Canadian Dollars)
(Unaudited)

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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

GREAT BEAR RESOURCES LTD.
Condensed Interim Statement of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

| | March 31, 2011 | December 31, 2010 Note 16 | January 1, 2010 Note 16 |
|--|---------------------|---------------------------------|-------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents (Note 4) | \$ 3,294,905 | \$ 3,450,923 | \$ 774,675 |
| Investments in equity instruments (Note 5) | 70,226 | 69,013 | 49,845 |
| Receivable (Note 6, 12 and 17) | 638,483 | 583,546 | 5,105 |
| Prepaid expenses and other | 67,580 | 116,626 | 9,721 |
| Total current assets | 4,071,194 | 4,220,108 | 839,346 |
| Receivable (Note 7) | 4,595 | - | - |
| Equipment (Note 8) | - | 9,502 | 1,404 |
| Mineral properties under exploration (Note 9 and 12) | 5,752,453 | 5,735,248 | 85,469 |
| Total assets | \$ 9,828,242 | \$ 9,964,858 | \$ 926,219 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities (Note 10 and 12) | \$ 330,578 | \$ 360,473 | \$ 380,513 |
| EQUITY | | | |
| Share capital (Note 11) | 13,310,420 | 13,310,420 | 4,180,627 |
| Equity reserves | 2,835,762 | 2,835,762 | 592,893 |
| Accumulated other comprehensive income | 51,934 | 50,881 | 25,578 |
| Deficit | (6,700,452) | (6,592,678) | (4,253,392) |
| Total equity | 9,497,664 | 9,604,385 | 545,706 |
| Total liabilities and equity | \$ 9,828,242 | \$ 9,964,858 | \$ 926,219 |

Nature and Continuance of Operations (Note 1)
Commitment (Note 14)
Subsequent Events (Note 17)

Approved and authorized for issue by the Board of Directors

Tony M. Ricci Director

Chris Taylor Director

GREAT BEAR RESOURCES LTD.

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

| | <i>Three Months Ended</i> | |
|---|---------------------------|---------------------|
| | <i>March 31,</i> | <i>March 31,</i> |
| | <i>2011</i> | <i>2010</i> |
| Expenses: | | |
| Amortization | \$ 711 | \$ 70 |
| Consulting fees | 50,051 | 40,692 |
| Investor relations | 5,688 | 3,922 |
| Management fees | 10,200 | 11,000 |
| Office and general | 13,447 | 5,356 |
| Professional fees | 6,463 | 2,376 |
| Property Investigation | 9,721 | 1,265 |
| Share-based compensation | - | 596,266 |
| Transfer agent and filing fees | 8,079 | 5,289 |
| Travel | 3,721 | 5,046 |
| Wages | 10,650 | 2,324 |
| Total expenses | <u>118,731</u> | <u>673,606</u> |
| Other income | | |
| Interest income | 10,796 | 2,395 |
| Loss before income tax provision | <u>107,935</u> | <u>671,211</u> |
| Future income tax (recovery) | <u>(161)</u> | <u>-</u> |
| Net loss for the period | <u>\$ (107,774)</u> | <u>\$ (671,211)</u> |
| Change in unrealized gains on investment in equity instruments | | - |
| Increase (decrease) in fair value during the period | 1,214 | - |
| Income tax expense allocated to comprehensive income | (161) | - |
| Net Comprehensive loss for the period | <u>\$ (106,721)</u> | <u>\$ (671,211)</u> |
| Basic and diluted loss per common share | <u>\$ (0.002)</u> | <u>\$ (0.02)</u> |
| Weighted average number of common shares outstanding | <u>58,494,652</u> | <u>40,717,541</u> |

GREAT BEAR RESOURCES LTD.
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

| | <i>Share Capital</i> | | <i>Equity Reserves Attributable to equity shareholders</i> | <i>Accumulated Other Comprehensive Income</i> | <i>Deficit</i> | <i>Total</i> |
|---|-------------------------|----------------------|--|---|-----------------------|---------------------|
| | <i>Number of Shares</i> | <i>Amount</i> | | | | |
| Balance at January 1, 2010 | 40,549,652 | \$ 4,180,627 | \$ 592,893 | \$ 25,578 | \$ (4,253,392) | \$ 545,706 |
| Flow through shares issued | 3,000,000 | 1,650,000 | - | - | - | 1,650,000 |
| Private placement | 13,000,000 | 7,150,000 | - | - | - | 7,150,000 |
| Stock options exercised | 1,470,000 | 361,000 | - | - | - | 361,000 |
| Finder's fee | 275,000 | 82,500 | - | - | - | 82,500 |
| Mineral property option | 200,000 | 80,000 | - | - | - | 80,000 |
| Share issuance costs | - | (442,560) | - | - | - | (442,560) |
| Subscription receivable | - | 599,000 | - | - | - | 599,000 |
| Share-based compensation | - | - | 1,892,722 | - | - | 1,892,722 |
| Warrants issued for finder's fee | - | (350,147) | 350,147 | - | - | - |
| Loss for the year | - | - | - | - | (2,188,817) | (2,188,817) |
| Dividend on Plan of Arrangement | - | - | - | - | (150,469) | (150,469) |
| Increase in investment in equity instruments during the year | - | - | - | 29,168 | - | 29,168 |
| Income tax expense allocated to comprehensive income | - | - | - | (3,865) | - | (3,865) |
| Balance at December 31, 2010 | 58,494,652 | \$ 13,310,420 | \$ 2,835,762 | \$ 50,881 | \$ (6,592,678) | \$ 9,604,385 |
| Net loss for the period | - | - | - | - | (107,774) | (107,774) |
| Decrease in investment in equity instruments during the period (note 5) | - | - | - | 1,214 | - | 1,214 |
| Income tax expense allocated to comprehensive income (Note 5) | - | - | - | (161) | - | (161) |
| Change during the period | - | - | - | 1,053 | (107,774) | (106,721) |
| Balance at March 31, 2011 | 58,494,652 | \$ 13,310,420 | \$ 2,835,762 | \$ 51,934 | \$ (6,700,452) | \$ 9,497,664 |

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

GREAT BEAR RESOURCES LTD.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

| | <i>Three Months Ended</i> | |
|--|---------------------------------|---------------------------------|
| | <i>March 31,</i> <i>2011</i> | <i>March 31,</i> <i>2010</i> |
| Cash flows from operating activities | | |
| Loss for the period | \$ (107,774) | \$ (671,211) |
| Items not involving cash: | | |
| Amortization | 711 | 70 |
| Asset usage | 4,196 | - |
| Future income tax provision (recovery) | (161) | - |
| Share-based compensation | - | 596,266 |
| | <u>(103,028)</u> | <u>(74,875)</u> |
| Changes in non-cash working capital items: | | |
| Receivable | (54,937) | 648 |
| Prepaid | 49,046 | - |
| Accounts payable and accrued liabilities | (29,894) | (84,020) |
| Net cash used in operating activities | <u>(138,813)</u> | <u>(158,247)</u> |
| Cash flows from investing activities | | |
| Investment in exploration and evaluation assets | (17,205) | (177,336) |
| Net cash used in investing activities | <u>(17,205)</u> | <u>(177,336)</u> |
| Cash flows from financing activities | | |
| Proceeds from share issuance | - | 32,500 |
| Share subscription received | - | 599,000 |
| Funds advanced for share subscription | - | 32,500 |
| Net cash provided by financing activities | <u>-</u> | <u>664,000</u> |
| Changes in cash and cash equivalents during the period | (156,018) | 328,417 |
| Cash and cash equivalents, beginning of period | 3,450,923 | 774,675 |
| Cash and cash equivalents, end of period | <u>\$ 3,294,905</u> | <u>\$ 1,103,092</u> |
| Cash paid during the period for interest | <u>\$ -</u> | <u>\$ -</u> |
| Cash paid during the period for income taxes | <u>\$ -</u> | <u>\$ -</u> |

Supplemental disclosure with respect to Cash Flows (Note 13)

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

March 31, 2011

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Great Bear Resources Ltd. (the "Company") was incorporated under the Company Act (British Columbia) on December 6, 2001. On January 22, 2010, the Company changed its name from Great Bear Uranium Corp. to Great Bear Resources Ltd.

The Company's registered office is located at 302-750 West Pender Street, Vancouver, British Columbia, Canada.

The Company is a mineral exploration company with interests in mineral properties in British Columbia, Canada. The Company's shares are listed on the TSX Venture Exchange ("TSX.V") under the trading symbol "GBR".

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and subsidiaries, unless otherwise noted.

The Company is in the process of exploring its resource properties and has not yet determined whether the resource properties contain reserves that are economically recoverable. The recoverability of amounts shown for the resource properties are dependent upon the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying mineral claims, the ability of the company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof. The business of mining and exploring for resources involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. Changes in future conditions could require material write-downs of the carrying values of resource properties.

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

These unaudited condensed interim financial statements are the Company's first IFRS condensed interim financial statements for part of the period covered by the first IFRS annual financial statements. The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP") (for the year ended December 31, 2010). The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 16.

The condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

GREAT BEAR RESOURCES LTD.
Notes to the Condensed Interim Financial Statements
March 31, 2011
(Expressed in Canadian Dollars)
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2. BASIS OF PREPARATION (continued)

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. the recoverability of receivables which are included in the interim statements of financial position;
2. the carrying value and the recoverability of exploration and evaluation, which are included in the interim statements of financial position;
3. the estimated useful lives of equipment which are included in the interim statements of financial position and the related amortization included in profit or loss;
4. the inputs used in the accounting for stock-based compensation expense included in profit or loss.

Going Concern of Operations

These condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues.

GREAT BEAR RESOURCES LTD.
Notes to the Condensed Interim Financial Statements
March 31, 2011
(Expressed in Canadian Dollars)
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below will be effective in the annual financial statements 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 currencies

The Company's functional and reporting currency for all its operations is the Canadian dollar as this is the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the statement of financial position. Non-monetary assets and liabilities are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i. Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available for sale ("AFS"); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. All transactions related to financial instruments are recorded on a trade date basis.

GREAT BEAR RESOURCES LTD.
Notes to the Condensed Interim Financial Statements
March 31, 2011
(Expressed in Canadian Dollars)
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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Financial instruments *(continued)*

i. Financial assets *(continued)*

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the profit or loss.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

GREAT BEAR RESOURCES LTD.
Notes to the Condensed Interim Financial Statements
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(Expressed in Canadian Dollars)
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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Financial instruments *(continued)*

i. Financial assets *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Derecognition of financial assets

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

The Company has classified cash and cash equivalents as FVPTL and receivables are classified as loans and receivables.

GREAT BEAR RESOURCES LTD.
Notes to the Condensed Interim Financial Statements
March 31, 2011
(Expressed in Canadian Dollars)
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Financial instruments *(continued)*

ii. Financial Liabilities

Financial liabilities are classified as either financial liabilities ``at fair value through profit or loss`` or ``other financial liabilities``.

Fair value through profit or loss

This category is comprised of derivatives, or liabilities, acquired or incurred principally for the purpose of seeing or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the profit or loss.

Other financial liabilities

This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities as other liabilities.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

(c) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized in profit and loss as it accrues, using effective interest method.

(d) Property and Equipment

Property and equipment is recorded at historical cost less accumulated depreciation and impairment charges. Property and equipment is depreciated using a declining balance basis over the estimated useful lives of the individual assets. The significant classes of property and equipment and their useful lives are as follows:

| | |
|-------------------------|-----|
| Computer | 20% |
| Furniture and equipment | 15% |
| Office equipment | 20% |

Amortization is recorded at half the annual rate in the year of acquisition.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and recognized in profit or loss.

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Notes to the Condensed Interim Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Mineral properties under exploration

Pre-exploration costs

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

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project has been established as commercially viable and technically feasible, related development costs are capitalized into Development Costs. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

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.

(f) Impairment of non-financial assets

At each date of the statement of financial position, the Company's carrying amounts of its assets are reviewed to determine whether there is any indication that those assets maybe impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

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March 31, 2011
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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Restoration and environmental rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in the statement of operations.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs to date.

(h) Share-based compensation

The Company has a stock option plan as described in Note 11 (d). The Company records all stock-based compensation paid to employees and consultants using the fair value method. An individual is classified as an employee, versus a consultant, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Compensation expense attributable to share based awards to employees is measured at the fair value at the date of grant using the Black-Scholes model. Each tranche of an option grant is valued individually and then amortized on a straight-line basis over the graded vesting period of the award. The fair value, under the Black-Scholes model, takes into account a number of variables, including the exercise price of the award, the expected dividend rate, the expected life of the options, forfeiture rate and the risk free interest rate.

(i) Accounting for Flow-through Shares

The Company finances a significant portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy.

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Accounting for Flow-through Shares *(continued)*

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Warrant reserve – if warrants are being issued, based on the valuation derived using the Black-Scholes option-pricing model;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature; and
- Share capital – the residual balance.

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets as explained in Note 3(e).

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period). Additionally, the Company reverses the liability for the flow-through share premium to income, on a proportionate basis, as an offset to deferred tax expense.

(j) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(l) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the condensed statements of comprehensive income (loss) and the condensed statements of changes in equity.

(m) New standards not yet adopted

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013 and has not yet considered the potential impact of the adoption of IFRS 9.

4. CASH AND CASH EQUIVALENTS

| | March 31, 2011 | December 31, 2010 |
|---------------------------|---------------------|----------------------|
| Cash on deposit | \$ 123,127 | \$ 2,387,216 |
| Liquid short term deposit | \$ 3,171,778 | \$ 1,063,707 |
| | \$ 3,294,905 | \$ 3,450,923 |

5. INVESTMENT IN EQUITY INSTRUMENTS

Available-for-sale investment consists of an investment in common shares of publicly traded companies, 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. During the period the Company recognized increase in fair value of the investment in the amount of \$1,214 with corresponding income tax charge of (\$161).

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6. RECEIVABLES

The Company's receivables arise from two main sources: Harmonized Sales Tax (HST) receivable due from Canadian government taxation authorities, current receivables and advanced receivable due from a director and officer of the Company. The receivables balance is broken down as follows:

| | March 31, 2011 | December 31, 2010 |
|---|-------------------|----------------------|
| Harmonized Sales Tax (HST) receivable (Note 17) | \$ 591,735 | \$ 575,298 |
| Current receivable (Note 12) | 38,500 | - |
| Advances (Note 12) | \$ 8,248 | \$ 8,248 |
| | \$ 638,483 | \$ 583,546 |

7. RECEIVABLE

The long term receivable represents amounts owing from a company with directors in common for the sale of certain equipment and furniture. The assets were sold at fair market value which approximates net book value, no gains or losses were recognized on the sale.

8. PROPERTY AND EQUIPMENT

Cost:

| | <i>Computer equipment</i> | <i>Computer software</i> | <i>Office equipment</i> | <i>Total</i> |
|-------------------------------|-------------------------------|------------------------------|-----------------------------|--------------|
| Balance, January 1, 2010 | \$ - | \$ - | \$ 1,949 | \$ 1,949 |
| Addition | 7,323 | 6,140 | - | 13,463 |
| Disposal | - | - | - | - |
| Balance, December 31, 2010 | 7,323 | 6,140 | 1,949 | 15,412 |
| Addition | - | - | - | - |
| Disposal | (7,323) | (6,140) | (1,949) | (15,412) |
| Balance, March 31, 2011 | \$ - | \$ - | \$ - | \$ - |

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8. PROPERTY AND EQUIPMENT *(continued)*

Accumulated depreciation:

| | <i>Computer equipment</i> | <i>Computer software</i> | <i>Office equipment</i> | <i>Total</i> |
|-----------------------------|-------------------------------|------------------------------|-----------------------------|--------------|
| Balance, January 1, 2010 | \$ - | \$ - | \$ 545 | \$ 545 |
| Depreciation for the year | 2,014 | 3,070 | 281 | 5,365 |
| Disposal | - | - | - | - |
| Balance, December 31, 2010 | 2,014 | 3,070 | 826 | 5,910 |
| Depreciation for the period | 162 | 512 | 37 | 711 |
| Disposal | (2,176) | (3,582) | (863) | (711) |
| Balance, March 31, 2011 | \$ - | \$ - | \$ - | \$ - |
| Carrying amounts | | | | |
| As at December 31, 2010 | \$ 5,309 | \$ 3,070 | \$ 1,123 | \$ 9,502 |
| As at March 31, 2011 | \$ - | \$ - | \$ - | \$ - |

9. MINERAL PROPERTIES UNDER EXPLORATION

| | <i>Birch Property</i> | <i>BA Project</i> | <i>Surprise Creek Property</i> | <i>Total</i> |
|----------------------------|---------------------------|-------------------|--|--------------|
| Cost | | | | |
| Balance, January 1, 2010 | \$ 85,469 | \$ - | \$ - | \$ 85,469 |
| Acquisition costs | 15,000 | 240,500 | 277,625 | 533,125 |
| Assay | - | 113,191 | - | 113,191 |
| Drilling | - | 2,193,873 | - | 2,193,873 |
| Geological | - | 2,281,930 | - | 2,281,930 |
| Surveying | - | 405,980 | 222,149 | 628,129 |
| Dividend on Plan of | (100,469) | - | - | (100,469) |
| Balance, December 31, 2010 | - | 5,235,474 | 499,774 | 5,735,248 |
| Assay | - | 873 | - | 873 |
| Geological | - | 13,260 | - | 13,260 |
| Camp and general | - | 3,072 | - | 3,072 |
| Balance, March 31, 2011 | \$ - | \$ 5,252,679 | \$ 499,774 | \$ 5,752,453 |

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

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9. MINERAL PROPERTIES UNDER EXPLORATION *(continued)*

a) Birch Property

Effective May 31, 2010, the Company completed a Statutory Plan of Arrangement (the "Arrangement") pursuant to the provisions of section 288 of the British Columbia Business Corporations Act.

The arrangement involved the transfer of \$50,000 of the Company's cash and its option on the Birch Property to Mountain Gold Resources Ltd., ("Mountain Gold"), which was formerly a wholly owned subsidiary; it also involved the distribution of Mountain Gold shares to the shareholders of the Company pro-rata accordingly to their holdings of shares of the Company.

As a result, the Company recorded a dividend on Plan of Arrangement during the period equal to the Company's cost in the Birch Property and \$50,000 cash.

By agreement dated December 17, 2007, the Company entered into an option agreement to acquire a 100% interest in the Birch Property located in the province of British Columbia.

Upon execution of the agreement, the Company paid \$10,000 and issued 75,000 common shares at a fair value of \$0.21 per share.

The Option Agreement requires the Company to make cash payments, issue common shares of the Company and incur exploration expenditures on the property as follows:

- i) \$10,000(paid), issue 7,500 common shares and incurring \$50,000(incurred) exploration expenditures on the property on or before December 20, 2010.
- ii) \$15,000, issue 7,500 common shares and incurring \$100,000 in exploration expenditures on the property on or before December 20, 2011.
- iii) \$15,000, issue 100,000 common shares and incurring \$100,000 in exploration expenditures on the property on or before December 20, 2012.
- iv) \$30,000, issue 100,000 common shares and incurring \$100,000 in exploration expenditures on the property on or before December 20, 2013.
- v) \$200,000, issue 100,000 common shares and incurring \$200,000 in exploration expenditures on the property on or before December 20, 2014.
- vi) \$300,000, issue 200,000 common shares and incurring \$300,000 in exploration expenditures on the property on or before December 20, 2015.
- vii) \$200,000 and issue 200,000 common shares on or before December 20, 2016.

The Optionor maintain a NSR Royalty equal to 2.5% of the Net Smelter Returns upon commencement of commercial production on the property, 1.5% of which may be purchased by the Company for \$1,000,000.

The Optionor agreed to provide a one year extension to all of the option payments and exploration commitments under the option agreement in exchange for \$15,000 cash payment. The one year extensions have been reflected above.

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9. MINERAL PROPERTIES UNDER EXPLORATION *(continued)*

b) BA Project

By agreement dated January 28, 2010, the Company entered into an Option and Joint Venture Agreement to acquire up to a 70% interest in the BA Project and George Copper claims Project located in the Skeena Mining Division, Province of British Columbia.

The Company will earn an initial 50% interest in the BA Project by paying \$158,000 and by incurring \$5.5 million in exploration expenditures as follows:

- i) Exploration expenditures aggregating not less than \$1,000,000 on or before December 31, 2010 (incurred).
- ii) Exploration expenditures aggregating not less than \$1,250,000 on or before December 31, 2011.
- iii) Exploration expenditures aggregating not less than \$1,250,000 on or before December 31, 2012.
- iv) Exploration expenditures aggregating not less than \$2,000,000 on or before December 31, 2013.

The Company can earn an additional 20% interest (for a total of 70% interest) by completing a bankable feasibility study on or before December 31, 2013.

On the Effective Date (the fifth business day next following approval by regulatory authorities) the Company paid \$7,000 to the Optionor as consideration for the transfer and assignment transferring and assigning the Optionor's rights and entitlements under the Bond with a British Columbia Governmental Authority as security for the reclamation of the mineral claims. The security deposit has been returned to the Company.

The Company paid a finders' fee with the issuance of 275,000 common shares.

On October 25, 2010 the Company entered into an Amending Agreement to the Option and Joint Venture Agreement relating to the BA Property.

Under the amendment:

The Company can deliver, on or before December 31, 2013, written notice of their intention to fund the preparation of a feasibility study in respect of the property; and can fund the preparation of a feasibility study on or before December 31, 2015 (previously 2013). In consideration of the above amendment the Company will:

- Include the Surprise Creek Property under the terms of the Joint Venture Agreement and acquisition costs for the Surprise Creek Property will be borne entirely by the Company, and will be applied against its earn-in requirement towards the BA Property; and
- Any expenditures in excess of the exploration expenses contemplated in the original Option and Joint Venture Agreement but incurred prior to the Optionee electing to exercise the additional option, will be solely for account of the Company.

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9. MINERAL PROPERTIES UNDER EXPLORATION *(continued)*

c) Surprise Creek Property

By agreement dated May 17, 2010, the Company entered into an Option Agreement to acquire 100% interest in the Surprise Creek Mineral Claims, located in the Skeena Mining Division in the province of British Columbia. The property is comprised of 19 mineral claims totaling 7,472 hectares. In order to acquire the Claims, the Company paid, upon execution of the agreement, \$150,000 and issued 200,000 common shares at fair value of \$0.40 per share. The Option Agreement requires the Company to issue common shares of the Company as follows:

- i) issue 250,000 common shares on or before June 1, 2011 and;
- ii) issue 250,000 common shares on or before June 1, 2012.

The Optionor maintains a NSR Royalty equal to 1.0% of the Net Smelter returns upon commencement of commercial production on the property which may be purchased by the Company. The Company paid a finders' fee of \$47,625.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

| | March 31, 2011 | December 31, 2010 |
|---------------------|-------------------|----------------------|
| Accounts payable | \$ 34,806 | \$ 44,333 |
| Accrued liabilities | \$ 295,772 | \$ 316,140 |
| | \$ 330,578 | \$ 360,473 |

11. SHARE CAPITAL

a) Authorized

Share capital consists of an unlimited number of common shares without par value.

b) Issued

Period Ended March 31, 2011

No common shares were issued during the three months ended March 31, 2011.

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11. SHARE CAPITAL *(continued)*

b) Issued *(continued)*

Year Ended December 31, 2010

On February 2, 2010, the Company issued 130,000 common shares at \$0.25 per share for total gross proceeds of \$32,500 for the exercise of stock options.

On March 3, 2010, the Company issued 275,000 common shares at a deemed price of \$0.30 per share for finder's fees related to the acquisition of a resource property.

On April 17, 2010, the Company issued 130,000 common shares at \$0.25 per share for total gross proceeds of \$32,500 for the exercise of stock options.

On April 20, 2010, the Company issued 50,000 common shares at \$0.42 per share for total gross proceeds of \$21,000 for the exercise of stock options.

On April 20, 2010, the Company issued 150,000 common shares at \$0.25 per share for total gross proceeds of \$37,500 for the exercise of stock options.

On April 23, 2010, the Company issued 13,000,000 common shares at \$0.55 per share for total gross proceeds of \$7,150,000 by way of a private placement.

On April 23, 2010, the Company issued 3,000,000 flow through common shares at \$0.70 per share for total gross proceeds of \$2,100,000 by way of a private placement.

On June 1, 2010, the Company issued 200,000 common shares for the acquisition of a resource property at a value of \$0.40 per share.

On November 30, 2010 the Company issued 300,000 common shares at \$0.20 per share for total gross proceeds of \$60,000 for the exercise of stock options.

On November 30, 2010 the Company issued 360,000 common shares at \$0.25 per share for total gross proceeds of \$90,000 for the exercise of stock options.

On December 16, 2010 the Company issued 200,000 common shares at \$0.25 per share for total gross proceeds of \$50,000 for the exercise of stock options.

On December 30, 2010 the Company issued 150,000 common shares at \$0.25 per share for total gross proceeds of \$37,500 for the exercise of stock options.

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11. SHARE CAPITAL (*continued*)

c) Share Purchase Warrants

Warrant transactions are summarized as follows:

| | <i>March 31, 2011</i> | | <i>December 31, 2010</i> | |
|------------------------------|-------------------------------|--|------------------------------|--|
| | <i>Number of warrants</i> | <i>Weighted Average Exercise Price</i> | <i>Number of shares</i> | <i>Weighted Average Exercise Price</i> |
| Balance, beginning of period | 9,068,479 | \$ 0.77 | - | \$ - |
| Granted | - | - | 9,068,479 | 0.77 |
| Balance, end of period | 9,068,479 | \$ 0.77 | 9,068,479 | \$ 0.77 |

As at March 31, 2011, the following share purchase warrants were outstanding:

| <i>Number of Warrants</i> | <i>Exercise Price</i> | <i>Expiry</i> |
|-------------------------------|---------------------------|-----------------------|
| 1,500,000 | \$ 1.00 | April 23, 2012 |
| 6,500,000 | \$ 0.70 | April 23, 2012 |
| <u>1,068,479</u> | <u>\$ 0.85</u> | <u>April 23, 2012</u> |

d) Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") dated September 30, 2010 which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the then issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors.

| | <i>March 31, 2011</i> | | <i>December 31, 2010</i> | |
|------------------------------|-----------------------------|--|------------------------------|--|
| | <i>Number of shares</i> | <i>Weighted Average Exercise Price</i> | <i>Number of shares</i> | <i>Weighted Average Exercise Price</i> |
| Balance, beginning of period | 5,000,000 | \$ 0.45 | 2,390,000 | \$ 0.24 |
| Granted | - | - | 4,720,000 | 0.48 |
| Exercised | - | - | (1,470,000) | 0.25 |
| Cancelled | - | - | (640,000) | 0.38 |
| Balance, end of period | 5,000,000 | \$ 0.45 | 5,000,000 | \$ 0.45 |

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11. SHARE CAPITAL (*continued*)

d) Stock Options (*continued*)

As at March 31, 2011, the following stock options were outstanding and vested:

| <i>Number of Options Outstanding</i> | <i>Exercise Price</i> | <i>Expiry date</i> | <i>Number of Options Vested</i> |
|--|---------------------------|--------------------|-------------------------------------|
| 730,000 | \$ 0.25 | June 21, 2012 | 730,000 |
| 575,000 | \$ 0.36 | January 22, 2015 | 575,000 |
| 150,000 | \$ 0.42 | January 22, 2015 | 150,000 |
| 70,000 | \$ 0.42 | January 25, 2015 | 70,000 |
| 250,000 | \$ 0.47 | February 17, 2015 | 250,000 |
| 150,000 | \$ 0.63 | March 16, 2015 | 150,000 |
| 200,000 | \$ 0.55 | April 23, 2012 | 150,000 |
| 1,025,000 | \$ 0.55 | April 23, 2015 | 1,025,000 |
| 350,000 | \$ 0.59 | May 4, 2012 | 262,500 |
| 250,000 | \$ 0.59 | May 4, 2015 | 250,000 |
| 325,000 | \$ 0.46 | July 22, 2015 | 325,000 |
| 925,000 | \$ 0.40 | December 6, 2015 | 925,000 |
| 5,000,000 | | | 4,862,500 |

The fair value of stock options is determined using the Black-Scholes Option Pricing Model with assumptions as follows:

| | March 31, 2011 | December 31, 2010 |
|-------------------------|-------------------|----------------------|
| Risk-free interest rate | - | 2.32 – 3.11% |
| Estimated volatility | - | 135 - 139% |
| Expected life | - | 5 and 2 Years |
| Expected dividend yield | - | 0% |

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

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12. RELATED PARTY TRANSACTIONS

Related party transactions are with directors and companies controlled by directors and officers of the Company.

The following summarizes the Company's related party transactions:

| | <i>March 31, 2011</i> | <i>March 31, 2010</i> |
|--|---------------------------|---------------------------|
| Management fees paid to companies controlled by directors of the Company | \$ <u> -</u> | \$ <u> 11,000</u> |
| Deferred exploration costs paid to a company controlled by a director and officer of the Company | \$ <u> 6,000</u> | \$ <u> 8,000</u> |
| Management fees paid to a company controlled by a director and officer of the Company | \$ <u> 6,200</u> | \$ <u> -</u> |
| Reimbursable expenses accrued to a company with directors in common | \$ <u> 24,701</u> | \$ <u> -</u> |

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Accounts payable and accrued liabilities include \$14,357 (December 31, 2010 - \$Nil) due to a company with directors in common.

Accounts payable and accrued liabilities include \$Nil (December 31, 2010 - \$8,682) due to directors and officers of the Company.

Current receivables include \$38,500 due from companies with common directors and officers.

Receivables include \$8,248 (December 31, 2010 - \$8,248) due from a director and officer of the Company.

13. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash transactions are as follows:

| | <i>March 31, 2011</i> | <i>March 31, 2010</i> |
|---|---------------------------|---------------------------|
| Shares issued for acquisition of resource properties | \$ <u> -</u> | \$ <u> 82,500</u> |
| Future income tax related to other comprehensive income | \$ <u> 161</u> | \$ <u> -</u> |

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14. COMMITMENTS AND CONTINGENCIES

a) Plan of Arrangement – Madalena Ventures Inc

On November 15, 2004, Madalena Ventures Inc (“Madalena”) declared a dividend in specie of 2,970,640 common shares without par value in the capital of Planet Exploration Inc. (“Planet”). Each person who beneficially owned Madalena shares on that date became entitled to receive 0.675 Planet shares for each Madalena common share owned, subject to providing evidence of beneficial ownership and meeting certain other conditions. A notice setting out those conditions was sent to all shareholders and depositories.

At the time of the Plan of Arrangement between the Company and Madalena, a total of 1,995,461 Planet shares had been distributed by way of dividend by Madalena. The remaining 975,179 Planet shares and the dividend obligation were transferred to the Company as part of the Arrangement, and a further 12,318 Planet shares have been distributed by way of dividend by the Company since then, all during the Company’s financial year ended December 31, 2006. The dividend entitlement still exists, but will ultimately expire pursuant to the provisions of the Unclaimed Property Act (B.C.), after which any unclaimed Planet shares (or any cash realized from their disposition prior to then) will become the property of the Company. In light of the contingency that additional persons may establish entitlement to a dividend of Planet shares, the remaining Planet shares were previously classified by the Company as non-current assets. No offsetting liability was recorded on the Company’s books because if entitlement to a dividend is established, such dividend is simply paid in the form of Planet shares and the value of the non-current asset is reduced accordingly. During the year ended December 31, 2008, management determined that, as these Planet shares were held in a trust account for distribution to eligible shareholders, it was more appropriate to derecognize these shares from the balance sheet.

b) Plan of Arrangement – Mountain Gold Resources Ltd

By Arrangement Agreement dated May 15, 2008 the Company proposed a statutory arrangement (the “Arrangement”) to its shareholders.

The Arrangement will result in the transfer of certain assets of the Company to Mountain Gold Resources Ltd. (“Mountain Gold”), a wholly-owned subsidiary of the Company, under the provisions of Section 288 of the British Columbia *Business Corporations Act* (the “BCBCA”). The purpose of the Arrangement is to separate and preserve those assets of the Company which are related to its gold and other precious metals exploration business in Mountain Gold for the benefit of the Company’s shareholders as at the Arrangement Effective Date, with the intent that Mountain Gold will carry on that mineral exploration business while the Company focuses on its uranium exploration business, which has become the Company’s principal business.

The Company and Mountain Gold will continue to be managed by existing management of the Company. It is intended that Mountain Gold will arrange equity financing and acquire interests in additional gold and other precious metals prospects as those opportunities are presented.

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14. COMMITMENTS AND CONTINGENCIES *(continued)*

b) Plan of Arrangement– Mountain Gold Resources Ltd, *(continued)*

The results of the proposed Arrangement are summarized as follows:

- i). each shareholder of the Company will receive one-third of a common share of Mountain Gold (to the nearest whole share) for each common share of the Company owned by such shareholder on the Arrangement Effective Date;
- ii). each shareholder of the Company will continue to own one common share of the Company for each common share of the Company owned by such shareholder on the Arrangement Effective Date;
- iii). the Company will retain all of its cash and uranium assets except for \$50,000 to be transferred to Mountain Gold as initial working capital, and will continue to carry on the business of exploration and development of uranium prospects;
- iv). Mountain Gold will acquire the Company's interest in the "Birch" gold prospect.

Mountain Gold is a "private issuer", as that term is defined in the Securities Act (B.C.). As a result of its participation in the Arrangement, Mountain Gold will become a "reporting issuer", as that term is defined in the Securities Act (B.C.), but will not be listed on any stock exchange. It is management's intention that Mountain Gold will apply to have its common shares quoted on The Canadian Trading and Quotation System Inc. ("CNQ"), subject to acceptance by CNQ. However, no such application has been made. There is currently no market through which securities of Mountain Gold can be sold, either before or after the Arrangement Effective Date, and there can be no assurance that any such market will ever develop. There can be no assurance that Mountain Gold will ever become listed on any stock exchange or become eligible for trading through CNQ or "over-the-counter" on any automated quotation service.

During the year ended December 31, 2008, the Plan of Arrangement was approved by special resolution of the shareholders and by the Supreme Court of British Columbia at a fairness hearing.

The Arrangement became effective May 31, 2010 and the above transactions were completed.

15. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Capital Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. 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 issue new shares through short-form prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. As at March 31, 2011 the Company does not have any debt and is not subject to externally imposed capital requirements.

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15. FINANCIAL AND CAPITAL RISK MANAGEMENT *(continued)*

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash and cash equivalents are invested in business accounts with quality financial institutions, are available on demand for the Company's programs, and are not invested in any asset backed commercial paper.

c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, other assets and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, and other assets with high-credit quality financial institutions.

The majority of the Company's cash and cash equivalents are held with major Canadian based financial institutions.

d) Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that the Company is not exposed to foreign currency exchange risk.

e) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents, restricted cash as they are generally held with large financial institutions.

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15. FINANCIAL AND CAPITAL RISK MANAGEMENT *(continued)*

f) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

The estimated fair value of financial assets is equal to their carrying values due to the short-term nature of these instruments.

g) Fair Value Hierarchy

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

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 -Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 -Inputs that are not based on observable market data

The fair value of cash and cash equivalents and other assets are measured based on level 1 of the fair value hierarchy. The fair value of long term investments are measured based on level 3 of the fair value hierarchy.

16. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these financial statements are for the period covered by the Company's first interim financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the interim financial statements for the three months ended March 31, 2011 and 2010, the financial statements for the year ended December 31, 2010 and the opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended March 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has effected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company has elected to take the following IFRS 1 optional exemptions:

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16. FIRST TIME ADOPTION OF IFRS *(continued)*

1. Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated.

2. Share-based payments

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

3. Reclassification within equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of warrants and equity-settled employee benefits. Upon adoption of IFRS, the balance in these accounts has been reclassified to "Reserves - Equity-settled employee benefits, Reserves - Warrants".

The reconciliation between GAAP and IFRS statements of financial position as at January 1, 2010 (Transition Date to IFRS) is provided below:

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16. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of Assets, Liabilities and Equity
As at January 1, 2010

| | GAAP | Effect of transition to IFRS | IFRS |
|--|-------------------|---------------------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 774,675 | \$ - | \$ 774,675 |
| Available-for-sale investments | 39,845 | 10,000 | 49,845 |
| Receivable | 5,105 | - | 5,105 |
| Prepaid expenses and other | 9,721 | - | 9,721 |
| Total current assets | 829,346 | - | 829,346 |
| Available-for-sale investments | 10,000 | (10,000) | - |
| Equipment | 1,404 | - | 1,404 |
| Exploration and evaluation assets | 85,469 | - | 85,469 |
| Total assets | \$ 926,219 | - | \$ 926,219 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | \$ 380,513 | \$ - | \$ 380,513 |
| EQUITY | | | |
| Share capital | 4,180,627 | - | 4,180,627 |
| Equity reserves | 592,893 | - | 592,893 |
| Accumulated other comprehensive income | 25,578 | - | 25,578 |
| Deficit | (4,253,392) | - | (4,253,392) |
| Total capital and reserves | 545,706 | - | 545,706 |
| Total liabilities and equity | \$ 926,219 | \$ - | \$ 926,219 |

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16. FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between GAAP and IFRS statements of financial position as at March 31, 2010 is provided below:

Reconciliation of Assets, Liabilities and Equity
As at March 31, 2010

| | GAAP | Effect of transition to IFRS | IFRS |
|--|---------------------|---------------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,103,092 | \$ - | \$ 1,103,092 |
| Available-for-sale investments | 37,132 | - | 37,132 |
| Receivable | 4,457 | - | 4,457 |
| Prepaid expenses and other | 9,721 | - | 9,721 |
| Total current assets | 1,154,402 | - | 1,154,402 |
| Available-for-sale investments | 10,000 | - | 10,000 |
| Equipment | 1,334 | - | 1,334 |
| Exploration and evaluation assets | 345,305 | - | 345,305 |
| Total assets | \$ 1,511,041 | \$ - | \$ 1,511,041 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | \$ 296,493 | \$ - | \$ 296,493 |
| EQUITY | | | |
| Share capital | 4,927,127 | - | 4,927,127 |
| Equity reserves | 1,189,159 | - | 1,189,159 |
| Accumulated other comprehensive income | 22,865 | - | 22,865 |
| Deficit | (4,924,603) | - | (4,924,603) |
| Total capital and reserves | 1,214,548 | - | 1,214,548 |
| Total liabilities and equity | \$ 1,511,041 | \$ - | \$ 1,511,041 |

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16. FIRST TIME ADOPTION OF IFRS *(continued)*

The reconciliation between GAAP and IFRS statements of financial position as at December 31, 2010 is provided below:

Reconciliation of Assets, Liabilities and Equity
As at December 31, 2010

| | GAAP | Effect of transition to IFRS | Notes | IFRS |
|--|---------------------|---------------------------------|------------------|---------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 3,450,923 | \$ - | | \$ 3,450,923 |
| Available-for-sale investments | 69,013 | - | | 69,013 |
| Receivable | 583,546 | - | | 583,546 |
| Prepaid expenses and other | 116,626 | - | | 116,626 |
| Total current assets | 4,220,108 | - | | 4,220,108 |
| Equipment | 9,502 | - | | 9,502 |
| Exploration and evaluation assets | 5,735,248 | - | | 5,735,248 |
| Total assets | \$ 9,964,858 | \$ - | | \$ 9,964,858 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 360,473 | \$ - | | \$ 360,473 |
| Other liability | - | - | | - |
| EQUITY | | | | |
| Share capital | 13,235,420 | 75,000 | Note 3(i) and 11 | 13,310,420 |
| Equity reserves | 2,835,762 | - | | 2,835,762 |
| Accumulated other comprehensive income | 50,881 | - | | 50,881 |
| Deficit | (6,517,678) | (75,000) | Note 3(i) and 11 | (6,592,678) |
| Total capital and reserves | 9,604,385 | - | | 9,604,385 |
| Total liabilities and equity | \$ 9,964,858 | \$ - | | \$ 9,964,858 |

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16. FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between GAAP and IFRS total comprehensive loss for the three months ended March 31, 2010 and the year ended December 31, 2010 is provided below:

Reconciliation of Comprehensive Loss
Three months ended March 31, 2010

| | GAAP | Effect of transition to IFRS | IFRS |
|---|---------------------|---------------------------------|---------------------|
| General and administrative expenses | | | |
| Depreciation | \$ 70 | \$ - | \$ 70 |
| Consulting fees | 40,692 | - | 40,692 |
| Investor relations | 3,922 | - | 3,922 |
| Management fees | 11,000 | - | 11,000 |
| Office and general | 5,356 | - | 5,356 |
| Professional fees | 2,376 | - | 2,376 |
| Property investigation | 1,265 | - | 1,265 |
| Share-based compensation | 596,266 | - | 596,266 |
| Transfer agent and filing fees | 5,289 | - | 5,289 |
| Travel | 5,046 | - | 5,046 |
| Wages | 2,324 | - | 2,324 |
| Total expenses | 673,606 | - | 673,606 |
| Other income | | | |
| Interest income | 2,395 | - | 2,395 |
| Loss for the period | (671,211) | - | (671,211) |
| Change in unrealized gain on available for-sale financial assets | | | |
| Increase (decrease) in fair value during the period | (2,714) | - | (2,714) |
| Loss and comprehensive loss for the period | \$ (673,925) | \$ - | \$ (673,925) |

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16. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of Comprehensive Loss
Year ended December 31, 2010

| | GAAP | Effect of transition to IFRS | Notes | IFRS |
|---|-----------------------|---------------------------------|-------------------------|-----------------------|
| General and administrative expenses | | | | |
| Depreciation | \$ 5,364 | \$ -- | | \$ 5,364 |
| Consulting fees | 177,292 | - | | 177,292 |
| Investor relations | 38,522 | - | | 38,522 |
| Management fees | 135,000 | - | | 135,000 |
| Office and general | 39,568 | - | | 39,568 |
| Professional fees | 237,784 | - | | 237,784 |
| Property investigation | 4,989 | - | | 4,989 |
| Share-based compensation | 1,892,722 | - | | 1,892,722 |
| Transfer agent and filing fees | 69,558 | - | | 69,558 |
| Travel | 39,786 | - | | 39,786 |
| Wages | 18,828 | - | | 18,828 |
| Total expenses | 2,659,413 | - | | 2,659,413 |
| Other income | | | | |
| Interest income | 16,731 | - | | 16,731 |
| Loss before income tax | (2,642,682) | - | | (2,642,682) |
| Future income tax recovery | 528,865 | (75,000) | Note 3(i) and 11 | 453,865 |
| Loss for the year | (2,113,817) | (75,000) | Note 3(i) and 11 | (2,188,817) |
| Change in unrealized gain on available for-sale financial assets | | | | |
| Increase (decrease) in fair value during the period | 29,168 | - | | 29,168 |
| Income tax expense allocated to comprehensive income | (3,865) | - | | (3,865) |
| Loss and comprehensive loss for the year | \$ (2,088,514) | \$ (75,000) | Note 3(i) and 11 | \$ (2,163,514) |

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16. FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between GAAP and IFRS statements of cash flows for the three months ended March 31, 2010 and the year ended December 31, 2010 is provided below:

Reconciliation of Cash Flows
Three months ended March 31, 2010

| | GAAP | Effect of transition to IFRS | IFRS |
|--|---------------------|------------------------------------|---------------------|
| Cash flows from operating activities | | | |
| Loss for the period | \$ (671,211) | \$ - | \$ (671,211) |
| Items not involving cash | | | |
| Depreciation | 70 | - | 70 |
| Share-based compensation | 596,266 | - | 596,266 |
| | <u>(74,875)</u> | - | <u>(74,875)</u> |
| Changes in non-cash working capital items | | | |
| Receivable | 648 | - | 648 |
| Accounts payable and accrued liabilities | <u>(84,020)</u> | - | <u>(84,020)</u> |
| Net cash used in operating activities | <u>(158,247)</u> | - | <u>(158,247)</u> |
| Cash flows from investing activities | | | |
| Investment in exploration and evaluation assets | <u>(177,336)</u> | - | <u>(177,336)</u> |
| Net cash used in investing activities | <u>(177,336)</u> | - | <u>(177,336)</u> |
| Cash flows from financing activities | | | |
| Proceeds from share issuance | 32,500 | - | 32,500 |
| Share subscription receivable | 599,000 | - | 599,000 |
| Funds advanced for share subscription | <u>32,500</u> | - | <u>32,500</u> |
| Net cash provided by financing activities | <u>664,000</u> | - | <u>664,000</u> |
| Changes in cash and cash equivalents during the period | 328,417 | - | 328,417 |
| Cash and cash equivalents, beginning of period | <u>774,675</u> | - | <u>774,675</u> |
| Cash and cash equivalents, end of period | <u>\$ 1,103,092</u> | \$ - | <u>\$ 1,103,092</u> |

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16. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of Cash Flows
Year ended December 31, 2010

| | GAAP | Effect of transition to IFRS | | IFRS |
|--|----------------|---------------------------------|------------------|----------------|
| Cash flows from operating activities | | | | |
| Loss for the period | \$ (2,113,817) | \$ (75,000) | Note 3(i) and 11 | \$ (2,188,817) |
| Items not involving cash | | | | |
| Depreciation | 5,364 | - | | 5,364 |
| Future income tax recovery | (528,865) | 75,000 | Note 3(i) and 11 | (453,865) |
| Share-based compensation | 1,892,722 | - | | 1,892,722 |
| | (744,596)) | - | | (744,596)) |
| Changes in non-cash working capital items | | | | |
| Receivable | (578,441) | - | | (578,441) |
| Prepaid expenses and other | (106,905) | - | | (106,905) |
| Accounts payable and accrued liabilities | (20,040) | - | | (20,040) |
| Net cash used in operating activities | (1,449,982) | - | | (1,449,982) |
| Cash flows from investing activities | | | | |
| Acquisition of equipment | (13,462) | - | | (13,462) |
| Disposal of investment | 10,000 | - | | 10,000 |
| Investment in exploration and evaluation assets | (5,587,748) | - | | (5,587,748) |
| Net cash used in investing activities | (5,591,210) | - | | (5,591,210) |
| Cash flows from financing activities | | | | |
| Proceeds from share issuance | 9,168,440 | - | | 9,168,440 |
| Share subscription receivable | 599,000 | - | | 599,000 |
| Dividend on Plan of Arrangement | (50,000) | - | | (50,000) |
| Net cash provided by financing activities | 9,717,440 | - | | 9,717,440 |
| Changes in cash and cash equivalents during the period | 2,676,248 | - | | 2,676,248 |
| Cash and cash equivalents, beginning of period | 774,675 | - | | 774,675 |
| Cash and cash equivalents, end of period | \$ 3,450,923 | \$ - | | \$ 3,450,923 |

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17. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2011, \$573,825 of HST has been received from Canadian government taxation authority.

Subsequent to the period ended March 31, 2011, the Company entered into an Option Agreement with Argus Metals Corp to earn up to a 75% interest in the IKE Selwyn Basin Gold Project, Hyland District, Yukon.

According to the agreement to acquire a 70% interest in the IKE project the Company must:

pay to Argus \$275,000 in cash payments as follows:

- (i) \$200,000 within five days following the approval by TSX Venture Exchange;
- (ii) an additional \$25,000 on or before 12 months following the approval by TSX Venture Exchange;
- (iii) an additional \$25,000 on or before 24 months following the approval by TSX Venture Exchange;
- (iv) an additional \$25,000 on or before 36 months following the approval by TSX Venture Exchange.

issue a total of 700,000 shares as follows:

- (i) 100,000 shares within five days following the approval by TSX Venture Exchange;
- (ii) an additional 200,000 shares on or before 12 months following the approval by TSX Venture Exchange;
- (iii) an additional 200,000 shares on or before 24 months following the approval by TSX Venture Exchange;
- (iv) an additional 200,000 shares on or before 36 months following the approval by TSX Venture Exchange

and incur an aggregate of \$2,050,000 of exploration expenditures on the Property over a 3 year period as follows:

- (i) \$300,000 within five days following the approval by TSX Venture Exchange;
- (ii) an additional \$750,000 on or before 12 months following the approval by TSX Venture Exchange;
- (iii) an additional \$1,000,000 on or before 24 months following the approval by TSX Venture Exchange;

A further 5% interest may be earned through completion of a prefeasibility study within 2 years of the initial earn-in. A finders' fees is payable on the project in accordance with TSX rules.