SUTTER GOLD MINING INC.

Condensed Consolidated Interim Financial Statements

March 31, 2011 and 2010

(Expressed in US Dollars unless otherwise noted)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Sutter Gold Mining Inc.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in US Dollars)

(Unaudited)

	Notes	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
Assets			*(Note 17)*	*(Note 17)*
Current assets				
Cash and cash equivalents		$ 397,200	$ 458,800	$ 636,600
Accounts receivable		10,300	7,400	13,200
Prepaid expenses		74,900	77,300	16,200
		482,400	543,500	666,000
Restricted investments	*7*	77,000	77,000	47,000
Property and equipment	*5*	531,200	496,600	564,000
Total assets		$ 1,090,600	$ 1,117,100	$ 1,277,000
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable		$ 308,600	$ 297,600	$ 151,300
Leases payable		67,000	67,000	67,000
Note payable	*8*	5,750,600	4,947,400	1,889,800
Warrant derivative	*17*	1,139,000	1,328,000	267,000
		7,265,200	6,640,000	2,375,100
Reclamation liability	*7*	23,300	23,300	23,300
		7,288,500	6,663,300	2,398,400
Shareholders' Deficiency				
Share capital	*9*	24,180,900	24,144,300	23,945,500
Preference shares	*9*	211,200	211,200	211,200
Equity reserve		6,015,100	6,022,100	6,012,300
Deficit		(36,605,100)	(35,923,800)	(31,290,400)
Total deficiency		(6,197,900)	(5,546,200)	(1,121,400)
Total liabilities and equity		$ 1,090,600	$ 1,117,100	$ 1,277,000

See the accompanying notes to the condensed consolidated financial statements.

Sutter Gold Mining Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)
(Unaudited)

	Notes	For the three months ended March 31, 2011	2010 *(Note 17)*
Continuing operations			
Lease revenue		$ 5,800	$ 6,800
Depreciation and amortization		13,800	16,600
Mine property holding costs		132,400	81,500
Office & administrative		69,900	75,600
Feasibility study		126,700	259,500
Professional & contract services		69,100	54,600
Rent & electricity		24,100	15,900
Share-based payments		700	28,100
Travel & entertainment		35,600	9,600
Wages & benefits		205,400	170,900
		677,800	712,300
Loss from operations		(672,000)	(705,500)
Loss on foreign exchange		100	(400)
Interest income		200	300
Interest expense		(198,600)	(142,400)
Change in fair value of warrant derivative	*17*	189,000	216,600
		(9,300)	74,100
Net loss and comprehensive loss for the period		$ (681,300)	$ (631,400)
Net loss per share:			
Basic and diluted loss per share attributable to common shareholders	*11*	(0.01)	(0.01)
Weighted average number of common shares outstanding		103,250,938	102,475,427

See the accompanying notes to the condensed consolidated financial statements.

Sutter Gold Mining Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in US Dollars)
(Unaudited)

	Notes	Preferred Shares		Common shares		Equity Reserves	Deficit	Total deficiency
		Number of shares	Amount	Number of shares*	Amount			
Balance at January 1, 2011	9	254,414	$ 211,200	105,167,492	$24,144,300	$6,022,100	$(35,923,800)	$(5,546,200)
Options exercised		-	-	50,000	6,600	-	-	6,600
Warrants exercised		-	-	150,000	22,300	-	-	22,300
Fair value of options exercised		-	-	-	7,700	(7,700)	-	-
Share-based payments	10	-	-	-	-	700	-	700
Net loss		-	-	-	-	-	(681,300)	(681,300)
Balance at March 31, 2011	9	254,414	$ 211,200	105,367,492	$24,180,900	$6,015,100	$(36,605,100)	$(6,197,900)
Balance at January 1, 2010		254,414	$ 211,200	103,872,073	$23,945,500	$6,012,300	$(31,290,400)	$(1,121,400)
Share-based payments	10	-	-	-	-	28,100	-	28,100
Net loss		-	-	-	-	-	(631,400)	(631,400)
Balance at March 31, 2010		254,414	$211,200	103,872,073	$23,945,500	$6,040,400	$(31,921,800)	$(1,724,700)

**Included in this amount originally were 1,787,847 of the Company's common shares allotted to the former shareholders of SGMC for tendering their ownership of SGMC, representing 4% of the 44,577,367 common shares at a deemed value of C$0.26 per common share issued on December 29, 2004 on the acquisition of SGMC. As at March 31, 2011: 1,147,752 (December 31, 2010 - 1,190,935) of these shares remained unallotted.*

See the accompanying notes to the condensed consolidated financial statements.

Sutter Gold Mining Inc.
Condensed Consolidated Interim Statements of Cash Flows

(Expressed in US Dollars)
(Unaudited)

	For the three months ended ended March 31,	
	2011	**2010**
		(Note 17)
Cash flows used in operating activities		
Net loss for the period	$ (681,300)	$ (631,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	13,800	16,600
Share-based payments	700	28,100
Change in warrant derivatives	(189,000)	(216,600)
Net changes in components of working capital:		
Accounts receivable	(2,900)	1,500
Prepaid expenses	2,400	(55,500)
Accounts payable	11,000	85,900
Note payable RMBAH loan fees	92,500	92,500
	(752,800)	(678,900)
Cash flows used in investing activities		
Purchase of properties and equipment	(48,400)	(27,300)
	(48,400)	(27,300)
Cash flows from financing activities		
Proceeds from promissory notes	710,700	492,500
Proceeds from issuance of common stock	28,900	-
	739,600	492,500
Net decrease in cash	(61,600)	(213,700)
Cash - Beginning of the period	458,800	636,600
Cash - End of the period	$ 397,200	$ 422,900

See the accompanying notes to the condensed consolidated financial statements.

1. GENERAL INFORMATION

Sutter Gold Mining Inc. ("SGMI" or "the Company") is a Canadian resource company engaged in the exploration of mineral properties.

On December 29, 2004, the Company completed a reverse take-over by acquiring Sutter Gold Mining Company ("SGMC") of Riverton, Wyoming. At that time, approximately 4% of SGMC's shareholders did not tender their existing shares in exchange for new common shares of the Company. The Company allotted 1,787,847 common shares to be issued to these shareholders and effective March 31, 2011, 1,147,752 (December 31, 2010 - 1,190,935) of these common shares still remain to be allotted to. SGMC's shareholders should they elect to tender their shares in the future.

The Company is established to conduct operations on mining leases and to produce gold from the Lincoln Project, a gold mining prospect in the Mother Lode mining district of Amador County, California.

On August 22, 2008, RMB Resources Ltd. ("RMB"), a trustee for the Telluride Investment Trust, completed the acquisition of 39,062,072 common shares of the Company from U.S. Energy Corp. ("USE") for an aggregate purchase price of C$5,400,000. As of March 31, 2011, RMB owned 51,832,120 (49.2%) of the outstanding common shares of the Company.

2. BASIS OF PRESENTATION - GOING CONCERN

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

The Company has generated significant losses since its inception which has resulted in an accumulated deficit of $36,605,100 as of March 31, 2011 (December 31, 2010 - $35,923,800). The current financial and economic marketplace has made access to financing through the equity markets more difficult and this has created uncertainty as to the Company's ability to fund ongoing operations for the next operating period and to participate in ongoing exploration and development projects. The Company has entered into a loan facility arrangement with a related party to cover short-term operating capital requirements. As a result of entering into the loan facility, the Company has a working capital deficiency as at March 31, 2011 of $6,782,800 (working capital deficiency as of December 31, 2010 - $6,096,500) These financial statements do not reflect adjustments to the carrying values of assets and liabilities which may be required should the Company be unable to raise adequate financing or meet current obligations and therefore be unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) First-time adoption of IFRS and statement of compliance

The Company prepares financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in the opening IFRS balance sheet as at

January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on the Company's reported statement of financial position, comprehensive income and cash flows, including the nature and effect of significant changes in accounting policies from those used in the financial statements for the year ended December 31, 2010.

The policies applied in these consolidated financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of DATE, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 17 discloses IFRS information for the year ended December 31, 2010 that is material to the understanding of these consolidated interim financial statements.

(b) Basis of preparation

The financial statements are presented in US dollars unless otherwise noted. The financial statements are prepared on the historical cost basis.

(c) Comparative figures

Certain of the prior year's figures have been reclassified in conformity with the current year's financial statement presentation.

(d) Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Company and those of its subsidiaries SGMC and USECC Gold LLC, both Wyoming corporations. All material intercompany profits, transactions and balances have been eliminated.

(e) Share-based payments

The Company has in effect a share option plan ("the Plan"), which allows Company employees, directors and officers to acquire shares of the Company. In 2004, the Plan was amended to provide employee holders of stock options the choice upon exercise to receive a cash payment in exchange for surrendering the option. The Company recognizes a liability and compensation expense based upon the intrinsic value of the outstanding options at the balance sheet date for options granted to employees of the Company with the cash settlement alternative. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(f) Deferred income taxes

The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been

applied to all potential income tax assets of the Company.

(g) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas where management's judgement is applied include the determination of future income taxes, stock based compensation and amortization of property and equipment. Actual results could differ from these estimates.

(h) Revenue recognition

Lease revenue is recorded when earned, determinable and collectability is reasonably assured.

(i) Property and equipment

Land improvements, buildings and equipment and vehicles are carried at cost net of accumulated amortization. Amortization of buildings, improvements, machinery and equipment is provided principally by the straight-line method over estimated useful lives ranging from 3 to 30 years.

(j) Mineral properties

Mineral properties are carried at cost and include the acquisition and pre-production costs related to the properties. These costs will be amortized on a unit-of-production basis over the estimated recoverable reserves if the properties are brought into commercial production, as determined by using measured and indicated resources. If the properties are abandoned or the carrying value is determined to be in excess of possible recoverable amounts they will be written off.

The cost of mineral properties includes any cash consideration paid, and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

(k) Exploration and evaluation

Exploration and evaluation expenditure include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditure is expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the income statement.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mineral property and development assets within property, plant and equipment.

(l) Impairment

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any 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 a 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 the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The recoverability of amounts shown for mineral properties and deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Mineral properties are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When events or changes in circumstances suggest possible impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources and operating and capital costs on an undiscounted basis. When estimated future undiscounted cash flows are less than the carrying value, the asset is considered impaired. Reductions in carrying value are recorded to the extent the book value exceeds the fair value of the assets.

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 so that the increased carrying amount 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.

(m) Foreign currency translation

The functional and presentation currency of the Company is the US Dollar. The Company's US operation is considered to be an integrated operation. The Canadian parent corporations' transactions are translated into US Dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the balance sheet dates;
- other assets and liabilities at the applicable historical exchange rates;
- revenues and expenses at the average rates of exchange for the period.

Gains and losses arising from the conversion of foreign currency balances and transactions are reported in income as they occur.

(n) Financial assets and liabilities

The Company's financial assets and liabilities include cash and cash equivalents, short-term deposits, accounts receivable, prepayments, accounts payable and accrued liabilities and reclamation deposit.

These are classified into the following specified categories: available-for-sale ("AFS") financial assets, loans and receivables and other liabilities. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company designated its cash and cash equivalents and reclamation bond as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, notes payable, reclamation liabilities and leases payable are classified as other financial liabilities.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the financial position reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in other comprehensive income. Amounts receivable, accounts payable and accrued liabilities that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets:
Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where 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. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable and prepayments, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount 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 can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. The Company does not have any derivative financial instruments; interest is calculated using the effective interest method and foreign exchange gains and losses on monetary items.

Financial instruments recorded at fair value:
Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level I - measurement based on quoted prices (unadjusted) observed in active market for identical assets or liabilities;
- Level II - measurement based on inputs other than quoted prices included in Level I that are observable for the asset or liability;
- Level III - measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

(o) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks and certificates of deposits. The Company does not hold any asset backed commercial paper.

(p) Asset retirement obligations

Obligations associated with the retirement of tangible long lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized in the accounts of the related long lived assets and are amortized over the useful lives of the related assets. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or costs estimates. Changes in estimates are accounted for prospectively from the period these estimates are revised.

At March 31, 2011 and December 31, 2010, the does not have any asset retirement obligations other than reclamation liabilities as accrued.

(q) Environmental expenditures

The operations of the Company have been and may in the future, be affected in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

(r) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Common shares issued for non-monetary consideration are recorded at the fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares.

(s) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(t) Expenses

(i) Operating leases

Operating lease payments are recognized as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Borrowing costs

Borrowing costs are calculated using the effective interest rate method and are recognized in the statement of loss and comprehensive loss.

(u) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Stock options, shares to be issued, and warrants outstanding are not included in the computation of diluted (loss) earnings per share if their inclusion would be anti-dilutive.

(v) Comprehensive income (loss)

Comprehensive income or loss includes unrealized gains and losses on available-for-sale investment, gains and losses on certain derivative instruments, none of which are included in the calculation of net earnings until realized.

(w) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, namely, mineral exploration.

(x) Accounting standards effective in the current period but not yet adopted

IFRS 9, *Financial Instruments: Classification and Measurement*, issued in December 2009, 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 consolidated financial statements for the period beginning January 1, 2013 and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 7, *Financial Instruments - Disclosures* ("IFRS 7"), was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company is currently assessing the impact on its consolidated financial statements.

IFRS 10, 11, 12 and 13 were all issued in May 2010 and are effective for annual periods beginning January 1, 2013, with early adoption allowed.

IFRS 10, *Consolidated Financial Statements*, replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation — Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11, *Joint Arrangements*, introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation.

IFRS 12, *Disclosure of Interests in Other Entities*, requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13, *Fair Value Measurement*, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet 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:

i. the recoverability of amounts receivable and prepayments which are included in the consolidated interim statement of financial position;
ii. the estimated useful lives of property, plant and equipment which are included in the consolidated interim statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss for the period ended March 31, 2011;
iii. the inputs used in accounting for share purchase option expense in the consolidated interim statement of comprehensive loss; and
iv. the nil provision for income taxes which is included in the consolidated interim statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated interim statement of financial position at March 31, 2011.

5. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2011			December 31, 2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land improvements	$ 210,200	$ 6,300	$ 203,900	$ 175,100	$ 6,300	$ 168,800
Buildings	327,600	221,400	106,200	343,700	220,600	123,100
Equipment and vehicles	792,500	571,400	221,100	763,100	558,400	204,700
	$ 1,330,300	$ 799,100	$ 531,200	$1,281,900	785,300	$ 496,600

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

<u>Sutter Gold Project</u>

<u>Lincoln and Comet Properties</u>

The Sutter Gold Project – Lincoln and Comet properties are situated on a 551-acre block of mining claims and surface rights 45 miles east-southeast of Sacramento, California, in the central part of the 121-mile-long Mother Lode gold belt. Total annual lease payments are currently $29,900.

The lease terms are 30 years, broken down into ten year segments carrying a 4% production royalty or minimum annual payments as follows for the Lincoln and Comet property. An additional 0.5% net smelter return royalty is held by a consultant to a lessee and was in place prior to the acquisition of the properties and covers all the properties in the Lincoln Project. The payments have been made up to date.

Years	Annual Payments	
	Lincoln	Comet
1-10	$ 1,200	$ 2,400
11-20	$ 2,400	$ 4,800
21-30	$ 3,600	$ 7,200
31-40 (10 year option)	$ 4,800	$ 9,600
41-Thereafer (annual option)	$ 4,800	$ 9,600

Eureka Property

On January 21, 2005, the Company entered into a lease agreement to acquire 132 acres of land immediately adjacent to the Company's properties in California, called the Eureka Property. The lease term is 30 years, broken down into ten years segment carrying a 4% production royalty or a minimum annual payment. As of December 31, 2010, 12,000 common shares had been issued to the Eureka Property's owner for the first year's payment and the second through forth years' payments have been made up to date.

Years	Annual Payments
1-10	$ 2,400
11-20	$ 3,600
21-30	$ 4,800
31-40 (10 year option)	$ 6,000
41-Thereafer (annual option)	$ 6,000

Keystone Property

Effective August 1, 2003, the Company entered into a lease ("Third Amendment to Mining Lease and Option") with Keystone Mining Corporation. The lease covers certain properties at the Sutter Gold Project and requires payments of $5,000 per year for the first 10 years of the lease. A royalty of 5% of the net profits on production exists on these properties. The "net profits" will be determined by subtracting from gross mineral revenues an amount equal to 105% of numerous categories of costs and expenses. The payments have been made up to date.

Cecchettini Trust

Effective May 20, 2009, the Company entered into a Mineral Lease Agreement with the Cecchettini Trust. The lease covers 162 acres adjoining and contiguous with existing Sutter Gold Properties and requires annual base lease payments of $5,000 for the first 10 years of the lease. A Production Royalty of 4% of saleable product produced on these leases will be paid during mining operations. The payments have been made and are up to date.

Mexican property

On October 26, 2006, the Company entered into an Exclusive Option Agreement with The Alamo Group, Inc. ("The Alamo Group") of Scottsdale, Arizona, to acquire a 100% interest (less royalty provisions) in the Santa Teresa mineral concession located in the historic El Alamo gold mining district southeast of Ensenada, Mexico for a maximum of C$500,000 and a minimum of C$100,000 in work commitments. Required cash payments have been reduced to C$280,000 based on the total amount of work commitments completed.

The Company made an initial payment of $13,300 (C$15,000) on signing the Exclusive Option Agreement and issued 111,111 of its shares at a price of C$0.36 (C$40,000) on signing the Definitive Agreement on February 7, 2007. Required annual payments to The Alamo Group for the three years were follows:

February 7, 2008 - C$50,000 (paid);
February 7, 2009 - C$75,000 (paid);
February 7, 2010 - C$100,000 (paid);

The Alamo Group will retain a 3% net smelter royalty if gold is selling for C$650/ounce or greater and 1.5% if gold is selling for less than C$650/ounce. The Company has the right to purchase one half of the net smelter royalty for C$1 after The Alamo Group has received C$2,000,000 in royalties from commercial operations on the concession.

On March 29, 2007, the Company signed a letter of intent and on August 7, 2007 a Joint Venture Agreement with Premier Gold Mines Ltd. ("Premier") to jointly explore the Company's Santa Teresa mineral concession. Premier is to earn an initial 50% interest in the project by issuing 100,000 common shares (received) to the Company, completing $1.5 million in exploration and acquisition within two years and reimbursing the Company for all option payments due to the vendor (total of C$280,000; The Company has been reimbursed for payments made February 7, 2008 through February 7, 2010. Premier can earn an additional 15% interest in the property (to a 65% interest) by paying a further $500,000 to the Company, payable in cash or shares, and conducting an additional $4,000,000 in exploration on the property.

7. RESTRICTED INVESTMENTS

Future reclamation and mine closure costs will be the responsibility of the Company and are based on legal and regulatory requirements. The laws and regulations are continually changing and are generally becoming more restrictive. The Company believes it is in compliance with applicable laws and regulations and expects to make future expenditures to comply with these laws and regulations. Current estimated reclamation obligations of $23,300 are secured by a $27,000 reclamation bond as at March 31, 2011 and December 31, 2010.

The Company also has two Certificates of Deposit held with US Bank totaling $50,000 as collateral for the Company's credit cards.

8. LOAN FACILITY

On August 12, 2009, the Company entered into a short-term loan facility agreement ("Loan Facility ") with RMB Australia Holdings Limited. RMB Australia Holdings Limited is related to RMB (see Note 1) as both companies are members of the FirstRand Group. The Loan Facility is denominated in US dollars and initially had a limit of $4,250,000. The Loan Facility was for the purpose of funding agreed development activities at the Lincoln Project in California and corporate expenditures. 7.5% of the Loan Facility amount was paid to the Lender in cash upon execution of the Facility Agreement. The original transaction fees in the amount of $385,000 were expensed during 2009.

On August 31, 2010 the Loan Facility was both extended and the amount available increased. The Loan Facility was increased in the amount of $3,650,000. The amount under the amended Loan Facility totals $7,900,000 with an extended maturity date to June 30, 2011. An extension fee for the original Loan Facility of $106,250 was expensed in 2010. An additional 7.5% fee on the increase to the Loan Facility of $273,750 was also expensed in 2010.

The Loan Facility bears an interest rate of Libor plus 7.5% per annum, calculated and payable on a monthly basis. The base Libor rate at March 31, 2011 was 0.26% (December 31, 2010 - 0.26%). During the three months period ending March 31, 2011 the Company paid $106,100 in interest (for twelve months ending December 31, 2010 - $278,200) in respect to the Loan Facility.

The loan matures on June 30, 2011 and is secured by substantially all of the assets of the Company.

9. SHARE CAPITAL AND OTHER EQUITY

(a) Authorized, issued and outstanding common shares

Common shares, no par value, authorized unlimited number of shares, issued and outstanding were 105,367,491 and 105,167,491 shares as at March 31, 2011 and December 31, 2010, respectively.

Series 1 Convertible Redeemable Preference shares are convertible at any time by the holder into common shares of the Company on a one for one basis and are redeemable at any time by the Company at a price of C$1 for each share redeemed. These shares are non-interest bearing. Issued and outstanding were 254,414 shares as at March 31, 2011 and December 31, 2010.

(b) Warrants

As at March 31, 2011, 12,549,502 (December 31, 2010 - 12,699,502) warrants were outstanding at an exercise price of C$0.15, with expiry date on August 22, 2011.

10. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has reserved for the purpose of the stock option plan (the "Plan") up to 10% of the issued common shares for the granting to directors, officers and employees. The Company follows the applicable accounting standard for stock-based compensation under which the fair value method is used for the accounting of stock options granted, and compensation expense is recognized over the options' vesting period for options granted to officers and directors and as services are rendered for options granted to consultants. A summary of the status of the Plan as at March 31, 2011 and as at December 31, 2010, and changes during the periods ended on those dates is presented below.

	Options	Weighted Average Exercise Price C$
Balance outstanding, December 31, 2008	6,025,000	0.23
Options expired/cancelled	(4,110,000)	0.25
Options granted	2,561,000	0.11
Balance outstanding, December 31, 2009	4,476,000	0.15
Options exercised	(1,200,000)	0.11
Options expired/cancelled	(710,000)	0.28
Balance outstanding December 31, 2010	2,566,000	0.15
Options exercised	(50,000)	0.13
Options expired/cancelled	(100,000)	0.23
Options Granted	75,000	0.22
Balance outstanding March 31, 2011	2,491,000	0.16

As at March 31, 2011, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding as follows:

Number	Exercise Price C$	Expiry Date
200,000	0.30	April 20, 2011*
230,000	0.35	August 16, 2011
900,000	0.11	June 9, 2014
500,000	0.11	September 7, 2014
500,000	0.11	September 14, 2014
86,000	0.13	December 1, 2014
75,000	0.22	February 16, 2016
2,491,000		

**Subsequent to quarter end 200,000 share with an exercise price of C$0.30 expired.*

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of ordinary shares in issue during the year.

	For the three Months ended March 31, 2011		2010	
Net loss attributable to common shareholders	$	(681,300)	$	(631,400)
Weighted average number of common shares in issue		103,976,556		102,475,427
Basic earnings (loss) per share	$	(0.01)	$	(0.01)

(b) Diluted

Diluted loss per share has not been presented as this is anti-dilutive.

12. INCOME TAXES

Non capital losses are available to reduce taxable income in Canada and the United States and expire in stages through 2029 as follows:

2016	$ 789,000
2017	1,593,000
2018	1,836,000
2019	1,496,000
2020	603,000
2021	265,000
2023	570,000
2024	750,000
2025	1,124,000
2026	1,902,000
2027	1,279,000
2028	1,509,000
2029	2,947,000
	$ 16,663,000

13. FINANCIAL RISK MANAGEMENT

(a) Credit risk management

The Company's credit risk is primarily attributable to cash equivalents, short-term investments in liquid investments with a maturity greater than three months but less than one year, term deposits and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Short-term investments in liquid investments with a maturity greater than three months but less than one year and cash equivalents consist of bankers' acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote. Accounts receivable consists primarily of goods and services tax due from the federal government of Canada.

(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 manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities, leases payable and notes payable are due within the current operating period.
As of March 31, 2011, the Company had a cash and cash equivalents balance of $397,200 (December 31, 2010 - $508,800) to settle current accounts payable and accrued liabilities of $308,600 (December 31, 2010 - $297,600).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash and cash equivalents is limited because they are generally held to maturity. The Company is subject to interest

rate risk on its loan facility. The Company has not presented a sensitivity analysis table as the interest rate risk at March 31, 2011 and December 31, 2010 is not considered material to the Company's financial statements.

(d) Foreign exchange risk

The Company's property interests in United States and Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the US Dollar, the Canadian Dollar and Mexican Pesos. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has not presented a sensitivity analysis table as the foreign currency cash balances as at March 31, 2011 and December 31, 2010 are not material to the Company's financial statements.

(e) Fair value of financial assets and liabilities

The book values of the cash and cash equivalents, short-term investments and term-deposits, amounts receivable, reclamation deposit and amounts payable and accrued charges approximate their respective fair values due to the short-term nature of these instruments.

The Company's financial instruments carrying amounts and fair values are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value
	As at March 31, 2011		As at December 31, 2010	
Cash	$ 397,200	$ 397,200	$ 508,800	$ 508,800
Accounts receivable	10,300	10,300	7,400	7,400
Accounts payable and accrued liabilities	308,600	308,600	297,600	297,600
Lease payable	67,000	67,000	67,000	67,000
Note payable	5,750,600	5,750,600	5,132,400	5,132,400
Reclamation liability	23,300	23,300	23,300	23,300
Unrecognized (losses)/gains		$ -		$ -

(f) Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:
Trade and other receivables/payables
For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

14. CAPITAL RISK MANAGEMENT

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the

costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, extend the due date of existing debt, enter into new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company is currently assessing financing alternatives for its mine development plans and operations through its current operating period.

15. CONTINGENT LIABILITIES

The Company has entered into employment agreements with three officers pursuant to which it could become liable to pay cash bonuses aggregating up to $830,000 upon the completion of defined performance milestones. These milestones are inclusive of, but not limited to, events relating directly to the commencement of commercial production from a mining project. Additionally, pursuant to the terms of these agreements, the Company would be obligated to pay an aggregate of $711,000 to these officers in the event that their employment is terminated through change in controls. No liability has been recognized in these financial statements as (i) the Company has no basis to assess the likelihood of future payments, and (ii) the amount of such payments cannot be reasonably estimated.

16. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

During the three months period ending March 31, 2011 the Company paid $106,250 in interest to RMB Australia Holdings (for twelve months ending December 31, 2010 - $278,200) in respect to the Loan Facility as outlined in Note 8. In addition, the Company paid loan transaction financing fees in the amount of $382,400 in 2010 in respect to setting up the extension of Loan Facility agreement in 2010.

Related party transactions are measured at their exchange amounts as determined by management. The amounts bear no interest and are unsecured with no repayment terms.

17. TRANSITION TO IFRS

As stated in Significant Accounting Policies note 3(a), these are the Company's first consolidated financial statements prepared in accordance with IFRS (International Financial Reporting Standards) as issued by the IASB.

The policies set out in the Significant Accounting Policies section have been applied in preparing the financial statements for the three months ended March 31, 2011, the comparative information presented in these financial statements for the three months ended March 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's date of transition).

The Company has followed the recommendations in IFRS-1 *First-time adoption of IFRS,* in preparing its transitional statements.

IFRS Exemptions

IFRS-1 provides specific one-time choices and mandates specific one-time exceptions with respect to first-time adoption of IFRS. The only significant choice applicable to the Company relates to Property, plant and equipment. IFRS 1 provides a one-time choice of measuring property, plant and equipment at its fair value as deemed cost at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. For the purpose of subsequent measurement, the Company has elected to apply the cost model for property, plant & equipment rather than the fair value model available under IFRS. The historical bases under Canadian GAAP have been designated as the deemed cost under IFRS at transition date of January 1, 2010.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the Additional notes that accompany the tables.

Mandatory exceptions to retrospective application

Estimates: Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the company under Canadian GAAP are consistent with their application under IFRS.

Reconciliation of equity:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
		January 1, 2010			March 31, 2010			December 31, 2010		
Assets										
Current assets										
Cash and cash equivalents		636,600	-	636,600	422,900	-	422,900	458,800	-	458,800
Accounts receivable		13,200	-	13,200	11,700	-	11,700	7,400	-	7,400
Prepaid expenses		16,200	-	16,200	71,700	-	71,700	77,300	-	77,300
		666,000	-	666,000	506,300	-	506,300	543,500	-	543,500
Reclamation bonds		47,000	-	47,000	27,000	20,000	47,000	27,000	50,000	77,000
Mineral properties	*(a)*	806,300	(806,300)	-	806,300	(806,300)	-	806,300	(806,300)	-
Property and equipment		564,000	-	564,000	574,700	-	574,700	496,600	-	496,600
Total assets		2,083,300	(806,300)	1,277,000	1,934,300	(806,300)	1,128,000	1,923,400	(806,300)	1,117,100
Liabilities and Shareholders' Equity										
Current liabilities										
Accounts payable		151,300	-	151,300	128,200	-	128,200	297,600	-	297,600
Accrued Liabilities		-	-	-	109,000	-	109,000	-	-	-
Leases payable		67,000	-	67,000	67,000	-	67,000	67,000	-	67,000
Note payable	*(b)*	2,178,600	(288,800)	1,889,800	2,667,300	(192,500)	2,474,800	5,132,400	(185,000)	4,947,400
Warrant derivative	*(c)*	-	267,000	267,000	-	50,400	50,400	-	1,328,000	1,328,000
		2,396,900	(21,800)	2,375,100	2,971,500	(142,100)	2,829,400	5,497,000	1,143,000	6,640,000
Reclamation liability		23,300	-	23,300	23,300	-	23,300	23,300	-	23,300
		2,420,200	(21,800)	2,398,400	2,994,800	(142,100)	2,852,700	5,520,300	1,143,000	6,663,300
Shareholders' (Deficiency) Equity										
Share capital		23,945,500	-	23,945,500	23,945,500	-	23,945,500	24,144,300	-	24,144,300
Preference shares		211,200	-	211,200	211,200	-	211,200	211,200	-	211,200
Contributed surplus	(c)	6,724,800	(712,500)	6,012,300	6,752,900	(712,500)	6,040,400	6,734,600	(712,500)	6,022,100
Deficit	(a),(b)&(c)	(31,218,400)	(72,000)	(31,290,400)	(31,970,100)	48,300	(31,921,800)	(34,687,000)	(1,236,800)	(35,923,800)
Total shareholders' (deficiency) equity		(336,900)	(784,500)	(1,121,400)	(1,060,500)	(664,200)	(1,724,700)	(3,596,900)	(1,949,300)	(5,546,200)
Total liabilities and equity		2,083,300	(806,300)	1,277,000	1,934,300	(806,300)	1,128,000	1,923,400	(806,300)	1,117,100

Reconciliation of loss and comprehensive loss for the three months period ended March 31, 2010 and the year ended December 31, 2010:

		The three months ended March 31, 2010			The year ended December 31, 2010		
	Notes	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
Continuing operations							
Lease revenue		6,800	-	6,800	32,100	-	32,100
Cost of tourism operations		-	-	-	900	-	900
Depreciation		16,600	-	16,600	59,300	-	59,300
Mine property holding costs		81,500	-	81,500	309,500	-	309,500
Office & miscellaneous		75,600	-	75,600	326,100	-	326,100
Feasibility study		259,500	-	259,500	765,500	-	765,500
Professional & contract services		54,600	-	54,600	288,800	-	288,800
Rent & electricity		15,900	-	15,900	90,800	-	90,800
Share-based payment		28,100	-	28,100	64,900	-	64,900
Travel & entertainment		9,600	-	9,600	66,900	-	66,900
Wages & benefits		170,900	-	170,900	773,200	-	773,200
		712,300	-	712,300	2,745,900	-	2,745,900
Loss from operations		(705,500)	-	(705,500)	(2,713,800)	-	(2,713,800)
Loss on retirement of assets		-	-	-	(94,500)	-	(94,500)
Loss on foreign exchange		(400)	-	(400)	(500)	-	(500)
Interest income		300	-	300	800	-	800
Interest expense	*(b)*	(46,100)	(96,300)	(142,400)	(278,200)	(377,500)	(655,700)
Loan transaction fees	*(b)*	-	-	-	(382,400)	273,700	(108,700)
Change in fair value of warrant derivative	*(c)*	-	216,600	216,600	-	(1,061,000)	(1,061,000)
		(46,200)	120,300	74,100	(754,800)	(1,164,800)	(1,919,600)
Net loss and comprehensive loss for the period		(751,700)	120,300	(631,400)	(3,468,600)	(1,164,800)	(4,633,400)
Net loss per share:							
Basic and diluted loss per share attributable to common shareholders		(0.01)		(0.01)	(0.03)		(0.05)
Weighted average number of common shares outstanding		102,475,427		102,475,427	102,859,682		102,859,682

Notes to the reconciliation of equity and net loss and comprehensive loss:

a) Deferred mineral exploration costs

The Company records it interests in mineral exploration properties at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

IFRS: IFRS 6 Exploration and Evaluation of Mineral Resources permits mining companies to retain their existing policies with respect to the capitalization of exploration and evaluation costs until guidance that is more definitive is developed in this area. Such guidance is not expected to be issued until after the Company's changeover to IFRS. Canadian GAAP: Under Canadian GAAP all mineral resource properties are carried at cost. The Company considers exploration and development costs and expenditures to have the characteristics of property, plant and equipment and, as such, the Company capitalizes all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties as incurred, until those properties are determined to be economically viable for mineral production. After the determination of economic feasibility and at the commencement of pre-production activities these deferred exploration costs will be transferred to mining properties and amortized through charges against income derived from mining operations. The Company will have a choice between retaining its existing policies with respect to mineral properties and deferred exploration costs or electing to change its policy retrospectively to expense all pre-feasibility costs.

The Company has decided to change its accounting policy to retrospectively expense all pre-feasibility exploration and evaluation costs.

The effects of this transitional change are as follows: Decrease deferred exploration assets of $806,300 and increase deficit by the same amount as at January 1, March 31, and December 31, 2010.

b) Loan facility - Transaction costs

On August 12, 2009 the Company entered into a short term loan facility agreement (the "Loan Facility"). The Loan Facility is denominated in US dollars and has a limit of $4,250,000. Transaction fees in the amount of $385,000 were expensed during the period.

IFRS: IAS 39 does not allow a choice of accounting policy for transaction costs - must be recognized as part of the financial liabilities. Canadian GAAP: Permits a choice.

The Company has reviewed the IAS 39 methodology and has recorded the following adjustments:

January 1, 2010 - Note payable is reduced by $288,800 with a corresponding reduction to deficit;

March 31, 2010 - Note payable is reduced by $192,500 with an increase in financing costs of $96,300;

December 31, 2010 - Note payable is reduced by $185,000 with an increase in financing costs of $377,500.

c) Share purchase warrants denominated in Canadian dollars

On August 22, 2008, the Company completed a non-brokered private placement of 25,589,993 units at a price of C$0.11 for proceeds of $2,668,200 (C$2,814,900). Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of C$0.15 per share until August 22, 2010. The fair value of $712,400 was assigned to these warrants using Black-Scholes model.

IFRS: Under IFRS, The exercise price of the warrants is fixed in Canadian dollars. The functional currency of the

Company is in U.S. dollars and therefore the conversion option is considered a derivative as the Company will receive a variable amount of cash when the warrants are exercised. As a result, the warrants meet the definition of a derivative liability under IAS 39 'Financial Instruments: Recognition and Measurement' and is recorded as a financial liability and stated at fair value at each date of the statement of financial position. Canadian GAAP: Under Canadian GAAP – The warrants were accounted for at carrying value as equity.

The effects of this change are as follows:

January 1, 2010 - Increase warrant derivative liability by 266,965, decrease contributed surplus by 712,500 and decrease deficit by $445,500;

March 31, 2010 - Decrease warrant derivative liability and decrease net loss by $216,600;

December 31, 2010 - Increase warrant derivative liability and increase net loss by $1,061,000.

d) **Impact on deficit**

The effect of the above adjustments on deficit is as follows:

	Notes	**December 31, 2010**	**March 31, 2010**	**January 1, 2010**
Canadian GAAP		(34,687,000)	(31,970,100)	(31,218,400)
IFRS Adjustments				
Financing costs	*(b)*	273,700	-	385,000
Change in warrant derivative	*(c)*	(1,061,000)	216,600	445,500
Interest expense (amortization of financing costs)	*(b)*	(377,500)	(96,300)	(96,200)
Mineral costs written off	*(a)*	-	-	(806,300)
Cumulative adjustment from January 1, 2010		(72,000)	(72,000)	-
IFRS		(35,923,800)	(31,921,800)	(31,290,400)

18. SUBSEQUENT EVENTS

Subsequent to the quarter-end, the Company issued 330,600 common shares for no consideration as part of the remaining 1,147,752 allotted common shares required to be issued to former shareholders of SGMC (see Note 1).