

SEABRIDGE GOLD INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2011

MANAGEMENT'S COMMENTS ON UNAUDITED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements of Seabridge Gold Inc. for the three months ended March 31, 2011 have been prepared by management and approved by the Board of Directors of the Company.

SEABRIDGE GOLD INC.
Condensed Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

(Unaudited)

	Note	March 31, 2011	December 31, 2010 (note 17)	January 1, 2010 (note 17)
Assets				
Current assets				
Cash and cash equivalents	4	1,119	1,044	285
Short-term deposits	4	37,999	29,712	9,002
Amounts receivable and prepaid expenses		490	3,131	466
Marketable securities	5	1,788	1,929	797
		41,396	35,816	10,550
Non-current assets				
Long-term guaranteed investment	4	-	11,000	-
Convertible debenture	6	788	1,078	-
Mineral interests	7	136,820	130,730	94,672
Reclamation deposits	8	1,549	1,550	1,552
Property and equipment		34	48	85
Total non-current assets		139,191	144,406	96,309
Total Assets		180,587	180,222	106,859
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	9	2,374	3,725	1,376
Income taxes payable		30	44	34
		2,404	3,769	1,410
Non-current liabilities				
Income taxes payable		78	78	137
Deferred income tax liabilities		599	624	279
Provision for reclamation liabilities	10	1,944	1,938	4,347
Total non-current liabilities		2,621	2,640	4,763
Total liabilities		5,025	6,409	6,173
Shareholders' equity	11	175,562	173,813	100,686
Total liabilities and shareholders' equity		180,587	180,222	106,859

Contingencies and Commitments (note 16)

Subsequent Events (note 7(d))

The accompanying notes on pages 6 to 24 form an integral part of these consolidated financial statements.

These financial statements were approved by the board of directors and authorized for issue on May 31, 2011 and were signed on its behalf:



Rudi P. Fronk
Director



James S. Anthony
Director

SEABRIDGE GOLD INC.**Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)***(Expressed in thousands of Canadian dollars except common share and per common share amounts)**(Unaudited)*

For the three months ended March 31,	Note	2011	2010 (note 17)
Corporate and administrative expenses	12	(2,982)	(1,017)
Accretion on reclamation liabilities		(6)	(17)
Interest income	13	132	41
Unrealized loss on convertible debenture		(313)	-
Foreign exchange gains		7	1,098
Profit (loss) before income taxes		(3,162)	105
Income tax recovery (expense)		25	(97)
Net profit (loss) for the period		(3,137)	8
Other comprehensive income (loss), net of income taxes:			
Unrecognized losses on financial assets		(266)	(73)
Comprehensive income (loss) for the period		(3,403)	(65)

Basic and Diluted Net profit (loss) per Common Share	(0.08)	0.00
Basic and Diluted weighted-average number of Common Shares outstanding	41,321,852	38,618,518

The accompanying notes on pages 6 to 24 form an integral part of these consolidated financial statements.

SEABRIDGE GOLD INC.**Condensed Consolidated Statements of Changes in Shareholders' Equity**

For the three months ended March 31, 2011, and March 31, 2010

*(Expressed in thousands of Canadian dollars)**(Unaudited)*

	Share Capital	Stock Options	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
As at January 1, 2011	188,385	5,028	283	(20,730)	847	173,813
Shares - exercise of options	3,264	-	-	-	-	3,264
Stock-based compensation	1,298	590	-	-	-	1,888
Other comprehensive loss	-	-	-	-	(266)	(266)
Net loss	-	-	-	(3,137)	-	(3,137)
As at March 31, 2011	192,947	5,618	283	(23,867)	581	175,562
As at January 1, 2010	117,428	7,012	126	(24,053)	173	100,686
Shares - prospectus financing	62,708	-	-	-	-	62,708
Shares - exercise of stock options	272	-	-	-	-	272
Stock-based compensation	116	(29)	-	-	-	87
Other comprehensive loss	-	-	-	-	(73)	(73)
Net profit	-	-	-	8	-	8
As at March 31, 2010	180,524	6,983	126	(24,045)	100	163,688

The accompanying notes on pages 6 to 24 form an integral part of these consolidated financial statements.

SEABRIDGE GOLD INC.**Condensed Consolidated Statements of Cash Flows***(Expressed in thousands of Canadian dollars)**(Unaudited)*

For the three months ended March 31,	2011	2010 (note 17)
Operating Activities		
Net profit (loss)	(3,137)	8
Items not affecting cash:		
Unrealized loss on convertible debenture	313	-
Stock-based compensation	1,888	87
Accretion of convertible debenture	(23)	-
Accretion of reclamation liabilities	6	17
Amortization	9	9
Deferred income taxes	(25)	97
Changes in non-cash working capital items		
Amounts receivable and prepaid expenses	2,641	190
Accounts payable and accrued liabilities	(675)	729
Changes in income taxes payable	(14)	-
Net cash provided by (used in) operating activities	983	1,137
Investing Activities		
Mineral interests	(6,891)	(1,939)
Short-term investments	2,713	(49,872)
Long-term guaranteed investments	-	(11,000)
Proceeds from disposal of property and equipment	6	-
Net cash used in investing activities	(4,172)	(62,811)
Financing Activities		
Issue of share capital	3,264	62,980
Net increase in cash during the period	75	1,306
Cash and cash equivalents, beginning of period	1,044	285
Cash and cash equivalents, end of period	1,119	1,591
Supplemental Information		
Changes in liabilities in mineral interests	(676)	1,828

The accompanying notes on pages 6 to 24 form an integral part of these consolidated financial statements.

SEABRIDGE GOLD INC.

Notes to the Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2011 and March 31, 2010

(Unaudited)

1. Reporting entity

Seabridge Gold Inc. is comprised of Seabridge Gold Inc. (the "Parent") and its subsidiaries and is a development stage company engaged in the acquisition and exploration of gold properties located in North America. The Company was incorporated under the laws of British Columbia, Canada on September 4, 1979 and continued under the laws of Canada on October 31, 2002. Its common shares are listed on the Toronto Stock Exchange trading under the symbol "SEA" and on the NYSE AMEX Equities exchange under the symbol "SA". The Company is domiciled in Canada, the address of its registered office is 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5 and the address of its corporate office is 106 Front Street East, 4th Floor, Toronto, Ontario, Canada M5A 1E1.

2. Statement of compliance and basis of presentation

The Company prepares its 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 condensed consolidated interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") and IFRS applicable to the preparation of interim financial statements, including IFRS 1, *First-time Adoption of IFRS* ("IFRS 1"). Subject to certain transition elections disclosed in Note 17, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at January 1, 2010 and throughout all periods presented, as if the policies had always been in effect. Note 17 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and in consideration of the IFRS transition disclosures included in Note 17 to these financial statements and additional disclosures included herein. They do not include all of the information required for full annual financial statements.

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

3. Significant accounting policies

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are described below.

(a) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the revaluation of available-for-sale financial assets which are measured at fair value.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully

consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units. Non-controlling interest in an acquisition may be measured at either fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets.

If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statement of operations.

Where a business combination is achieved in stages, previously held equity interests in the acquiree are re-measured at acquisition-date fair value and any resulting gain or loss is recognized in the consolidated statement of operations.

Acquisition related costs are expensed during the period in which they are incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which is included in the carrying amount of the related instrument.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

(c) Translation of foreign currencies

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's, and each of its subsidiaries, functional currency.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations.

Monetary assets and liabilities of the Company denominated in a foreign currency are translated into Canadian dollars at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average exchange rates prevailing during the period. Exchange gains and losses are included in income for the year.

(d) Critical accounting estimates and judgments

In applying the Company's accounting policies in conformity with IFRSs, management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(e) Critical accounting judgments

The following are the critical judgments, excluding those involving estimations, that the Company have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements (refer to appropriate accounting policies for details)

- Reclamation obligations (Note 10)
- Review of asset carrying values and impairment charges (Note 7)

(f) Key sources of estimation uncertainty

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policy and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

- Estimation of reclamation liabilities and timing of expenditures (note 10)
- Valuation of stock options (note 11)

(g) Cash, short-term deposits and long-term guaranteed investment

Cash, short-term deposits and long-term guaranteed investment consist of balances with banks and investments in money market instruments. These investments are carried at fair value through profit or loss. Cash and cash equivalents consist of investments with maturities of up to 90 days at the date of purchase. Short-term deposits consist of investments with maturities from 91 days to one year at the date of purchase plus long-term guaranteed investments with less than one year to maturity. The long-term guaranteed investment consists of investments with a term of one to two years.

(h) Marketable Securities

Investments in marketable securities accounted for as available for sale securities are recorded at fair value. The fair values of investments are determined based on the closing prices reported on recognized securities exchanges and over-the-counter markets. Such individual market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations. When there has been a loss in the value of an investment in marketable securities that is determined to be other than a temporary decline, the investment is written down to recognize the loss and recorded in the statement of operations. Changes in market value of investments are recorded in other comprehensive income net of related income taxes.

(i) Mineral interests

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, which include license acquisition costs, advance royalties, holding costs, field exploration and field supervisory costs and all costs associated with exploration and evaluation activities relating to specific properties as incurred, until those properties are determined to be economically viable for mineral production. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to activities in a particular area of interest.

Once a project has been established as commercially viable and technically feasible, related development expenditure is capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial operations. After the determination of economic feasibility and at the commencement of pre-production activities these deferred exploration costs will be transferred to mining properties.

The actual recovery value of capitalized expenditures for mineral properties and deferred exploration costs will be contingent upon the discovery of economically viable reserves and the Company's financial ability at that time to fully exploit these properties or determine a suitable plan of disposition.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent 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 in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortized over the life of the reserves associated with the area of interest once mining operations have commenced.

(j) Property and equipment

Property and equipment are stated at cost, less accumulated amortization and accumulated impairment losses. The cost of property and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with the asset. Amortization is provided using the straight-line method at an annual rate of 20% from the date of acquisition. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively.

(k) Reclamation liabilities

Provisions for environmental restoration are recognized when: (i) the Company has a present legal or constructive obligation as a result of past exploration, development or production events; (ii) it is probable that an outflow of resources will be

required to settle the obligation; (iii) and the amount has been reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a formal report and are subject to regular review.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. When estimates of obligations are revised, the present value of the changes in obligations is recorded in the period by a change in the obligation amount and a corresponding adjustment to the mineral interest asset (note 10).

The amortization or 'unwinding' of the discount applied in establishing the net present value of provisions due to the passage of time is charged to the statement of operations in each accounting period.

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result there could be significant adjustments to the provisions for restoration and environmental cleanup, which would affect future financial results.

Funds on deposit with third parties to provide for reclamation costs are included in reclamation deposits on the balance sheet.

(l) Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss to the extent that it relates to a business combination or items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax is not recognized for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill which is not deductible for tax purposes.

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 future tax asset will be recovered, it provides a valuation allowance against that excess.

The Company has certain non-monetary assets and liabilities for which the tax reporting currency is different from its functional currency. Any translation gains or losses on the remeasurement of these items at current exchange rates versus historic exchange rates that give rise to a temporary difference is recorded as a deferred tax asset or liability.

(m) Stock-based compensation

The Company applies the fair value method for stock-based compensation and other stock-based payments. The fair value of these options are valued using the Black Scholes option-pricing model and other models for the two-tiered options as may be appropriate. The grant date fair value of stock-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date (note 11). The Company reviews estimated forfeitures of options on an ongoing basis.

(n) Net Profit (Loss) Per Common Share

Basic profit (loss) per common share is computed based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share which assumes that stock options with an exercise price lower than the average quoted market price were exercised at the later of the beginning of the year, or time of issue. Stock options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted profit per share as the effect is anti-dilutive.

(o) Financial assets and liabilities

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The Company's financial instruments are comprised of the following:

Financial assets:	Classification:
Cash and cash equivalents	Fair value through profit or loss
Short-term deposits	Fair value through profit or loss
Amounts receivable	Loans and receivables
Marketable securities	Available for sale
Long-term guaranteed investment	Fair value through profit or loss
Convertible debenture – debt component	Loans and receivables
Convertible debenture – option component	Fair value through profit or loss
Reclamation deposits	Fair value through profit or loss

Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities

(i) Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(iii) Available for sale investments

Financial assets classified as available-for-sale are measured at fair value, with changes in fair values recognized in other comprehensive income, except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in other comprehensive income is recognized within the consolidated statement of operations.

(iv) Fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial assets measured at fair value, as at March 31, 2011 and December 31, 2010, which include cash and cash equivalents, short-term deposits, long-term guaranteed investment and marketable securities are classified as a Level 1 measurement. The conversion option related to the convertible debenture is considered a Level 2 measurement.

(v) Impairment of financial assets:

Financial assets are assessed for indicators of impairment at each financial 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. 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.

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. 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 reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(p) Accounting standards issued but not yet applied

IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently assessing the impact on its consolidated financial statements.

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 13, *Fair Value Measurement* was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

4. Cash and cash equivalents, short-term deposits and long-term guaranteed investment

(\$000's)	March 31, 2011	December 31, 2010	January 1, 2010
Cash	1,119	1,044	285
Canadian bank guaranteed notes	26,999	29,712	9,002
Long-term guaranteed investment	11,000	11,000	-
	39,118	41,756	9,287
Short-term deposits	(37,999)	(29,712)	(9,002)
Long-term guaranteed investment	-	(11,000)	-
Cash and cash equivalents	1,119	1,044	285

Short-term deposits consist of Canadian Schedule I bank guaranteed notes with terms from 91 days up to one year but are cashable in whole or in part with interest at any time to maturity. All of the cash is held in a Canadian Schedule I bank.

Long-term guaranteed investment consists of a Canadian Schedule I bank guaranteed note with a term of two years to March 2012.

5. Marketable securities

(\$000's)	March 31, 2011	December 31, 2010	January 1, 2010
Marketable securities:			
Available-for-sale	1,788	1,929	797

6. Convertible debenture

The convertible debenture is made up of the following components:

(\$000's)	Debt	Conversion feature	Total
As at December 31, 2010	451	627	1,078
Accretion	23	-	23
Unrealized loss	-	(313)	(313)
As at March 31, 2011	474	314	788

(\$000's)	Debt	Conversion feature	Total
As at January 1, 2010	-	-	-
Purchase of convertible debenture	385	140	525
Accretion	66	-	66
Unrealized gain	-	487	487
As at December 31, 2010	451	627	1,078

In February 2009, the Company signed a letter for an option of the Hog Ranch property to Icon Industries Ltd. ("ICON"). The terms of the agreement required ICON to issue one million common shares to the Company, pay \$500,000 on closing and to issue a further one million common shares and pay a further \$525,000 within 12 months of the agreement being accepted by the TSX Venture Exchange. In April 2009, the option agreement was closed and acceptance by the TSX Venture Exchange was received. ICON issued the first one million shares and paid the \$500,000. In April 2010, the balance of the one million shares was received and the Company agreed to take back a \$525,000 convertible debenture in place of the cash due. The amounts received are shown as recoveries against the cost of the mineral interest. The debenture matures in 18 months bears interest at 5% per annum and the principal and accumulated interest is convertible into common shares of ICON at the Company's option at \$0.30 per share. The debenture is secured by ICON's interest in the project.

On initial recognition, the convertible debenture value, in the amount of \$525,000 was allocated between the debenture receivable (\$385,000) and the related conversion option (\$140,000) based on the fair value of the instruments. The fair value of the conversion option was determined using the Black-Scholes option pricing model, using the ICON share price and its

historical volatility, the conversion price and the expected life of the instruments. The carrying value of the conversion option is adjusted to fair value at each reporting period and any gain or loss is recognized in the statement of operations at that time. Also, the debenture receivable will be accreted to the face value of the debenture over its life and the related amount will be included on the statement of operations each reporting period.

At March 31, 2011 the fair value of the conversion option was recalculated based on current amounts and was re-valued downwards by \$313,000 (based on fair value assumptions of: share price – \$0.45; interest rate – 1.07%; volatility – 76%; life – 0.54 years) and \$23,000 was recorded for accretion of the debenture option (at December 31, 2010, the fair value of the conversion option was recalculated based on current amounts and was revalued upwards by \$486,500 to \$626,500 (based on fair value assumptions of: share price – \$0.61; interest rate – 1.26%; volatility – 103%; life – 0.79 years) and \$66,111 was recorded for accretion of the debenture receivable).

7. Mineral interests

Mineral interest expenditures on projects are considered as exploration and evaluation. All of the projects have been evaluated for impairment and their related costs consist of the following:

(\$000's)	Balance, December 31, 2010	Net expenditures Quarter 1, 2011	Balance, March 31, 2011
Courageous Lake	32,028	2,323	34,351
KSM	86,782	3,809	90,591
Castle Black Rock	282	-	282
Grassy Mountain	4,029	62	4,091
Quartz Mountain	480	(125)	355
Red Mountain	2,411	9	2,420
Pacific Intermountain Gold	4,182	12	4,194
Other Nevada projects	536	-	536
	<u>130,730</u>	<u>6,090</u>	<u>136,820</u>

(\$000's)	Balance, January 1, 2010	Net expenditures 2010	Balance, December 31, 2010
Courageous Lake	22,404	9,624	32,028
KSM	57,875	28,907	86,782
Castle Black Rock	242	40	282
Grassy Mountain	3,900	129	4,029
Hog Ranch	680	(680)	-
Quartz Mountain	444	36	480
Red Mountain	4,683	(2,272)	2,411
Pacific Intermountain Gold	3,960	222	4,182
Other Nevada projects	484	52	536
	<u>94,672</u>	<u>36,058</u>	<u>130,730</u>

Continued exploration of the Company's mineral properties is subject to certain lease payments, project holding costs, rental fees and filing fees.

a) **Courageous Lake**

In 2002, the Company purchased a 100% interest in the Courageous Lake gold project from Newmont Canada Limited and Total Resources (Canada) Limited ("the Vendors") for US\$2.5 million. The Courageous Lake gold project consists of mining leases located in Northwest Territories of Canada.

In 2004, an additional property was optioned in the area. Under the terms of the agreement, the Company paid \$50,000 on closing and was required to make option payments of \$50,000 on each of the first two anniversary dates and subsequently \$100,000 per year. In addition, the property may be purchased at any time for \$1,250,000 with all option payments being credited against the purchase price.

b) **KSM (Kerr-Sulphurets-Mitchell)**

In 2001, the Company purchased a 100% interest in contiguous claim blocks in the Skeena Mining Division, British Columbia. The vendor maintains a 1% net smelter royalty interest on the project, subject to maximum aggregate royalty payments of \$4.5 million. The Company is obligated to purchase the net smelter royalty interest for the price of \$4.5 million in the event that a positive feasibility study demonstrates a 10% or higher internal rate of return after tax and financing costs.

In 2002, the Company optioned the property to Noranda Inc. (which subsequently became Falconbridge Limited and then Xstrata plc.) which could earn up to a 65% interest by incurring exploration expenditures and funding the cost of a feasibility study.

In April 2006, the Company reacquired the exploration rights to the KSM property in British Columbia, Canada from Falconbridge Limited. On closing of the formal agreement in August 2006, the Company issued Falconbridge 200,000 common shares of the Company with a deemed value of \$3,140,000 excluding share issue costs. The Company also issued 2 million warrants to purchase common shares of the Company with an exercise price of \$13.50 each. The 2,000,000 warrants were exercised in 2007 and proceeds of \$27,000,000 were received by the Company.

In July 2009, the Company agreed to acquire various mineral claims immediately adjacent to the KSM property for further exploration and possible mine infrastructure use. The terms of the agreement required the Company to pay \$1 million in cash, issue 75,000 shares and pay advance royalties of \$100,000 per year for 10 years commencing on closing of the agreement. The property is subject to a 4.5% net smelter royalty from which the advance royalties are deductible. The purchase agreement closed in September 2009, with the payment of \$1 million in cash, the issuance of 75,000 shares valued at \$2,442,750 and the payment of the first year's \$100,000 advance royalty.

In February 2011, the Company acquired a 100% interest in adjacent mineral claims consisting of 5,634 hectares mainly for mine infrastructure purposes for a cash payment of \$675,000, subject to a 2% net smelter returns royalty.

c) **Castle Black Rock**

The Company entered into a mining lease agreement dated August 15, 2000, and amended on August 1, 2001, with respect to mineral claims located in Esmeralda County, Nevada, USA. In 2002, the Company paid US\$17,500 and in 2003, US\$25,000 in advance royalties and is required to pay further advance royalties of US\$25,000 each August 15 thereafter and to pay a production royalty, varying with the price of gold, of 3% to 5%, and a 3.5% royalty on gross proceeds from other metals produced. The Company has the right to purchase 50% of the production royalty for US\$1.8 million.

d) **Grassy Mountain**

In 2000, the Company acquired an option on a 100% interest in mineral claims located in Malheur County, Oregon, USA. During 2002, the Company paid US\$50,000 in option payments. On December 23, 2002, the agreement was amended and the Company made a further option payment of US\$300,000 and in March 2003 acquired the property for a payment of US\$600,000.

In April 2011, the Company announced that an agreement had been reached to option the Grassy Mountain project to Calico Resources Corp. ("Calico"). To exercise the option, Calico must issue to the Company (i) two million of its common shares following TSX Venture Exchange approval; (ii) four million of its common shares at the first anniversary, and (iii) eight million of its shares when the project has received the principal mining and environmental permits necessary for the construction and operation of a mine. In addition, after the delivery of an National Instrument 43-101 ("NI 43-101") compliant feasibility study on the project, Calico must either grant the Company a 10% net profits interest or pay the Company \$10 million in cash, at the sole election of the Company.

e) **Quartz Mountain**

In 2001, the Company purchased a 100% interest in mineral claims in Lake County, Oregon. The vendor retained a 1% net smelter royalty interest on unpatented claims acquired and a 0.5% net smelter royalty interest was granted to an unrelated party as a finder's fee.

In May 2009, the Company completed an option agreement on part of the Quartz Mountain property. To earn a 50% interest in the project, the optionee must complete \$500,000 in exploration expenditures by December 31, 2010 and issue 200,000 shares to the Company over the period of which 50,000 shares have been issued to December 31, 2010 and the remaining 150,000 shares were received in February 2011 with a fair value of \$125,000. The amounts received are shown as recoveries against the cost of the mineral interest. The optionee has the right to increase its percentage holdings to 70% by funding and completing a feasibility study within three years.

f) **Red Mountain**

In 2001, the Company purchased a 100% interest in an array of assets associated with mineral claims in the Skeena Mining Division, British Columbia, together with related project data and drill core, an owned office building and a leased warehouse, various mining equipment on the project site, and a mineral exploration permit which is associated with a cash reclamation deposit of \$1 million.

The Company assumed all liabilities associated with the assets acquired, including all environmental liabilities, all ongoing licensing obligations and ongoing leasehold obligations including net smelter royalty obligations on certain mineral claims ranging from 2.0% to 6.5% as well as an annual minimum royalty payment of \$50,000.

g) **Pacific Intermountain Gold Corporation**

During 2002, the Company and an unrelated party incorporated Pacific Intermountain Gold Corporation ("PIGCO"). The Company funded PIGCO's share capital of \$755,000 and received a 75% interest. The other party provided the exclusive use of an exploration database and received a 25% interest. In July 2004, the Company acquired the 25% interest in PIGCO which it did not own by forgiving debt of approximately \$65,000 and agreeing to pay 10% of the proceeds of any sale of projects to third parties.

h) **Noche Buena, Mexico**

In April 2006, the Company acquired 100% interest in the Noche Buena gold project in the Sonora district of Mexico for US\$4,350,000 in cash. In February 2008, the Company acquired the surface rights encompassing the Noche Buena property in Mexico for US\$1,780,000.

In December 2008, the Company sold the project for US\$25 million (\$30,842,000) in cash less a commission to the Company's agent of \$2,538,000. A further US\$5 million is payable by the purchaser upon commencement of commercial production from the property and a 1.5% net smelter royalty is payable on all production of gold sold for US\$800 per ounce or greater. In connection with the sale, the Company tax expense amounting to \$5,593,000 (approximately 60 million Mexican pesos) to the government of Mexico as at December 31, 2008, which amounts were paid in January 2009.

In December 2010, the Company sold its residual interests in the Noche Buena project for an amount of US\$10.12 million (\$10,179,708) and paid Mexican withholding taxes of \$3,053,912.

8. Reclamation deposits

Reclamation deposits at March 31, 2011 consist of bank guaranteed deposits or cash lodged at the banks or with governments of \$1,549,000 (December 31, 2010 - \$1,550,000) and are related to the obligation to fund future reclamation costs.

9. Accounts payable and accrued liabilities

<i>(\$000's)</i>	March 31, 2011	December 31, 2010	January 1, 2010
Trade and other payables due to related parties	459	634	67
Other trade payables	1,706	2,414	1,077
Non-trade payables and accrued expenses	209	677	232
	<u>2,374</u>	<u>3,725</u>	<u>1,376</u>

10. Provision for reclamation liabilities

<i>(\$000's)</i>	March 31, 2011	December 31, 2010	January 1, 2010
Reclamation obligations	1,944	1,938	4,347

Asset Retirement Obligations

<i>(\$000's)</i>		
As at December 31, 2010		1,938
Accretion		6
As at March 31, 2011		1,944

The Company's policy on providing for reclamation obligations is described in note 3. Although the ultimate costs to be incurred are uncertain, the Company's estimates are based on independent studies or agreements with the related government body for each project using current restoration standards and techniques. The fair value of the asset retirement

obligations was calculated using the total undiscounted cash flows required to settle estimated obligations and expected timing of cash flow payments required to settle the obligations between 2012 and 2020. The discount rate used to re-measure the asset retirement obligations was between 1.55% to 1.12%, which excludes the effect of inflation.

11. Shareholders' Equity

Shareholders' equity consists of the following:

(\$000's)	March 31, 2011	December 31, 2010	January 1, 2010
Share capital	192,947	188,385	117,428
Stock options	5,618	5,028	7,012
Contributed surplus	283	283	126
Deficit	(23,867)	(20,730)	(24,053)
Accumulated other comprehensive income	581	847	173
	175,562	173,813	100,686

The Company is authorized to issue an unlimited number of preferred shares and common shares with no par value. No preferred shares were issued or outstanding on March 31, 2011 and December 31, 2010.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties that would be accretive and meaningful to the Company. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2010.

a) Common share transactions were as follows:

	Shares	Amount (\$000's)
As at December 31, 2010	41,055,185	188,385
For cash, exercise of stock options	300,000	3,264
Value of stock options exercised	-	1,298
As at March 31, 2011	41,355,185	192,947
	Shares	Amount (\$000's)
As at January 1, 2010	37,598,685	117,428
For cash, prospectus financing (see below)	2,875,000	62,708
For cash, exercise of stock options	581,500	5,969
Value of stock options exercised	-	2,280
As at December 31, 2010	41,055,185	188,385

On March 3, 2010, the Company closed a prospectus financing of 2,875,000 common shares at US\$22.90 per share for gross proceeds of US\$65,837,500 (\$67,944,300). The agents received commission of 6.5% in cash or \$4,416,379 and other expenses of the financing totalled \$819,512.

b) Stock option transactions were as follows:

	Options	Weighted-average exercise price	Value of options (\$000's)
As at December 31, 2010	2,171,000	\$ 21.67	5,028
Granted to employee	200,000	28.80	170
Exercised	(300,000)	(10.88)	(1,298)
Value of options granted in prior years	-	-	1,718
As at March 31, 2011	2,071,000	23.92	5,618

	Options	Weighted-average exercise price	Value of options (\$000's)
As at January 1, 2010	1,812,500	\$ 13.60	7,012
Granted to employees	405,000	29.75	205
Granted to directors	550,000	29.75	-
Exercised	(581,500)	(10.26)	(2,280)
Expired	(15,000)	(28.70)	(157)
Value of options granted in prior years	-	-	248
As at December 31, 2010	2,171,000	\$ 21.67	5,028

As at March 31, 2011

Options Outstanding			Options Exercisable	
Exercise price	Number outstanding	Remaining contractual life	Number exercisable	Exercise price
\$29.60	260,000	1 year 4 months	180,000	\$29.60
\$26.64	30,000	1 year 11 months	30,000	\$26.64
\$10.54	601,000	2 years 8 months	86,000	\$10.54
\$21.88	25,000	2 years 11 months	25,000	\$21.88
\$29.75	955,000	3 years 9 months	-	\$29.75
\$28.80	200,000	4 years 11 months	-	\$28.80
	2,071,000		321,000	

The Company provides compensation to directors, employees and consultants in the form of stock options. Pursuant to the Share Option Plan, the Board of Directors have the authority to grant options, and to establish the exercise price of the option at the time each option is granted, at a price not less than the closing price of the Common Shares on the Toronto Stock Exchange on the date of the grant of such option and for a period not exceeding five years.

Option grants to directors and senior management prior to 2008 are subject to a two-tiered vesting policy. Option grants to directors and senior management in 2008 and to directors in 2010 only vest when the Company enters into a significant transaction involving either its interest in the Courageous Lake project or the KSM project or the acquisition of a majority interest in the Company. These vesting provisions were designed to better align option compensation with the interests of shareholders. Grants to other employees and consultants do not have these provisions but generally vest immediately or in one year.

The outstanding share options at March 31, 2011 expire at various dates between August 2012 and March 2016. In addition to the options outstanding at March 31, 2011, there were 25,000 shares available for grants of options under the share option plan.

The two-tier option grants required a certain share price above the grant date price for 10 successive days for the first third to vest, a higher share price for the second third to vest and a further higher share price for the final third to vest. Once the share price has met the first test, the Company's share price performance must have exceeded the S&P/TSX Global Gold Index by more than 20% over the preceding six months or these options would be cancelled.

The Board has granted the following two-tiered options:

<u>Date of Grant</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Share Price Vesting</u>	<u>Year Vested</u>
January 2005	50,000	\$ 4.00	\$6, \$9, \$12	2005 and 2006
January 2006	875,000	\$10.56	\$15, \$18, \$21	2006 and 2007
August 2007	120,000	\$29.60	\$34, \$37, \$40	

The weighted average grant date fair value of the 200,000 (December 2010 - 405,000) options granted at an exercise price of \$28.80 (December 2010 - \$29.75) each during 2011 which were not subject to directors and management vesting provisions described above was \$16.37 (December 2010 - \$16.80). The grant of these 200,000 options resulted in compensation costs totaling \$3,273,800 compared to 405,000 options in 2010 resulting in compensation costs totalling \$6,802,785. The 2011 options will vest over the period March 2011 to March 2013 and consequently \$170,510 of the total compensation expense was expensed to March 31, 2011 and \$3,103,290 will be expensed through March 2013. The 2010 options will vest over the period December 2010 to December 2011 and consequently \$1,677,399 of the total compensation expense of the 2010 grants was expensed thus far in 2011, \$205,015 was expensed in 2010 and \$4,920,371 will be expensed in the balance of 2011. The fair value of the options granted is estimated on the dates of grant using a Black-Scholes option-pricing model with the following assumptions:

	<u>2011</u>	<u>2010</u>
Dividend yield	Nil	Nil
Expected volatility	66%	66%
Risk free rate of return	2.61%	2.45%
Expected life of options	5 years	5 years

In addition to the 405,000 options granted in December 2010 as stated above, 550,000 five year options were granted to directors in December 2010 at an exercise price of \$29.75. These options are subject to shareholders' approval at the next meeting and would vest with the change of control on one of the Company's two major projects (KSM and Courageous Lake) or the Company's shares closing on the Toronto Stock Exchange at \$40 or higher for ten consecutive days.

12. Corporate and administrative expenses

(\$000's)	Three Months Ended March 31,	
	2011	2010
Employees expenses	557	342
Stock-based compensation	1,888	87
Professional fees	77	149
General and administrative	460	439
	2,982	1,017

13. Interest income

(\$000's)	Three Months Ended March 31,	
	2011	2010
Interest on short-term deposits and guaranteed long-term investment	124	40
Interest on convertible debenture	7	-
Interest on reclamation deposits	1	1
	132	41

14. Related Party Disclosures

Compensation of directors and key management personnel:

(\$000's)	Three months ended March 31,	
	2011	2010
Compensation of directors:		
Directors fees	54	34
Consulting fees	13	14
Stock-based compensation	-	-
	67	48
Compensation of key management personnel:		
Salaries and consulting fees	381	255
Stock-based compensation	1,143	34
	1,524	289
Total remuneration of directors and key management personnel	1,591	337

15. Financial Instruments

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to short-term deposits, long-term guaranteed investment, convertible debenture and receivables included in amounts receivable and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Short-term deposits consist of Canadian Schedule I bank guaranteed notes, with terms up to one year but are cashable in whole or in part with interest at any time to maturity, for which management believes the risk of loss to be remote. The Company has a two year \$11,000,000 bank guaranteed note (long-term guaranteed investment) with a Canadian Schedule 1 bank which matures in March 2012, again which management believes the risk of loss to be remote. The convertible debenture may be considered to have significant risk, but is not a major component of the Company's assets and is secured by the Hog Ranch mineral property. Financial instruments included in amounts receivable and prepaid expenses consist of harmonized sales tax due from the Federal Government of Canada. Management believes that the risk of loss with respect to financial instruments included in amounts receivable and prepaid expenses to be remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had cash balances of \$1,119,000 (December 31, 2010 - \$1,044,000, December 31, 2009 - \$285,000) for settling current liabilities of \$2,404,000 (December 31, 2010 - \$3,769,000, December 31, 2009 - \$1,410,000). At March 31, 2011, the Company also had bank-guaranteed short-term deposits of \$37,999,000 (December 31, 2010 - \$29,712,000, December 31, 2009 - \$9,002,000) with maturities to March 2012, but \$26,999,000 are cashable in whole or in part with interest at any time to maturity. All of the Company's current financial liabilities have contractual maturities of 30 days and are subject to normal trade terms.

Market Risk

(a) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in Canadian bank guaranteed notes (short-term deposits). The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The short-term deposits can be cashed in at any time and can be reinvested if interest rates rise.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. In December 2008 and 2010, the Company sold the Mexican property Noche Buena at a profit which attracted income taxes payable in Mexican pesos. The income taxes were paid in January 2009 and in December 2010 and there is no further exposure to the Mexican peso currency. Management believes the foreign exchange risk derived from currency conversions is not significant to its operations and therefore does not hedge its foreign exchange risk.

(c) Marketable Securities Risk

The Company has investments in other publicly listed exploration companies which are included in marketable securities. These shares were received as part of option payments on certain exploration properties the Company owns as well as \$485,000 in a gold exchange traded fund. The risk on these investments is significant due to the nature of the business but the amounts are not significant to the Company.

Sensitivity Analysis

The Company has designated its cash and cash equivalents and short term deposits as fair value through profit or loss, which are measured at fair value. Financial instruments included in amounts receivable and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at March 31, 2011 and December 31, 2010, the fair value of the Company's financial instruments approximates their carrying values.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

(i) Short term deposits are re-invested each 30 days to one year. The investments held at December 31, 2010 are one-year notes but are cashable in whole or in part with interest at any time to maturity. Sensitivity to a plus or minus 0.25% change in rates would affect net loss by \$75,000 on an annualized basis.

(ii) At March 31, 2011, the Company had net current liabilities in US dollars of \$47,000 (December 31, 2010 - \$407,000), for which a 10% change in exchange rates, would affect net income by \$5,000.

(iii) Price risk is remote since the Company is not a producing entity.

16. Contingencies and Commitments

There were no significant changes in contingencies and commitments in the three month period ended March 31, 2011.

17. IFRS

As stated in note 2, these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS. IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to deficit, unless certain optional exemptions and mandatory exceptions are applied.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date".

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

- To apply the IFRS 1 exemption which provides relief from the application of IFRIC 1, Changes in Existing Decommissioning Restoration and Similar Liabilities and therefore not retrospectively calculating the effect on property, plant and equipment and depreciation of each change that occurred each period prior to the Transition Date.
- To apply the transition provisions of IFRIC 4 Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no leases.
- To apply IAS 23 Borrowing Costs prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP. The Company's Transition Date IFRS unaudited condensed consolidated statement of financial position is included as comparative information in the unaudited condensed consolidated interim statements of financial position.

a) Provision for reclamation liabilities (asset retirement obligations and asset retirement costs)

Under Canadian GAAP, the Company was not required to record an asset retirement cost and asset retirement obligation if there was no legal obligation to reclaim a project.

Under IFRS, the Company is required to record an asset retirement cost and asset retirement obligation when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance.

Under IFRS, an obligation to restore certain land and sites for the effect of the Company's disturbances to such land and sites is measured using the cost of internal resources and a discount rate that reflects the liability's specific risks, which can be achieved by adjusting either the cash flows or the discount rate. Under previous Canadian GAAP, this amount is determined by the cost of third party resources and requires the use of a credit-adjusted risk-free rate. Under IFRS the asset retirement obligations are required to be recalculated at the end of each reporting date, using the current risk free rate, if the estimated future cash flows have been risk adjusted. Management has elected to use the IFRS 1 exemption which provides relief from the application of IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities, and prescribes an alternative treatment in determining the adjustment to the corresponding asset and retained earnings at the transition date for changes in the estimate of the liability that occurred before the transition date of IFRS. The impact on transition to IFRS, resulted in an increase to the asset retirement obligations and asset retirement costs and an increase in the deficit account. At January 1, 2010, the mineral interests account was increased by \$3,458,000 for the asset retirement costs, reclamation liabilities were increased by \$2,091,000 and the deficit account was reduced by \$1,367,000. The 2010 accretion expense on reclamation liabilities, charged to the statement of operations, has been reduced by \$128,000 (\$32,000 per quarter).

Project	Retirement cost	Retirement obligation	Deficit	Reduction of accretion	
				March 31, 2010	December 31, 2010
(\$,000's)					
Red Mountain	3,140	(1,865)	(1,275)	(23)	(91)
Grassy Mountain	294	(228)	(66)	(5)	(19)
KSM	24	2	(26)	(4)	(18)
See (b) below	3,458	(2,091)	(1,367)	(32)	(128)

Effective December 2010, the Company completed an independent update of the reclamation liabilities on the Red Mountain project and as a result the present value of the liabilities was reduced by \$1,108,000 under Canadian GAAP and under IFRSs a further amount of \$1,368,000 was reduced for both the retirement cost and retirement obligation.

b) *Deferred income tax liabilities*

The Company has certain non-monetary assets and liabilities for which the tax reporting currency is different from its functional currency. Any translation gains or losses on the remeasurement of these items at current exchange rates versus historic exchange rates that give rise to a temporary difference is recorded as a deferred tax asset or liability. The Company set up a deferred tax liability with a corresponding charge to deficit account in the amount of \$279,000 at January 1, 2010 plus subsequent changes thereto. Under IFRSs all deferred income tax liabilities are considered as non-current irrespective of the classification of the underlying assets and liabilities, or the expected reversal of the temporary difference.

c) *Flow-through shares*

Under IFRSs, Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded as eligible expenditures are incurred, provided the Company has the intention to renounce the related tax benefits. The Company has recorded a \$3,401,000 adjustment at January 1, 2010 for flow flow-through shares previously issued between 2003 and 2006 with an increase of the share capital account and an increase of the deficit account.

d) *IFRS 1 Reconciliation from Canadian GAAP to IFRS*

**IFRS 1 Reconciliation from Canadian GAAP to IFRS
Reconciliation of assets, liabilities and equity**

*(Expressed in thousands of
Canadian dollars)*

<i>(Unaudited)</i>	As at January 1, 2010			As at March 31, 2010			As at December 31, 2010		
	Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS
Assets									
Current assets	10,550	-	10,550	61,465	-	61,465	35,816	-	35,816
Long-term guaranteed investment	-	-	-	11,000	-	11,000	11,000	-	11,000
Convertible debenture	-	-	-	-	-	-	1,078	-	1,078
Mineral interests (a)	91,214	3,458	94,672	94,981	3,458	98,439	128,640	2,090	130,730
Reclamation deposits	1,552	-	1,552	1,552	-	1,552	1,550	-	1,550
Property and equipment	85	-	85	76	-	76	48	-	48
	103,401	3,458	106,859	169,074	3,458	172,532	178,132	2,090	180,222
Liabilities and Shareholders' Equity									
Current liabilities	1,410	-	1,410	3,967	-	3,967	3,769	-	3,769
Income taxes payable	137	-	137	137	-	137	78	-	78
Deferred income tax liabilities (b)	-	279	279	-	376	376	-	624	624
Provision for reclamation liabilities (a)	2,256	2,091	4,347	2,305	2,059	4,364	1,343	595	1,938
Total liabilities	3,803	2,370	6,173	6,409	2,435	8,844	5,190	1,219	6,409
Shareholders' equity	99,598	1,088	100,686	162,665	1,023	163,688	172,942	1,107	173,813
	103,401	3,458	106,859	169,074	3,458	172,532	178,132	2,090	180,222

IFRS 1 Reconciliation from Canadian GAAP to IFRS
Reconciliation of consolidated statements of operations and comprehensive income

<i>(Expressed in thousands of Canadian Note dollars)</i>	Year ended December 31, 2010			Three months ended March 31, 2010		
<i>(Unaudited)</i>	Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS
Corporate and administrative expenses (a)	(5,975)	128	(5,847)	(1,066)	32	(1,034)
Gain on sale of Noche Buena	10,180	-	10,180	-	-	-
Interest income	440	-	440	41	-	41
Unrealized gain on convertible debenture	486	-	486	-	-	-
Foreign exchange gains	1,160	-	1,160	1,098	-	1,098
Income before income taxes	6,291	128	6,419	73	32	105
Income tax expense	(2,751)	(345)	(3,096)	-	(97)	(97)
Net profit (loss) for the period	3,540	(217)	3,323	73	(65)	8
Other comprehensive gain (loss), net of income taxes:						
Unrecognized gain (loss) on financial assets	674	-	674	(73)	-	(73)
Comprehensive income (loss) for the period	4,214	(217)	3,997	-	(65)	(65)

Reconciliation of equity

(\$000's)	Share capital	Stock options	Contributed surplus	Deficit	Other comprehensive income	Total equity
Previous reported under Canadian GAAP - As at December 31, 2009	114,027	7,012	126	(21,740)	173	99,598
IFRS transition adjustments:						
Deferred income tax liability (b)	-	-	-	(279)	-	(279)
Asset retirement obligations (a)	-	-	-	1,367	-	1,367
Flow-through shares (c)	3,401	-	-	(3,401)	-	-
As at January 1, 2010	117,428	7,012	126	(24,053)	173	100,686

(\$000's)	Share capital	Stock options	Contributed surplus	Deficit	Other comprehensive income	Total equity
Previous reported under Canadian GAAP - As at March 31, 2010	177,123	6,983	126	(21,667)	100	162,665
IFRS transition adjustments:						
Deferred income tax liability (b)	-	-	-	(376)	-	(376)
Asset retirement obligations (a)	-	-	-	1,399	-	1,399
Flow-through shares (c)	3,401	-	-	(3,401)	-	-
As at March 31, 2010	180,524	6,983	126	(24,045)	100	163,688

(\$000's)	Share capital	Stock options	Contributed surplus	Deficit	Other comprehensive income	Total equity
Previous reported under Canadian GAAP - As at December 31, 2010	184,984	5,028	284	(18,200)	846	172,942
IFRS transition adjustments:						
Deferred income tax liability (b)	-	-	-	(624)	-	(624)
Asset retirement obligations (a)	-	-	-	1,495	-	1,495
Flow-through shares (c)	3,401	-	-	(3,401)	-	-
As at December 31, 2010	188,385	5,028	284	(20,730)	846	173,813