

PITCHSTONE
EXPLORATION LTD.

An Exploration Stage Company

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the 1st Quarter Ended March 31, 2011

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INTERIM CONDENSED CONSOLIDATED 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 condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim condensed consolidated 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 condensed consolidated 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.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

ASSETS	Note	March 31, 2011	December 31, 2010	January 1, 2010
			(Note13)	(Note13)
Non-current assets				
Exploration and evaluation assets	4	\$ 7,185,074	\$ 6,201,299	\$ 4,166,568
Investments in associates	5	10,145,477	10,037,410	9,401,801
Property, plant and equipment	6	41,742	41,094	37,689
		17,372,293	16,279,803	13,606,058
Current assets				
Accounts receivable		79,181	77,056	27,871
Prepaid expenses		13,687	19,037	20,590
Restricted Cash		18,551	34,218	178,342
Cash and cash equivalents		2,408,060	3,637,566	5,457,197
		2,519,479	3,767,877	5,684,000
TOTAL ASSETS		\$ 19,891,772	\$ 20,047,680	\$ 19,290,058
EQUITY				
Share capital	8	\$ 21,438,196	\$ 21,438,196	19,819,295
Reserves	8	4,376,028	4,337,119	3,953,965
Deficit		(6,075,108)	(5,867,582)	(4,908,293)
		19,739,116	19,907,734	18,864,968
LIABILITIES				
Current				
Accounts payable and accrued liabilities		\$ 124,999	\$ 93,028	241,498
Balance payable to related parties		9,106	12,700	5,250
Funds held for JV partners and optionees		18,551	34,218	178,342
		152,656	139,946	425,090
TOTAL EQUITY AND LIABILITIES		\$ 19,891,772	\$ 20,047,680	\$ 19,290,058
Nature and Continuance of Operations	1			
Commitments	12			
Subsequent Events	14			

These consolidated financial statements are authorized for issue by the Board of Directors on June 14, 2011.

"Edward A.G. Trueman" , Director

"Paul Geyer" , Director

Pitchstone Exploration Ltd.*(An Exploration Stage Company)*Statement 2**Condensed Consolidated Interim Statements of Comprehensive Loss****(Unaudited - Expressed in Canadian Dollars)**

		Three months ended March 31,	
	Note	2011	2010
			(Note 13)
Revenues			
Overhead recoveries		\$ 3,639	\$ 51,787
Interest income		10,344	10,219
Equipment rental revenue		-	789
		<u>13,983</u>	<u>62,795</u>
Expenses			
Accounting and audit		18,315	15,000
Administration expenses		12,067	11,779
Depreciation		3,029	2,393
Directors' fees	7	-	2,000
Filing and transfer agent fees		7,960	10,645
Insurance		7,782	8,086
Investor relations		9,823	6,687
Legal fees		986	-
Salaries and wages		116,699	91,278
Share-based payments	8	38,907	35,499
Travel		5,941	1,800
		<u>221,509</u>	<u>185,167</u>
Loss before income taxes and other items		(207,526)	(122,372)
Gain on equity investments		-	383
Income tax expenses		-	-
Net loss and comprehensive loss		\$ (207,526)	\$ (121,989)
Basic & fully diluted net loss per share		(\$0.01)	(\$0.01)
Weighted average number of shares outstanding		39,851,185	36,501,185
- Fully diluted		40,738,862	35,404,219

- See Accompanying Notes -

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Statement 3

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Note	Share Capital		Reserves				Total
		Number of Shares	Amount	Equity settled employee benefits	Warrants	Agent's warrants	Deficit	
Balance, January 1, 2010 (Note 13)		36,501,185	\$ 19,819,295	\$ 3,669,094	\$ 284,872	\$ -	\$ (4,908,293)	\$ 18,864,968
Share-based payments		-	-	21,254	-	-	-	21,254
Net loss and comprehensive loss for the period		-	-	-	-	-	(121,989)	(121,989)
Balance, March 31, 2010 (Note 13)		36,501,185	\$ 19,819,295	\$ 3,690,348	\$ 284,872	\$ -	\$ (5,030,282)	\$ 18,764,233
Share issue costs	8	-	(70,750)	-	-	-	-	(70,750)
Private placement - flow-through shares	8	3,260,000	1,630,000	-	-	-	-	1,630,000
Exercise of options	8	90,000	20,700	-	-	-	-	20,700
Fair value of options exercised	8	-	59,558	(59,558)	-	-	-	-
Fair Value of finder's warrants	8	-	(20,607)	-	-	20,607	-	-
Share-based payments		-	-	400,851	-	-	-	400,851
Net loss and comprehensive loss for nine months		-	-	-	-	-	(837,300)	(837,300)
Balance, December 31, 2010 (Note 13)		39,851,185	21,438,196	4,031,641	284,872	20,607	(5,867,582)	19,907,734
Share-based payments		-	-	38,908	-	-	-	38,908
Net loss and comprehensive loss for the period		-	-	-	-	-	(207,526)	(207,526)
Balance, March 31, 2011		39,851,185	\$ 21,438,196	\$ 4,070,549	\$ 284,872	\$ 20,607	\$ (6,075,108)	\$ 19,739,116

- See Accompanying Notes -

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,	
	2011	2010
	(Note 13)	
Operating Activities		
Net loss	\$ (207,526)	\$ (121,989)
Items not affected by cash		
Depreciation	3,029	2,393
Share-based payments	38,907	35,499
	<u>(165,590)</u>	<u>(84,097)</u>
Changes in non-cash working capital items		
Accounts receivable	(2,125)	(46,648)
Prepaid expenses	5,350	5,925
Accounts payable and accrued liabilities	31,971	(150,152)
Due to/from related parties	(3,594)	-
Funds held for JV partners/options	(15,667)	(83,611)
	<u>(149,655)</u>	<u>(358,583)</u>
Investing Activities		
Exploration and evaluation of assets	(983,774)	(1,103,282)
Investment in associates	(108,067)	-
Gain on equity investments	-	(383)
Purchase of property, plant and equipment	(3,677)	(4,475)
	<u>(1,095,518)</u>	<u>(1,108,140)</u>
Net Decrease in Cash and Cash Equivalents	(1,245,173)	(1,468,121)
Cash and Cash Equivalents – Beginning of the period	3,671,784	5,637,320
Cash and Cash Equivalents – End of the period	\$ 2,426,611	\$ 4,169,199
Cash and Cash Equivalents comprised of:		
Cash	\$ 608,060	\$ 282,298
Guaranteed Investment Certificates	1,800,000	3,753,401
	<u>\$ 2,408,060</u>	<u>\$ 4,035,699</u>
Restricted Cash	\$ 18,551	\$ 133,500
Supplementary Information		
Interest income - cash received	\$ 11,196	\$ 10,106

- See Accompanying Notes -

Pitchstone Exploration Ltd.

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited – Expressed in Canadian Dollars)

1. Nature and Continuance of Operations

The Company was incorporated under the British Columbia Business Corporations Act on April 24, 2003. The address of the Company's registered office is 315 – 1100 Melville Street, Vancouver, BC, V6E 4A6. The Company is an exploration stage company engaged principally in the acquisition and exploration of mineral properties. The recovery of the Company's investment in its mineral properties is dependent upon the discovery, development and sale of mineral products and the ability to raise sufficient capital to finance this activity. The ultimate outcome of this activity cannot presently be determined because it is contingent on future matters.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, 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 continuation of the Company as a going concern is dependent on its ability to obtain necessary financing, to complete its property under development, general positive cash flows, and ultimately the achievement of profitable operations.

2. Basis of Preparation

(a) Statement of Compliance and Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first consolidated interim financial statements presented in accordance with IFRS. The Company's consolidated financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 13 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, loss and comprehensive loss along with line-by-line reconciliations of the statements of financial position as at December 31, 2010 and January 1, 2010 and the statement of comprehensive loss for the year ended December 31, 2010.

(b) Basis of preparation

These condensed consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First-Time Adoption of International Financial Reporting Standards* (IFRS 1). The impact of the transition from Canadian GAAP to IFRS is explained in Note 13.

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited – Expressed in Canadian Dollars)

2. Basis of Preparation– *Continued*

(c) *Functional currency*

The presentation currency of the Company and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

(d) *Significant accounting judgments and estimates*

The preparation of these condensed consolidated financial statements requires management to make judgements and estimates 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 judgements and estimates. The condensed consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and 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 judgements and estimates that management has made at the statement of financial position 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:

Critical Judgments

- The assessment that the Company has significant influence over the investments (Note 5) which results in the use of the equity accounting method for accounting for this investment. In making their judgement, management considered the participating interests in the equity investments in Uranium One Inc. (“Uranium One”), Canterra Minerals Corporation (“Canterra”), JCU (Canada) Exploration Company, Limited (“JCU”), and Manica Mineral Ltd. (“Manica”). The directors and management of the Company concluded that significant influence exists.
- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the Company and its joint ventures, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Estimates

- the recoverability of amounts receivable and prepayments which are included in the consolidated statement of financial position;
- the carrying value of the investment, and the estimated annual gains or losses recorded on the investment from income and dilution, and the recoverability of the carrying value which are included in the consolidated statement of financial position;
- the estimated useful lives of property, plant and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss;
- the estimated value of the exploration and development costs which is recorded in the statement of financial position;
- the inputs used in accounting for share purchase option expense in the consolidated statement of comprehensive loss;

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March 31, 2011

(Unaudited – Expressed in Canadian Dollars)

2. Basis of Preparation– *Continued*

- the provision for income taxes which is included in the consolidation statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position at March 31, 2011;
- the inputs used in determining the net present value of the liability for asset retirement obligation included in the consolidated statement of financial position; and
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position;
- the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable.

3. Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and participating interest of its joint ventures as follows:

	Participating Interest	
	The Company	The Joint Venture Partners
Uranium One Inc.	54.80%	45.20%
Canterra Minerals Corporation	50.00%	50.00%
JCU (Canada) Exploration Company, Limited	41.10%	25.00%
Uranium One Inc. (Candle)	41.10%	33.90%
Manica Mineral Ltd.	69.44%	30.56%

The Company accounts for its joint venture participating interests above using the equity method. Under this method, the Company's share of the investee's earnings or losses is included in operations and its investments therein are adjusted by a like amount. Dividends received from these investments are credited to the investment.

Inter-company balances and transactions, including unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions.

(c) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment individually.

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March 31, 2011

(Unaudited – Expressed in Canadian Dollars)

3. Significant accounting policies— *Continued*

significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity.

Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

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

(d) *Cash, cash equivalents and short-term investments*

Cash and cash equivalents are highly liquid investments, such as guaranteed investment certificates with major financial institutions, having a maturity of 12 months or less at acquisition, that are readily convertible to contracted amounts of cash.

(e) *Property, plant and equipment*

Property, plant and equipment are stated at cost and are depreciated annually on a declining-balance basis at the following rates:

Computer equipment	30%
Office furniture	20%
Exploration equipment	30%

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited – Expressed in Canadian Dollars)

3. Significant accounting policies– *Continued*

(f) *Exploration and evaluation*

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all proceeds received for farm-out arrangements or recovery of costs against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on Proven and Probable Mineral Reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable Mineral Reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Upon transfer of “Exploration and evaluation costs” into “Mine Development”, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within “Mine Development”. After production starts, all assets included in “Mine Development” are transferred to “Producing Mines”.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to the results of operations. Exploration areas where Mineral Reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of Mineral Reserves exist or to ensure that additional exploration work is underway as planned.

(g) *Share-based payments*

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The board of directors grants such options for periods of up to five years, with vesting periods determined at the sole discretion of the board and at prices reflecting the share price on the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

(h) *Loss per share*

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited – Expressed in Canadian Dollars)

3. Significant accounting policies— *Continued*

(i) *Environmental Expenditures and Asset Retirement Obligations*

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

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

The Company currently has no asset retirement obligations.

(j) *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 purpose 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.

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.

(k) *Share Capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(l) *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

- Interest income: Revenue is recognized as interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited – Expressed in Canadian Dollars)

3. Significant accounting policies– *Continued*

(m) *Income taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) *New accounting standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* - effective for accounting periods commencing on or after July 1, 2010.
- IAS 24, *Related Party Disclosure* - effective for accounting periods commencing on or after January 1, 2011;
- IFRS 9, *Financial Instruments* - effective for accounting periods commencing on or after January 1, 2013;
- Amendments to IAS 32, *Financial Instruments: Presentation – Classification of Right Issues* - effective for accounting periods commencing on or after February 1, 2010;
- Amendments to IFRIC 14 – *Prepayments of a Minimum Funding Requirement* - effective for accounting periods commencing on or after January 1, 2011;
- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* - effective for accounting periods commencing on or after July 1, 2010;
- Amendments to IFRS 7 *Financial Instruments: Disclosure from May 2010 Annual Improvements to IFRSs* – effective for annual periods beginning on or after January 1, 2011;
- Amendments to IFRS 7 *Financial Instruments: Disclosure for amendments enhancing disclosures about transfers of financial assets* – effective for annual periods beginning on or after July 1, 2011;
- Amendments to IAS 12 *Income Taxes: Limited scope amendment (recovery of underlying assets)* – effective for annual periods beginning on or after January 1, 2012.

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4. Exploration and Evaluation Assets

	Athabasca Basin Properties, Saskatchewan 100% Owned Properties (Note 4a)	Athabasca Basin Properties, Saskatchewan Denison Option (Note 4b)	Total
Balance at December 31, 2009	\$ 4,109,074	\$ 57,494	\$ 4,166,568
Aircraft charter	55,312	105,913	161,225
Camp and general	238,464	97,409	335,873
Drilling	878,439	356,045	1,234,484
Geological/Geochemical	96,274	32,133	128,407
Geophysical	63	2,550	2,613
Mineral claims expenses	1,599	560	2,159
Overhead	-	62,572	62,572
Sampling and analysis	59,690	20,618	80,308
Travel	20,496	6,594	27,090
Total expenditures for the year	1,350,337	684,394	2,034,731
Balance at December 31, 2010	\$ 5,459,411	\$ 741,888	\$ 6,201,299
Aircraft charter	2,477	(2,477)	-
Camp and general	114,039	101,289	215,328
Drilling	341,669	322,507	664,176
Geological/Geochemical	38,794	21,436	60,230
Mineral claims expenses	981	901	1,882
Sampling and analysis	13,737	21,145	34,882
Travel	3,639	3,638	7,277
Total expenditures for the period	515,336	468,439	983,775
Balance at March 31, 2011	\$ 5,974,747	\$ 1,210,327	\$ 7,185,074

Cumulative summary as at March 31, 2011:

Cumulative totals as of March 31, 2011:	Athabasca Basin Properties, Saskatchewan 100% Owned Properties (Note 4a)	Athabasca Basin Properties, Saskatchewan Denison Option (Note 4b)	Total
Aircraft charter	515,895	105,057	620,952
Camp and general	973,435	204,712	1,178,147
Drilling	3,057,029	678,552	3,735,581
Geological	341,001	69,656	410,657
Geochemical	11,124	-	11,124
Geophysical	846,799	2,550	849,349
Linecutting and chaining	117,235	-	117,235
Mineral claims expenses	125,248	1,488	126,736
Overhead	-	62,572	62,572
Sampling and analysis	167,286	74,159	241,445
Travel	68,046	11,581	79,627
Community relations	619	-	619
Recovery from partners	(200,000)	-	(200,000)
Government assistance	(48,970)	-	(48,970)
Balance at March 31, 2011	\$ 5,974,747	\$ 1,210,327	\$ 7,185,074

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4. Exploration and Evaluation Assets – *Continued*

a. Athabasca Basin Properties, Saskatchewan - 100% Owned Properties

As of March 31, 2011 and December 31, 2010, the Company had spent a total of \$5,974,748 and \$5,459,412, respectively, on exploration on its 100% owned properties. These totals include exploration completed on the Wolverine and Marten properties to March 12, 2009. Wolverine and Marten were optioned to Japan Oil, Gas and Metals National Corporation (“JOGMEC”) as described in the following section.

Athabasca Basin Properties, Saskatchewan - 100% Owned properties

	March 31, 2011		December 31, 2010	
Fireweed	\$	812,206	\$	812,206
Gumboot		4,928,170		4,421,573
Fisher		154,963		146,225
Marten (before JOGMEC)		35,705		35,705
Wolverine (before JOGMEC)		43,703		43,703
	\$	5,974,747	\$	5,459,412

Fireweed Property

The Fireweed property (10,921 hectares) is located 52 kilometers southwest of Points North and was acquired in October 2004 by way of staking.

Gumboot Property

The Gumboot property (4,196 hectares) is located 44 kilometers west of Points North and was acquired in November 2004 by way of staking.

Fisher Property

In November 2005, the Company acquired the 1,969 hectare Fisher property by way of staking. Fisher is located 34 kilometers northwest of Points North. Fisher originally consisted of two claims, but one was allowed to lapse in the first quarter.

b. Athabasca Basin Properties, Saskatchewan - Johnston Lake Property, Denison Option

On March 18, 2009, the Company entered into a Letter Agreement with Denison Mines Corp. (“Denison”) to acquire up to a 75% interest in the Johnston Lake property in the Athabasca Basin, Saskatchewan. Johnston Lake comprises 15,666 hectares in four claims. Three of the claims are contiguous to the east and north with the Company’s Gumboot property, and the fourth claim is eight kilometers north of Gumboot.

Terms of the Letter Agreement provide the Company with the option to earn an initial 49% interest in the licenses by incurring exploration expenditures of \$1,000,000 by February 28, 2012 (completed). In addition, the Company will have a second option to acquire a further 26% interest, for a total interest of 75%, by spending an additional \$1,000,000 on exploration by February 28, 2014.

The Company acts as operator with respect to the work being carried out on the property. As of March 31, 2011 and December 31, 2010, the Company spent a total of \$1,210,329 and \$741,888, respectively, on the Johnston Lake property.

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4. Exploration and Evaluation Assets – *Continued*

c. Athabasca Basin Properties, Saskatchewan – Marten & Wolverine Properties, JOGMEC Option

In June 2007, the Company acquired the Marten and Wolverine properties in the Athabasca Basin, Saskatchewan by way of staking. Marten (2,768 hectares) is located 44 kilometers south of Points North. Wolverine (3,632 hectares) is located 61 kilometers southwest of Points North.

On March 11, 2009, Marten and Wolverine properties were optioned to JOGMEC. JOGMEC can acquire a 50% interest in the properties by paying the Company \$200,000 (paid) as an initial contribution for prior expenditures and spending \$1,800,000 on exploration on the properties by March 31, 2012. As of March 31, 2011 and December 31, 2010, the expenditures made by JOGMEC were \$614,113 and \$614,113 on Marten, \$707,350 and \$707,350 on Wolverine, respectively.

5. Investments in Associates

	Athabasca Basin Properties, Saskatchewan Uranium One Joint Venture (Note 5a)	Hornby Bay Basin Properties, Nunavut Canterra Joint Venture (Note 5b)	Namibia Properties, Africa Manica Joint Venture (Note 5c)	Total
Balance at December 31, 2009	\$ 4,717,333	\$ 3,501,873	\$ 1,182,595	\$ 9,401,801
Aircraft charter	41,321	-	-	41,321
Camp and general	39,228	-	-	39,228
Drilling	102,396	-	84,083	186,479
Geological/Geochemical	12,366	-	298,354	310,720
Geophysical	2,750	-	59,208	61,958
Mineral claims expenses	1,845	-	-	1,845
Sampling and analysis	14,910	-	3,857	18,767
Travel	2,686	-	8,626	11,312
Community relations	19	-	-	19
Recovery from partners	(36,040)	-	-	(36,040)
Total expenditures for the year	181,481	-	454,128	635,609
Balance at December 31, 2010	\$ 4,898,814	\$ 3,501,873	\$ 1,636,723	\$ 10,037,410
Aircraft charter	(611)	-	-	(611)
Camp and general	4,591	-	43	4,634
Drilling	(2,342)	-	26,949	24,607
Geological/Geochemical	(287)	-	83,666	83,379
Geophysical	1,371	-	-	1,371
Mineral claims expenses	265	-	-	265
Sampling and analysis	(121)	-	-	(121)
Travel	(61)	-	4,475	4,414
Community relations	(1)	-	-	(1)
Recovery from partners	(9,870)	-	-	(9,870)
Total expenditures for the period	(7,066)	-	115,133	108,067
Balance at March 31, 2011	\$ 4,891,748	\$ 3,501,873	\$ 1,751,856	\$ 10,145,477

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5. Investments in Associates – Continued

Cumulative totals as of March 31, 2011:	Athabasca Basin Properties, Saskatchewan Uranium One Joint Venture (Note 5a)	Hornby Bay Basin Properties, Nunavut Canterra Joint Venture (Note 5b)	Namibia Properties, Africa Manica Joint Venture (Note 5c)	Total
Aircraft charter	706,522	-	-	706,522
Camp and general	1,258,855	160,226	721	1,419,802
Drilling	2,706,908	2,972,848	341,885	6,021,641
Geological	416,989	382,191	1,109,867	1,909,047
Geochemical	6,331	-	58,280	64,611
Geophysical	160,338	482,838	185,879	829,055
Linecutting and chaining	88,746	-	-	88,746
Mineral claims expenses	3,684	276,491	153,095	433,270
Overhead	-	395,299	-	395,299
Sampling and analysis	139,642	436,412	27,948	604,002
Travel	70,607	11,765	58,213	140,585
Community relations	1,093	5,996	-	7,089
Recovery from partners	(636,483)	-	-	(636,483)
Government assistance	(31,484)	-	-	(31,484)
Deemed value in joint venture	4,000,000	-	-	4,000,000
Total expenditures before write-downs	8,891,748	5,124,066	1,935,888	15,951,702
Deemed value in joint venture	(1,850,000)	-	-	(1,850,000)
Mineral property write-downs	(2,150,000)	(1,622,193)	(184,032)	(3,956,225)
Balance at March 31, 2011	\$ 4,891,748	\$ 3,501,873	\$ 1,751,856	\$ 10,145,477

a. Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture

In January 2007, the Company and Uranium One, entered into a 50:50 joint venture to explore five Athabasca Basin properties. To exercise its 50% option and to earn a 50% interest, Uranium One made total cash payments of \$350,000, issued an aggregate of 200,000 common shares and 300,000 share purchase warrants to the Company. In addition, Uranium One funded \$4,000,000 of exploration expenditures on the five Athabasca Basin properties.

The Company is the operator of the joint venture properties. During 2008, Uranium One's participating interest was diluted when Uranium One stopped funding their share of exploration expenditures. Since the exploration programs in early 2009, Uranium One's participating interest has been further diluted. On December 10, 2010 the contiguous Weasel property, comprised of one claim, was added to the Uranium

One Joint Venture property. Weasel, had been 100% owned by Pitchstone since it was staked by Pitchstone in April, 2009. As of March 31, 2011, the participating interests in the Darby, Waterfound, Moon Lake, Weasel and Lynx Lake properties for the Company and Uranium One are 54.8% and 45.2%, respectively. Participating interests in the Candle property for the Company, Uranium One, and JCU are 41.1%, 33.9%, and 25%, respectively.

Darby Property

The Darby property (16,721 hectares) is located 43 kilometers southwest of Points North in the Close Lake area of the Athabasca Basin. The majority of the property (11,015 hectares) was acquired in 2003 from a Director of the Company and the remainder was acquired in 2004 and 2005 by way of staking.

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5. Investments in Associates – *Continued*

a. Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture – *Continued*

Candle Property

On April 3, 2004 the Company signed an option agreement with JCU in respect of the Candle property whereby the Company could acquire a 75% interest in the property. The Candle property mineral claim totals approximately 2,595 hectares in the Close Lake area of the Athabasca Basin, Saskatchewan and is contiguous with the Company's Darby property.

In March 2007, the Company and Uranium One jointly earned a 75% interest in the property by incurring \$1 million in exploration expenditures. The remaining 25% interest is held by JCU. The current ownership in the Candle claim, after the dilution of Uranium One's interest, between the Company, Uranium One, and JCU is 41.1%, 33.9%, and 25%, respectively.

Waterfound Property

The Waterfound property (4,124 hectares) is located 35 kilometers northwest of Points North. It was acquired in 2003 and 2005 by way of staking.

Lynx Lake Property

The Lynx Lake property (1,274 hectares) is located 35 kilometers southwest of the Company's Darby and Candle properties. It was acquired in 2004 by way of staking.

Moon Lake Property

The Moon Lake property (4,590 hectares) is located 55 kilometers southwest of the Company's Darby and Candle properties. It was acquired in 2003 and 2004 by way of staking.

Weasel Property

On April 1, 2009, the Company acquired the 843 hectare Weasel property by way of staking. Weasel is adjacent to the southwest part of the Darby property. As described above, the Weasel property was added to the Uranium One Joint Venture on December 10, 2010.

As of March 31, 2011 and December 31, 2010, the Company's equity interests in this joint venture totalled \$4,891,748 and \$4,898,814, respectively.

Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture

	March 31, 2011	December 31, 2010
Darby Property	2,694,819	2,693,241
Waterfound Property	323,283	323,562
Lynx Lake Property	41,064	41,100
Moon Lake Property	325,136	325,409
Candle Property	1,538,930	1,546,986
Unallocated assistance received	(31,484)	(31,484)
	\$ 4,891,748	\$ 4,898,814

b. Hornby Bay Basin Properties, Nunavut – Canterra Joint Venture

On May 9, 2005, the Company entered into a 50:50 joint venture with Canterra to explore the Mountain Lake, Dismal Lake, and Leith properties, located in the Hornby Bay Basin of Nunavut and Northwest Territories. Currently, Canterra holds the remaining 50% interest in the properties. The Leith property has been relinquished.

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5. Investments in Associates – *Continued*

b. Hornby Bay Basin Properties, Nunavut – Canterra Joint Venture – *Continued*

In April 2006, two claim blocks totalling 59,760 hectares, the Dismal Lake property and part of the Mountain Lake property, were optioned by the Company and Canterra from Ur-Energy Inc. (“URE”) and Patrician Diamonds Inc. (“Patrician”). Earn-in requirements were met during 2007 and the Company and Canterra have completed the purchase of these properties subject to a 5% net smelter return royalty retained by the property vendors. The Company and Canterra have the right to purchase one half of the retained royalty for \$5,000,000 for each property.

In July 2006, the Company and Canterra acquired 100% of the Kendall River property from Aramis Ventures Inc. (“Aramis”). The vendor will retain a 5% net smelter return royalty of which the Company and Canterra have the right to purchase half of the retained royalty for \$2.5 million.

Canterra is the operator of these properties. In 2009, the Company spent \$104,914 on camp clean up on the Hornby Bay Basin properties. As of March 31, 2011 and December 31, 2010, the Company's equity interest in this joint venture totalled to \$3,501,873 and \$3,501,873, respectively, on the joint venture.

Hornby Bay Basin Properties, Nunavut - Canterra Joint Venture

	March 31, 2011	December 31, 2010
Mountain Lake Property	\$ 2,005,841	\$ 2,005,841
Mountain Lake – URE	675,672	675,672
Dismal Lake - Patrician	510,150	510,150
Dismal Lake - URE	853,823	853,823
Kendall River Property	574,593	574,593
	<u>4,620,079</u>	<u>4,620,079</u>
Mineral property write-downs	<u>(1,118,206)</u>	<u>(1,118,206)</u>
	<u>\$ 3,501,873</u>	<u>\$ 3,501,873</u>

Mountain Lake Property

The Mountain Lake property (45,191 hectares) is located approximately 550 kilometers north of Yellowknife and 100 kilometers south of Kugluktuk (formerly Coppermine) in the Hornby Bay Basin, Nunavut. During the year of 2009, the Company wrote down \$500,000 on the Mountain Lake property.

Dismal Lake Property

The Dismal Lake claims are situated 40 kilometers northwest of the Mountain Lake property in the Hornby Bay Basin, Nunavut. In 2009, the Company wrote down \$400,000 of mineral property costs on the Dismal Lake property.

Kendall River Property

The Kendall River Property is situated 15 kilometers southeast of the Mountain Lake property in the Hornby Bay Basin, Nunavut. During 2009, the Company wrote down \$300,000 of mineral property costs on the Kendall River property.

c. Namibia Properties, Africa

The Company entered into a Letter Agreement on January 18, 2007, amended on March 21, 2007 and September 24, 2008, with Manica to acquire a 51% interest in three uranium exploration properties in Namibia, Africa. The initial option was exercised by spending \$900,000 in exploration work on the properties by November 9, 2008 (the “Initial Option Date”) and making \$75,000 in cash payments to Manica.

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5. Investments in Associates – Continued

c. Namibia Properties, Africa– Continued

The Company had a second and a third option to earn a further 20% and 9% interest in the properties, respectively, for a total interest of up to 80%, by expending an additional \$1,400,000 in exploration on the properties by January 18, 2011 and then completing a positive feasibility study.

On April 20, 2007, the Company issued 15,000 common shares to Manica, for a right of first refusal on new uranium exploration properties acquired by Manica in Namibia. On September 24, 2008, the Company and Manica signed an amendment to the Letter Agreement dated January 18, 2007 to extend the Initial Option Date by one year to November 9, 2009. During 2008, the Company wrote off \$184,032 on the Namibia properties as a result of the planned expiration of the Nakop licenses.

On March 11, 2009, the Company exercised the initial option and earned a 51% interest in the two properties (Dome and Kaoko) in Namibia. The Company elected not to exercise the second option of the Letter Agreement and a joint venture has been formed. The Company is funding 100% of the exploration costs and, as a result, the participating interests are currently 69.44% for the Company and 30.56% for Manica.

As of March 31, 2011 and December 31, 2010, the Company's equity interest in this joint venture totalled \$1,751,856 and \$1,636,723, respectively.

6. Property, Plant and Equipment

Details are as follows:

	Exploration equipment	Office furniture	Computer equipment	Computer software	Total
Cost					
Balance as at January 1, 2010	\$ 60,697	\$ 7,487	\$ 18,475	\$ 52,712	\$ 139,371
Additions					
Assets acquired	14,475	-	-	-	14,475
Balance as at December 31, 2010	75,172	7,487	18,475	52,712	153,846
Additions					
Assets acquired	2,627	-	1,050	-	3,677
Balance as at March 31, 2011	\$ 77,799	\$ 7,487	\$ 19,525	\$ 52,712	\$ 157,523
Accumulated depreciation					
Balance as at January 1, 2010	\$ 34,326	\$ 3,828	\$ 13,258	\$ 52,712	\$ 104,124
Depreciation for the period	8,593	732	(697)	-	8,628
Balance as at December 31, 2010	42,919	4,560	12,561	52,712	112,752
Depreciation for the period	2,518	146	365	-	3,029
Balance as at March 31, 2011	\$ 45,437	\$ 4,706	\$ 12,926	\$ 52,712	\$ 115,781
Carrying amounts					
At January 1, 2010	\$ 26,372	\$ 3,658	\$ 7,659	\$ -	\$ 37,689
At December 31, 2010	\$ 32,253	\$ 2,927	\$ 5,914	\$ -	\$ 41,094
At March 31, 2011	\$ 32,363	\$ 2,780	\$ 6,599	\$ -	\$ 41,742

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7. Related Party Transactions

As at March 31, 2011, the aggregate total value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence was \$95,000 (March 31, 2010: \$99,125).

As at March 31, 2011, \$9,106 (2010, \$5,250) was owed to Pacific Opportunity Capital Ltd. a company controlled by the Chief Financial Officer of the Company. During the three months ended March 31, 2011, no directors' fees were paid (March 31, 2010: \$2,000).

8. Share Capital and Reserves

At March 31, 2011, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Common Shares

On November 23, 2010, the Company closed a non-brokered private placement of 3,260,000 flow-through common shares at \$0.50 per share to raise gross proceeds of \$1,630,000. A cash finder's fee and filing fee of \$70,750 plus 163,000 finder's warrants (5% of the common shares subscribed for) has been paid in connection with the private placement. The finder's warrants will be exercisable at \$0.50 for a period of one year.

Share Purchase Option Compensation Plan

On September 1, 2005, the Company adopted a new stock option plan. Under this plan, the Company may grant up to a rolling 10% of its outstanding common shares at the time options are granted to directors, employees and consultants of the Company.

During 2010, the Company granted 1,040,000 stock options at an exercise price ranging between \$0.30 and \$0.43. In addition, 950,000 stock options with a weighted average exercise price of \$0.57 expired and 90,000 stock options with an exercise price of \$0.23 were exercised.

The following options were outstanding as of March 31, 2011:

Expiry date	Exercise price	December 31, 2010	Granted	Exercised	Expired/ cancelled	March 31, 2011
August 28, 2011	\$0.23	7,500	-	-	-	7,500
October 5, 2012	\$0.23	780,000	-	-	-	780,000
December 20, 2012	\$0.23	25,000	-	-	-	25,000
February 21, 2013	\$0.23	30,000	-	-	-	30,000
June 24, 2013	\$0.23	100,000	-	-	-	100,000
November 7, 2013	\$0.23	400,000	-	-	-	400,000
May 26, 2014	\$0.42	15,000	-	-	-	15,000
November 25, 2014	\$0.40	900,000	-	-	-	900,000
April 12, 2015	\$0.34	30,000	-	-	-	30,000
June 3, 2015	\$0.30	100,000	-	-	-	100,000
December 1, 2015	\$0.43	910,000	-	-	-	910,000
Options outstanding and exercisable		3,297,500	-	-	-	3,297,500
Weighted average exercise price		\$ 0.38	\$ -	\$ -	\$ -	\$ 0.38

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8. Share Capital Reserves – Continued

Share-based payments

The Company recognizes share-based payment expense for all stock options granted using the fair value method of accounting. Share-based payment expense for options vested during the three months ended March 31, 2011 is \$38,908 (2010: \$35,499).

The following assumptions in the table were used in the Black-Scholes weighted average calculation of the value of stock options granted:

Grant date	Number of options	Weighted average grant date fair value	Risk free interest rate	Expected life (years)	Expected volatility	Expected dividends
8/29/2006	7,500	\$ 0.21	2.44%	5	106.90%	0%
10/7/2007	780,000	\$ 0.21	2.44%	5	106.90%	0%
12/22/2007	25,000	\$ 0.21	2.44%	5	106.90%	0%
2/23/2008	30,000	\$ 0.21	2.44%	5	106.90%	0%
6/25/2008	100,000	\$ 0.21	2.44%	5	106.90%	0%
11/8/2008	400,000	\$ 0.21	2.44%	5	106.90%	0%
5/27/2009	15,000	\$ 0.42	2.44%	5	106.90%	0%
11/26/2009	900,000	\$ 0.39	2.47%	5	106.45%	0%
4/13/2010	30,000	\$ 0.34	2.55%	5	103.10%	0%
6/4/2010	100,000	\$ 0.30	2.55%	5	103.10%	0%
12/2/2010	910,000	\$ 0.44	2.90%	5	102.24%	0%
Total	3,297,500					

Option pricing models require the input of highly subjective assumptions including expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Warrants

The summary of warrants for the period ended March 31, 2011 is as follows:

Expiry date	Exercise price	December 31, 2010	Granted	Exercised	Expired/ cancelled	March 31, 2011
July 3, 2011	\$0.80	1,525,000	-	-	-	1,525,000
November 23, 2011	\$0.50	163,000	-	-	-	163,000
Warrants outstanding and exercisable		1,688,000	-	-	-	1,688,000
Weighted average exercise price		\$ 0.77	\$ -	\$ -	\$ -	\$ 0.77

The fair value of the warrants issued July 3, 2009 was estimated at \$284,742 using the Black Scholes option pricing model based on the following weighted average assumptions: risk free interest rate of 2.44%; expected life of two years; dividend rate of 0%; and volatility of 106.90%. The fair value of the warrants issued November 23, 2010 was estimated at \$20,607 using the Black Scholes option pricing model based on the following weighted average assumptions: risk free interest rate of 2.55%; expected life of one year; dividend rate of 0%; and volatility of 102.24%.

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9. Segmented Financial Information

The Company operates in one industry segment, that being the acquisition and exploration of mineral properties. Geographic distribution of mineral property and capital assets is as follows:

	<u>March 31, 2011</u>		<u>December 31, 2010</u>
Canada	\$ 15,620,437	\$	14,643,080
Africa	1,751,856		1,636,723
Total capital assets	<u>\$ 17,372,293</u>	<u>\$</u>	<u>16,279,803</u>

10. Financial instruments

The fair values of the Company's cash and cash equivalents, short-term investments and accounts receivable, prepaid expenses and deposits, accounts payables and accrued liabilities, and due to related parties/joint venture parties approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, and interest risk.

(a) Currency risk

The Company's property interests in Africa 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 Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. For every \$0.01 change in the exchange rate between the Canadian dollar and the South African Rand, based on the Company's estimated expenditures for 2011 in Namibia, the Company's costs would change by approximately \$2,500.

(b) Credit risk

The Company's cash and short-term investments are held in large Canadian financial institutions. Short-term investments are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operating period. The Company does not have any asset-backed commercial paper in its short-term investments. The Company's accounts receivable consists primarily of goods and services tax/harmonized sales tax due from the federal government of Canada.

(c) 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 are due within the current operating period.

(d) 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 short-term investments is limited because these investments, although available for sale, are withdrawn with interest as needed. For every 1% change in the interest rate on the Company's short term investments, the Company's revenue would change by approximately \$20,000 over a full year.

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10. Financial instruments– *Continued*

(e) Classification of Financial instruments

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist principally of cash, short term investments, HST receivable, accounts payable and accrued liabilities, and due to related parties. Fair value of assets and liabilities measured on a recurring basis include cash and short term investments determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

11. Management of capital risk

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 exploration 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 and, acquire or dispose of assets.

In order to maximize ongoing exploration 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 short term maturities, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through the current fiscal period.

12. Commitments

The Company has a lease commitment for its offices in Vancouver, British Columbia, for approximately \$2,500 monthly rent from May 1, 2010 until April 30, 2013.

Also, the Company has committed to spend the total amount of \$1,630,000 under flow through share agreements by December 31, 2011, of which \$992,700 has been spent to date.

13. Transition to International Financial Reporting Standards

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS.

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13. Transition to International Financial Reporting Standards – *Continued*

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”). The first date at which IFRS was applied was January 1, 2010 (“Transition Date”). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current year financial statements have been prepared using the same policies. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1.

Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

Elections upon first-time adoption of IFRS

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

(i) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company’s statement of financial position as at the Transition Date.

Mandatory exceptions under IFRS

The IFRS 1 mandatory exception applied by the Company in the conversion from Canadian GAAP to IFRS is as follows:

(ii) Estimates

In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company’s IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

(iii) Share-based payment transactions

IFRS 2 *Share-based Payment* has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

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13. Transition to International Financial Reporting Standards – *Continued*

(iii) Share-based payment transactions - *Continued*

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a “graded vesting” methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

Under IFRS graded vesting methodology, during the three months ended March 31, 2010, the Company would have recorded \$35,499 as share-based payment versus \$Nil stock-based compensation under Canadian GAAP. As a result, \$35,499 would be adjusted in the share-based payment expense in the statement of operations and the same amount would be adjusted in the equity settled employee benefit reserve in the statement of equity.

During the year ended December 31, 2010, the Company would have recorded \$422,105 as share-based payment versus \$286,548 stock-based compensation under Canadian GAAP. As a result, \$135,557 would be adjusted in the share-based payment expense in the statement of operations and the same amount would be adjusted in the equity settled employee benefit reserve in the statement of equity.

(iv) Reclassification within equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of warrants and equity-settled employee benefits. Upon adoption of IFRS, the balances in these accounts have been reclassified to “Reserves – Equity-settled employee benefits”, “Reserves – Broker’s Warrants”, and “Reserves – Warrants”.

(v) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146, *Flow-Through Shares*. At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders’ equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations. During fiscal 2010, the Company renounced qualifying expenditures and as a result recorded a charge to equity and corresponding income tax recovery in income in the amount of \$1,160,741.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and recognized in income at the time the qualifying expenditures are made (there was no premium on the flow-through shares issued in 2010). The recognition of the future income tax liability upon renunciation of the flow through expenditures is recorded as income tax expense in the period of renunciation.

Consequently, the Company reversed all the deferred income tax liability, the charges directly to shareholders’ equity, along with the deferred tax recovery in the statement of comprehensive loss. As a result of these reversals, the Company had a “deferred income tax asset” on the statement of financial position as of the Transition Date. Since the Company has not had profits historically and does not expect to record any profits in the foreseeable future, the Company reversed the deferred income tax asset.

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13. Transition to International Financial Reporting Standards – Continued

(vi) Joint ventures

Under Canadian GAAP, the Company accounted for its joint venture interests using proportionate consolidation. Upon the adoption of IFRS, the Company accounts for such interests using the equity method and discloses all the joint venture interest in the account “Investments in associates”.

Reconciliation of Statements of Financial Position

	Notes	January 1, 2010			March 31, 2010			December 31, 2010		
		Cdn GAAP	Effect of transition to IFRS	IFRS	Cdn GAAP	Effect of transition to IFRS	IFRS	Cdn GAAP	Effect of transition to IFRS	IFRS
ASSETS										
Non-current assets										
Exploration and evaluation assets	13 vi	\$ 17,568,369	\$ (13,401,801)	\$ 4,166,568	\$ 18,867,541	\$ (13,474,946)	\$ 5,392,595	\$ 16,238,709	\$ (10,037,410)	\$ 6,201,299
Investments in associates	13 vi	-	9,401,801	9,401,801	-	9,474,946	9,474,946	-	10,037,410	10,037,410
Property, plant and equipment		37,689	-	37,689	39,771	-	39,771	41,094	-	41,094
Total non-current assets		17,606,058	(4,000,000)	13,606,058	18,907,312	(4,000,000)	14,907,312	16,279,803	-	16,279,803
Current assets										
Prepaid expenses		20,590	-	20,590	14,665	-	14,665	19,037	-	19,037
Accounts receivable	13 vi	27,871	-	27,871	113,287	-	113,287	82,953	(5,897)	77,056
Restricted cash		178,342	-	178,342	133,500	-	133,500	34,218	-	34,218
Cash and cash equivalents	13 vi	5,458,978	(1,781)	5,457,197	4,037,096	(1,397)	4,035,699	3,644,558	(6,992)	3,637,566
Total current assets		5,685,781	(1,781)	5,684,000	4,298,548	(1,397)	4,297,151	3,780,766	(12,889)	3,767,877
TOTAL ASSETS		\$ 23,291,839	\$ (4,001,781)	\$ 19,290,058	\$ 23,205,860	\$ (4,001,397)	\$ 19,204,463	\$ 20,060,569	\$ (12,889)	\$ 20,047,680
EQUITY AND LIABILITIES										
Capital and reserves										
Share capital	13 iv	\$ 17,152,683	\$ 2,666,612	\$ 19,819,295	\$ 16,989,119	\$ 2,830,176	\$ 19,819,295	\$ 18,608,020	\$ 2,830,176	\$ 21,438,196
Reserve - Warrants	13 iii	-	284,872	284,872	-	284,872	284,872	-	284,872	284,872
Reserve- Equity settled employee benefits	13 iii	3,939,721	(270,627)	3,669,094	3,939,721	(235,128)	3,704,593	4,187,318	(155,677)	4,031,641
Reserve- Agents' warrants	13 iii	-	-	-	-	-	-	-	20,607	20,607
Accumulated deficit	13 iii, iv, v	(1,889,499)	(3,018,794)	(4,908,293)	(1,963,873)	(3,066,409)	(5,030,282)	(3,694,037)	(2,173,545)	(5,867,582)
Total equity		19,202,905	(337,937)	18,864,968	18,964,967	(186,489)	18,778,478	19,101,301	806,433	19,907,734
Future income tax liabilities	13 v	1,813,844	(1,813,844)	-	1,977,408	(1,977,408)	-	816,667	(816,667)	-
Deferred gain	13 vi	1,850,000	(1,850,000)	-	1,837,500	(1,837,500)	-	-	-	-
		3,663,844	(3,663,844)	-	3,814,908	(3,814,908)	-	816,667	(816,667)	-
Current liabilities										
Accounts payable and accrued liab	13 vi	241,498	-	241,498	287,235	-	287,235	95,683	(2,655)	93,028
Funds held for JV partners and optionees		178,342	-	178,342	133,500	-	133,500	34,218	-	34,218
Balance payable to related parties		5,250	-	5,250	5,250	-	5,250	12,700	-	12,700
		425,090	-	425,090	425,985	-	425,985	142,601	(2,655)	139,946
TOTAL EQUITY AND LIABILITIES		\$ 23,291,839	\$ (4,001,781)	\$ 19,290,058	\$ 23,205,860	\$ (4,001,397)	\$ 19,204,463	\$ 20,060,569	\$ (12,889)	\$ 20,047,680

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13. Transition to International Financial Reporting Standards – *Continued*

Reconciliation of Statements of Comprehensive Loss

	Notes	Three months ended March 31, 2010			Year ended December 31, 2010		
		Cdn GAAP	Effect of transition to IFRS	IFRS	Cdn GAAP	Effect of transition to IFRS	IFRS
Revenues							
Overhead recoveries		\$ 51,787	\$ -	\$ 51,787	\$ 146,799	\$ -	\$ 146,799
Interest income	13 vi	10,222	(3)	10,219	39,873	(253)	39,620
Equipment rental revenue		789	-	789	2,088	-	2,088
Gain on contributed joint venture assets	13 vi	12,500	(12,500)	-	-	-	-
		75,298	(12,503)	62,795	188,760	(253)	188,507
Expenses							
Accounting and audit		15,000	-	15,000	83,000	-	83,000
Administration expenses	13 vi	11,783	(4)	11,779	58,628	(253)	58,375
Depreciation		2,393	-	2,393	11,070	-	11,070
Directors' fees		2,000	-	2,000	16,100	-	16,100
Filing and transfer agent fees		10,645	-	10,645	15,055	-	15,055
Insurance		8,086	-	8,086	35,030	-	35,030
Investor relations		6,687	-	6,687	26,738	-	26,738
Legal fees		-	-	-	34,191	-	34,191
Mineral property write-downs	13 vi	-	-	-	2,150,000	1,850,000	4,000,000
Salaries and wages		91,278	-	91,278	416,918	-	416,918
Share-based payments	13 iii	-	35,499	35,499	286,548	135,557	422,105
Travel		1,800	-	1,800	20,761	-	20,761
		149,672	35,495	185,167	3,154,039	1,985,304	5,139,343
Loss before income taxes and other items		(74,374)	(47,998)	(122,372)	(2,965,279)	(1,985,558)	(4,950,837)
Gain (loss) on equity investment	13 vi	-	383	383	-	(8,453)	(8,453)
Income tax expenses	13 v	-	-	-	1,160,741	(1,160,741)	-
Net loss and comprehensive loss		\$ (74,374)	\$ (47,615)	\$ (121,989)	\$ (1,804,538)	\$ (3,154,751)	\$ (4,959,289)

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13. Transition to International Financial Reporting Standards – Continued

Reconciliation of Statement of Cash Flow

	Notes	Three months ended March 31, 2010			Year ended December 31, 2010		
		Canadian	Effect of	IFRS	Canadian GAAP	Effect of	IFRS
		GAAP	transition to IFRS		IFRS	transition to IFRS	
Cash provided by (used in) Operations:							
Net loss		\$ (74,374)	\$ (47,615)	\$ (121,989)	\$ (1,804,538)	\$ (3,154,751)	\$ (4,959,289)
Adjustments to reconcile to net cash flows from operating activities							
Depreciation		2,393	-	2,393	11,070	-	11,070
Share-based payments	13 iii	-	35,499	35,499	286,548	135,557	422,105
Gain on contributed JV assets		(12,500)	12,500	-	-	-	-
Mineral property write-downs	13 vi	-	-	-	2,150,000	1,850,000	4,000,000
Income tax recovery	13 vi	-	-	-	(1,160,741)	1,160,741	-
		(84,481)	384	(84,097)	(517,661)	(8,453)	(526,114)
Changes in non-cash working-capital items:							
Accounts receivable		(46,648)	-	(46,648)	(41,909)	-	(41,909)
Prepaid expenses		5,925	-	5,925	1,553	-	1,553
Accounts payable and accrued liabilities		(150,152)	-	(150,152)	15,887	-	15,887
Funds held for JV partners/options		(83,611)	-	(83,611)	(157,297)	-	(157,297)
Due to related parties		-	-	-	7,450	-	7,450
		(358,967)	384	(358,583)	(691,977)	(8,453)	(700,430)
Investing activities							
Exploration and evaluation of assets		(1,103,282)	-	(1,103,282)	(2,832,042)	-	(2,832,042)
Purchase of property, plant and equipment		(4,475)	-	(4,475)	(14,475)	-	(14,475)
Gain on equity investments	13 vi	-	(383)	(383)	-	8,453	8,453
Option payments received		-	-	-	20,700	-	20,700
		(1,107,757)	(383)	(1,108,140)	(2,825,817)	8,453	(2,817,364)
Financing activities							
Cash received for shares issued		-	-	-	1,630,000	-	1,630,000
Share issue costs		-	-	-	(70,750)	-	(70,750)
		-	-	-	1,559,250	-	1,559,250
Net cash (outflow) inflow							
	13 vi	(1,466,724)	(1,397)	(1,468,121)	(1,958,544)	(6,992)	(1,965,536)
Cash and cash equivalents, beginning of the period							
		5,637,320	-	5,637,320	5,637,320	-	5,637,320
Cash and cash equivalents, end of the period							
		\$ 4,170,596	\$ (1,397)	\$ 4,169,199	\$ 3,678,776	\$ (6,992)	\$ 3,671,784

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14. Subsequent Events

1. In April 2011, the Company earned an initial 49% interest in the Johnston Lake property in Saskatchewan from Denison upon completion of \$1 million of exploration expenditures on the property. The Company also gave Denison notice that it intends to proceed with the second stage earn-in of a further 26% interest by spending an additional \$1 million before February 28, 2014.
2. On April 1, 2011, the Company staked two additional claims in the eastern Athabasca basin, Saskatchewan. The new claims are: S-112160 and S-112161.
3. On June 1, 2011 the Company staked one additional claim in the eastern Athabasca basin adjacent to the Gumboot property. The new claim is S-112281.
4. The company has established a Namibian subsidiary. The private company is called Pitchstone Exploration Namibia (Pty) Ltd. and is 100% owned by Pitchstone Exploration Ltd.