UCORE RARE METALS INC.

(A Development Stage Enterprise)

Unaudited Interim Consolidated Financial Statements

First Quarter
For the three month period ended March 31, 2011

In accordance with National instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended March 31, 2011.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statement of Financial Position
Expressed in Canadian dollars
(unaudited - Prepared by Management)

	March 31, 2011	(Note 11) December 31, 2010	(Note 11) January 1, 2010
	$	$	$
ASSETS			
Current assets			
Cash	973,512	9,306,218	183,830
Short-term deposits	12,310,068	2,306,363	1,993,533
Marketable securities	20,750	30,500	15,000
Sales taxes recoverable	98,180	51,605	23,892
Prepaid expenses (note 7)	84,133	38,786	34,646
	13,486,643	11,733,472	2,250,901
Capital assets	68,081	66,273	67,365
Resource properties and related deferred costs	19,072,043	18,724,619	18,012,117
	32,626,767	30,524,364	20,330,383
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	312,306	369,015	310,231
Future income tax liability	878,000	878,000	878,000
	1,190,306	1,247,015	1,188,231
Shareholders' equity			
Share capital (note 8)	35,612,598	31,102,550	20,306,580
Contributed surplus	4,273,172	4,036,691	3,050,800
Warrants (note 9)	3,387,790	4,884,270	2,320,708
Cumulative translation account	(684,591)	(413,646)	-
Accumulated other comprehensive loss	(25,000)	(15,250)	(24,500)
Deficit	(11,127,508)	(10,317,266)	(6,511,436)
	31,436,461	29,277,349	19,142,152
	32,626,767	30,524,364	20,330,383

Nature of operations (note 1)

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

(s) Jim McKenzie
Jim McKenzie, Director

(s) Jos De Smedt
Jos De Smedt, Director

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Comprehensive Income
Expressed in Canadian dollars
(unaudited - Prepared by Management)

	For the Three Months Ended March 31	
	2011	2010
	$	
EXPENSES		
Amortization	5,387	5,094
Investor relations and marketing	79,662	55,041
Office and premises	52,258	33,502
Professional services	113,716	11,732
Salaries and consultants	208,504	199,966
Securities and regulatory	34,712	28,331
Share-based payments	254,008	(10,593)
Travel	65,322	40,372
	813,569	363,445
OTHER INCOME (LOSS)		
Interest income	3,705	2,169
Foreign exchange	(378)	(64)
	3,327	2,105
LOSS BEFORE INCOME TAXES	(810,242)	(361,340)
FUTURE INCOME TAX RECOVERY	-	-
NET LOSS FOR THE PERIODS	(810,242)	(361,340)
Loss per share - basic and diluted	(0.01)	(0.00)
Weighted average number of common shares outstanding	142,934,700	87,027,637
COMPREHENSIVE LOSS:		
Net loss for the periods	(810,242)	(361,340)
Unrealized gain (loss) on available-for-sale securities	(9,750)	(3,250)
	(819,992)	(364,590)

The accompanying notes form an integral part of these consolidated financial statements.

UCORE RARE METALS INC.

Interim Consolidated Statement of Changes in Equity
Expressed in Canadian dollars
(unaudited - Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Cumulative translation account	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at January 1, 2010	86,475,198	$ 20,306,580	$ 3,050,800	$ 2,320,708	$ -	$ (24,500)	$ (6,511,436)	$ 19,142,152
Net Loss							(361,340)	(361,340)
Unrealised loss on available for sale securities						(3,250)		(3,250)
Foreign currency translation adjustment					(242,283)			(242,283)
Share-based payments			4,156					4,156
Shares issued on exercise of warrants	728,500	193,410						193,410
Fair value of warrants exercised		135,970		(135,970)				-
Balance at March 31, 2010	87,203,698	$ 20,635,960	$ 3,054,956	$ 2,184,738	$ (242,283)	$ (27,750)	$ (6,872,776)	$ 18,732,845
Balance at January 1, 2011	136,653,253	$ 31,102,550	$ 4,036,691	$ 4,884,270	$ (413,646)	$ (15,250)	$ (10,317,266)	$ 29,277,349
Net Loss							(810,242)	(810,242)
Unrealised loss on available for sale securities						(9,750)		(9,750)
Foreign currency translation adjustment					(270,945)			(270,945)
Share-based payments			274,231					274,231
Shares issued under private placement								-
Shares issued on exercise of warrants	11,324,625	2,935,818						2,935,818
Fair value of warrants exercised		1,496,480		(1,496,480)				-
Shares issued on exercise of options	75,000	40,000						40,000
Fair value of options exercised		37,750	(37,750)					-
Balance at March 31, 2011	148,052,878	$ 35,612,598	$ 4,273,172	$ 3,387,790	$ (684,591)	$ (25,000)	$ (11,127,508)	$ 31,436,461

The accompanying notes form an integral part of these consolidated financial statements.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Cash Flows
Expressed in Canadian dollars
(unaudited - Prepared by Management)

	For the Three Months Ended March 31	
	2011	2010
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the periods	(810,242)	(361,340)
Adjustments for items not involving cash:		
Amortization	5,387	5,094
Stock-based compensation	254,008	(10,593)
	(550,847)	(366,839)
Change in non-cash operating working capital:		
Decrease (increase) in sales taxes recoverable	(46,575)	7,657
Decrease (increase) in prepaid expenses	(45,347)	(70,763)
Increase (decrease) in accounts payable and accruals	(72,347)	69,358
	(715,116)	(360,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares on exercise of options and warrants	2,975,818	193,410
	2,975,818	193,410
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(7,195)	(2,050)
Resource property interests and options, net	(582,508)	(173,345)
Short-term deposits	(10,003,705)	217,837
	(10,593,408)	42,442
INCREASE (DECREASE) IN CASH	(8,332,706)	(124,735)
CASH, beginning of periods	9,306,218	183,830
CASH, end of periods	973,512	59,095
Non-cash financing and investment activities:		
Accounts payable and accrued liabilties related to resource properties and related deferred costs	(15,638)	(22,793)

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. (the "Company") is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be a development stage company. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof.

2. BASIS OF PRESENTATION AND FIRST-TIME ADOPTION OF IFRS

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Company's first IFRS condensed interim consolidated financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 11. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previous Canadian GAAP to those reported for those periods at the date of transition under IFRS.

The policies applied in these consolidated financial statements are presented in Note 3 and are based on the IFRS expected to be applicable as of December 31, 2011. The date the Board of Directors approved the financial statements is June 30, 2011.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets and share based payments measured at fair value.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The exemptions the Company has taken in applying IFRS for the first time are set out in note 11.

(a) Consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Ucore Resources LP (NS) Inc., Rare Earth One LLC (AK), Mineral Solutions LLC (AK), Landmark Alaska Limited Partnership (AK), Landmark Minerals Inc., 5621 N.W.T. Ltd. and Landmark Minerals US. All significant intercompany balances and transactions have been eliminated on consolidation.

(b) Resource properties and related deferred costs:

As a development stage enterprise, the Company defers all expenditures related to its resource properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written off, and do not necessarily represent present or future values.

If a property is put into commercial production, the expenditures will be depleted following the units of production method. If a property is sold or abandoned, or considered to be impaired in value, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its resource properties.

Resource properties are reviewed for impairment, on a property-by-property basis, whenever events or changes in circumstances indicate that the carrying amount of a resource property may not be recoverable. If the Company has sufficient information about a resource property to estimate future cash flows expected to be generated by the resource property then recoverability is measured by a comparison of the carrying amount to the estimated cash flows. If the Company does not have sufficient information about the resource property to estimate future cash flows expected to be generated by the resource property, then the carrying amount is compared to the estimated fair value. If the carrying amount exceeds the estimated future cash flows or estimated fair value, the resource property will be written down to its estimated fair value. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write downs of capitalized property carrying values.

(c) Property option agreements:

From time to time, the Company may acquire or dispose of an interest in a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable, in accordance with the terms of the options, are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

(d) Foreign currency translation:

i. Foreign currency transactions

In preparing the financial statements of each individual Company entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receiveable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in the cumulative translation account and reclassified to profit or loss on repayment of the monetary items.

ii. Foreign operations

The results and financial position of all Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Shareholders' equity are translated at historical rates of exchange at the reporting date;
- All other balance sheet items are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement presented are translated at average exchange rates for the period;
- All resulting exchange differences are recognised as a separate component of equity ("Cumulative translation account").

(e) Short-term deposits:

Short-term deposits consist of Guaranteed Investment Certificates which are convertible into cash without penalty with remaining maturities of one year, or less, when purchased.

(f) Future income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the enacted or substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted, with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. A valuation allowance is applied against future tax assets where these criteria are not met.

Deferred income tax assets and deferred income tax liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set of current tax assets against current tax liabilities. The principal temporary differences arise from differences between accounting and tax value of resource properties, deductible share issue costs, non-capital losses carried forward, and property plant and equipment.

(g) Share based payments:

The Company has a share-based compensation plan, which is described in note 9. Awards of options under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to share-based compensation in shareholders' equity. Fair value is measured using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a straight-line basis, based on the Company's estimate of the shares that will eventually vest.

Equity-settled share based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration paid by employees on the exercise of stock options is credited to share capital together with the amounts originally recorded as share baed compensation related to the exercised options.

(i) Loss per share:

The calculation of basic loss per common share is based on net loss divided by the weighted average number of common shares outstanding. The Company follows the treasury stock method of calculating diluted per share amounts. Since the Company has a net loss for all years being presented, the effect of the exercise of options and warrants has not been included in the calculation as it would be anti-dilutive.

(j) Capital assets:

Capital assets are recorded at cost. The Company provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate
Office equipment	Declining balance	30%
Exploration equipment	Declining balance	30%

(k) Flow-through shares:

The Company has, in prior years, financed portions of its exploration activities through the issuance of flow-through shares. The income tax attributes of the related exploration expenditures are renounced to investors in accordance with income tax legislation. The proceeds received on the issue of flow-through shares are allocated between share capital and the obligation to deliver the tax deduction to investors. This allocation is based on the difference between the quoted price of the Company's non-flow through shares and the amount the investor pays for the flow-through shares.

(l) Marketable securities:

Marketable securities are measured at fair value based on quoted market prices, with changes in fair value recorded in other comprehensive income (loss) or in the Statement of Operations to the extent that the decline in value is considered to be other than temporary.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Mearurement ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company has not early adopted IFRS 9 and is currently evaluating the impact on its financial statements.

The following IFRS standards have been recently issued by the IASB: IFRS 13 Fair Value Measurement, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the condensed consolidated interim financial statements.

5. CAPITAL MANAGEMENT

The Company's capital consists of share capital, contributed surplus and warrants. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financings. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income (loss).

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in the period in which the change occurs, with some exceptions, such as available-for-sale investments. For investments designated as being available-for- sale, changes in the fair value shall be recorded directly in shareholders' equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset is disposed of or is impaired. At that time, the gains and losses are transferred to the Statement of Comprehensive Income.

The Company has implemented the following classifications:

- Cash and short-term deposits are short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less on the date they are acquired by the Company.
- Marketable securities are classified as available-for-sale financial assets and are marked to market with changes in fair value recognized in other comprehensive income (loss) each period or in the Statement of Comprehensive Income to the extent the decline in value is considered to be other than temporary.
- Sales taxes recoverable, accounts receivable and due from related parties are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest method, less impairment losses.
- Accounts payable and due to related parties are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Fair value

The fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The carrying values of cash, short-term deposits, accounts receivable, due to/from related parties, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The fair value of all quoted investments is determined based on current bid prices.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Short-term deposits are held in interest bearing instruments that can be converted to cash without penalty at any time and are recorded at fair value.

Foreign currency rate risk

A significant portion of the Company's transactions occur in United States dollars and accordingly, the related financial assets are subject to fluctuations in the respective exchange rates. At year end, the Company currently had net US dollar financial liabilities of $45,000. A 10% weakening in the exchange rate would result in a foreign exchange loss of $4,500. (A 10% strengthening would have an equal but opposite impact).

Concentration of credit risk

Management does not believe it is exposed to any significant concentration of credit risk. All of the sales taxes recoverable are with the Government of Canada.

Interest rate risk

The Company has cash, short-term deposits and no interest-bearing debt. The Company’s short term funds are held primarily in guaranteed investment certificates, the rates of which are fixed for periods ranging up to one year. A one-percent change in the interest rate for these instruments would affect the Company by an annualized amount of interest equal to approximately $130,000.

7. RELATED PARTY TRANSACTIONS

As at March 31, 2011 the Company has recorded an advance, for corporate expenses, to an Officer of the Company in the amount of $13,095 as a prepaid expense (December 31, 2010 - $13,095), which is non-interest bearing with no fixed terms of repayment.

During the period ended March 31, 2011, the Company entered into transactions with related parties as follows:

Geological consulting fees paid to a company owned by a director of the Company	$ 21,000

All related party transactions were in the normal course of operations and were valued at the exchange amount agreed to between the parties.

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

8. SHARE CAPITAL

On June 18, 2010, the Company completed a brokered private placement financing of 18,181,818 units at a price of $0.22 per unit, for aggregate gross proceeds of $4,000,000. Each unit consisted of one common share and one half warrant, with each full warrant entitling the holder to purchase an additional common share at a price of $0.30 until June 18, 2012. The value allocated to the common shares was $2,909,091 and the value allocated to the warrants was $1,090,909. The Company paid broker fees of 7% of the gross proceeds in cash and broker warrants equal to 7% of the units issued. Each broker warrant gives the right to purchase one common share at a price of $0.22 for a period of two years. A total of $280,000 and 1,272,727 broker warrants were paid and issued. Other costs associated with the private placement totaled $103,105.

The value allocated to the warrants was based on the Black-Scholes model, using an assumed volatility of 115% and an expected life of 2 years, resulting in the following allocation of proceeds and costs between common shares and warrants:

	Common Shares Ascribed Value $	Warrants Ascribed Value $	Total $
Gross Proceeds	**2,909,091**	**1,090,909**	**4,000,000**
Cash costs	(278,622)	(104,483)	(383,105)
Broker Warrants	(165,454)	165,454	-
Net Proceeds	**2,465,015**	**1,151,880**	**3,616,895**

On December 9, 2010, the Company completed a brokered private placement financing of 25,000,000 units at a price of $0.40 per unit, for aggregate gross proceeds of $10,000,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.55 until December 9, 2012. The value allocated to the common shares was $6,780,000 and the value allocated to the warrants was $3,250,000. The Company paid finder's fees of 7% of the gross proceeds in cash and issued broker's warrants equal to 7% of the units issued. Each broker's warrant gives the holder the right to purchase one common share at an exercise price of $0.40 for a period of two years. A total of $700,000 and 1,750,000 broker's warrants were paid and issued. Other costs associated with the private placement totaled $171,386. $283,201 of the issued costs have been allocated to the issue of the warrants. An officer of of the Company purchased 75,000 of the units issued.

The value allocated to the warrants was based on the Black-Scholes model, using an assumed volatility of 88% and an expected life of 2 years, resulting in the following allocation of proceeds and costs between common shares and warrants:

	Common Shares Ascribed Value $	Warrants Ascribed Value $	Total $
Gross Proceeds	**6,750,000**	**3,250,000**	**10,000,000**
Cash costs	(588,186)	(283,201)	(871,387)
Broker Warrants	(542,500)	542,500	-
Net Proceeds	**5,619,314**	**3,509,299**	**9,128,613**

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

9. SHARE BASED PAYMENTS

Changes in stock options during the three month period ended March 31, 2011 and year ended December 31, 2010 are summarized as follows:

	Three month period ended March 31, 2011		Year ended December 30, 2010	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Opening balance	**5,269,920**	**0.61**	**4,177,420**	**0.59**
Granted	-	-	1,670,000	0.58
Exercised	(75,000)	0.53	(60,000)	0.10
Forfeited or expired	(102,000)	0.76	(517,500)	0.48
Closing balance	**5,092,920**	**0.60**	**5,269,920**	**0.61**

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2011:

Exercise price per share $	Number of outstanding options	Expiry Date	Number of exercisable options
0.10	425,000	April 24, 2014	318,750
0.21	150,000	June 10, 2014	75,000
0.35	250,000	August 6, 2014	250,000
0.38	200,000	February 2, 2015	133,333
0.40	300,000	August 19, 2015	100,000
0.45	150,000	July 2, 2013	150,000
0.47	850,000	March 31, 2013	850,000
0.49	20,000	December 1, 2015	-
0.50	300,000	October 2, 2011	300,000
0.67	1,150,000	September 29, 2015	383,333
0.84	250,000	September 21, 2014	125,000
0.97	47,600	November 16, 2011	47,600
1.00	100,000	February 1, 2012	100,000
1.04	750,000	December 21, 2011	375,000
1.22	50,320	March 14, 2012	50,320
1.25	100,000	June 13, 2012	100,000
	5,092,920		**3,358,336**

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

10. WARRANTS

Changes in share purchase warrants during the three month period ended March 31, 2011 and year ended December 31, 2010 are summarized as follows:

	Three month period ended March 31, 2011		Year ended December 30, 2010	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Opening balance	**32,514,899**	**0.39**	**18,538,750**	**0.30**
Granted	-	-	24,613,636	0.43
Exercised	(11,324,628)	0.26	(6,936,237)	0.23
Forfeited or expired	-	-	(3,701,250)	0.55
Closing balance	**21,190,271**	**0.45**	**32,514,899**	**0.39**

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2011:

Exercise price per share $	Number of outstanding warrants	Expiry Date	Number of exercisable warrants
0.10	50,000	April 2, 2011	50,000
0.30	1,300,000	July 24, 2011	1,300,000
0.26	275,000	July 24, 2011	275,000
0.30	5,185,272	June 18, 2012	5,185,272
0.22	130,000	June 18, 2012	130,000
0.55	12,499,999	December 9, 2012	12,499,999
0.40	1,750,000	December 9, 2012	1,750,000

11. TRANSITION TO IFRS

As stated in note 2, these are the Company's first interim consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the condensed interim consolidated financial statements for the three months ended March 31, 2011, the comparative information presented in these financial statements for both the three months ended March 31, 2010 and the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

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

The transition from Canadian GAAP to IFRS has had no effect upon the reported cash flows generated by the Company. The reconciling items between the Canadian GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

IFRS 1 – First time adoption of International Financial Reporting Standards ("IFRS") sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the date of transition with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010.

Business combination election
The election allows the Company to adopt IFRS 3 prospectively from the date of transition.

Cumulative translation differences
The election allows the Company to deem the cumulative translation difference to zero at the transition date.

Share based payments
The election allows application of IFRS 2, Share-Based Payments only to equity instruments granted after November 7, 2002 that had not vested by the transition date.

(a) Functional currency and foreign operations

IFRS requires that the functional currency of each entity in the consolidated Company be determined separately in accordance with IAS 21 – Foreign exchange and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's presentation currency is the Canadian dollar.

Under IFRS, the results and financial position of all Company entities that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at the average rates;
- All resulting exchange differences are recognized as a separate component of equity.

As a result of the conversion to IFRS, non-monetary assets, which include Resource properties and related deferred costs, are now translated at the closing rate at the date of the balance sheet. Under Canadian GAAP, these assets were translated at historic exchange rates in effect at the time of acquisition of the asset. This change in policy has resulted in a change in the carrying value of Resource properties and related deferred costs and the Cumulative translation account, as outlined in the following schedules.

(b) Flow-through shares

Under IFRS, the proceeds received from the issuance of flow-through shares must be allocated between share capital and the obligation to deliver the tax deduction. This allocation is based on the difference between the quoted price of the Company's non-flow through shares and the amount the investor pays for the flow-through shares.

Under Canadian GAAP, share capital is reduced by the amount of the estimated tax benefit transferred to investors. The renunciation of expenditures associated with all flow-through shares issued by the Company was completed and recognized in accordance with Canadian GAAP prior to the Transition Date. As a result of the conversion to IFRS, both share capital and accumulated deficit have been adjusted as outlined in the following schedules.

(c) Stock based compensation

Under IFRS, each tranche of a stock-based award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value was amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they were estimated, and revised for actual forfeitures in subsequent periods.

Under Canadian GAAP the fair value of stock-based awards with graded vesting was calculated as a single grant and the resulting fair value was recognized over the vesting period for the grant. Forfeitures were recognized as they occurred. As a result of the conversion to IFRS, resource properties, contributed surplus, loss, and deficit balances were adjusted as follows.

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

11. Transition to IFRS (continued)

Reconciliation of equity as reported under Canadian GAAP and IFRS at January 1, 2010

		Effect of transition to IFRS			
	IFRS	Functional Currency Note 11(a)	Flow-through Shares Note 11(b)	Stock-based Compensation Note 11(c)	Canadian GAAP
	$				$
ASSETS					
Current assets					
Cash	183,830				183,830
Short-term deposits	1,993,533				1,993,533
Marketable securities	15,000				15,000
Sales taxes recoverable	23,892				23,892
Prepaid expenses	34,646				34,646
	2,250,901				2,250,901
Capital assets	67,365				67,365
Resource properties and related deferred costs	18,012,117	(60,938)		(16,633)	18,089,688
	20,330,383				20,407,954
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	310,231				310,231
Future income tax liability	878,000				878,000
	1,188,231				1,188,231
Shareholders' equity					
Share capital	20,306,580		616,260		19,690,320
Contributed surplus	3,050,800			(13,761)	3,064,561
Warrants	2,320,708				2,320,708
Accumulated other comprehensive loss	(24,500)				(24,500)
Deficit	(6,511,436)	(60,938)	(616,260)	(2,872)	(5,831,366)
	19,142,152				19,219,723
	20,330,383				20,407,954

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

11. Transition to IFRS (continued)

Reconciliation of equity as reported under Canadian GAAP and IFRS at March 31, 2010

		Effect of transition to IFRS			
	IFRS	Functional Currency Note 11(a)	Flow-through Shares Note 11(b)	Stock-based Compensation Note 11(c)	Canadian GAAP
	$				$
ASSETS					
Current assets					
Cash	59,095				59,095
Short-term deposits	1,775,696				1,775,696
Marketable securities	18,000				18,000
Sales taxes recoverable	16,235				16,235
Prepaid expenses	105,409				105,409
	1,974,435				1,974,435
Capital assets	64,321				64,321
Resource properties and related deferred costs	17,928,805	(303,301)		(9,684)	18,241,790
	19,967,561				20,280,546
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	356,796				356,796
Future income tax liability	878,000				878,000
	1,234,796				1,234,796
Shareholders' equity					
Share capital	20,635,960		616,260		20,019,700
Contributed surplus	3,054,956			(75,643)	3,130,599
Warrants	2,184,738				2,184,738
Cumulative translation account	(242,363)	(242,363)			-
Accumulated other comprehensive loss	(27,750)				(27,750)
Deficit	(6,872,776)	(60,938)	(616,260)	65,959	(6,261,537)
	18,732,765				19,045,750
	19,967,561				20,280,546

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

11. Transition to IFRS (continued)

Reconciliation of equity as reported under Canadian GAAP and IFRS at December 31, 2010

	IFRS	Effect of transition to IFRS: Functional Currency Note 11(a)	Flow-through Shares Note 11(b)	Stock-based Compensation Note 11(c)	Canadian GAAP
					$
ASSETS					
Current assets					
Cash	9,306,218				9,306,218
Short-term deposits	2,306,363				2,306,363
Marketable securities	30,500				30,500
Sales taxes recoverable	51,605				51,605
Prepaid expenses	38,786				38,786
	11,733,472				11,733,472
Capital assets	66,273				66,273
Resource properties and related deferred costs	18,724,619	(474,584)		(44,724)	19,243,927
	30,524,364	(474,584)		(44,724)	31,043,672
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	369,015				369,015
Future income tax liability	878,000				878,000
	1,247,015				1,247,015
Shareholders' equity					
Share capital	31,102,550		616,260		30,486,290
Contributed surplus	4,036,691			(11,800)	4,048,491
Warrants	4,884,270				4,884,270
Cumulative translation account	(413,646)	(413,646)			
Accumulated other comprehensive loss	(15,250)				(15,250)
Deficit	(10,317,266)	(60,938)	(616,260)	(32,924)	(9,607,144)
	29,277,349				29,796,657
	30,524,364				31,043,672

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

11. Transition to IFRS (continued)

Reconciliation of loss and comprehensive loss for the three months ended March 31, 2010

	IFRS	Effect of transition to IFRS: Stock-based Compensation Note 11(c)	Canadian GAAP
			$
EXPENSES			
Amortization	5,094		5,094
Investor relations and marketing	55,041		55,041
Office and premises	33,502		33,502
Professional services	11,732		11,732
Salaries and consultants	199,966		199,966
Securities and regulatory	28,331		28,331
Share-based payments	(10,593)	(68,831)	58,238
Travel	40,372		40,372
	363,445	(68,831)	432,276
OTHER INCOME (LOSS)			
Interest income	2,169		2,169
Gain (loss) on disposal of equipment	-		-
Foreign exchange	(64)		(64)
	2,105	-	2,105
LOSS BEFORE INCOME TAXES	(361,340)	68,831	(430,171)
FUTURE INCOME TAX RECOVERY	-		-
NET LOSS FOR THE PERIODS	(361,340)	68,831	(430,171)
COMPREHENSIVE LOSS:			
Net loss for the periods	(361,340)		(430,171)
Unrealized gain (loss) on available-for-sale securities	(3,250)		(3,250)
	(364,590)		(433,421)

For the three month period ended March 31, 2011 (Expressed in Canadian dollars)

11. Transition to IFRS (continued)

Reconciliation of loss and comprehensive loss for the year ended December 31, 2010

	IFRS	Effect of transition to IFRS: Stock-based Compensation Note 11(c)	Canadian GAAP
			$
EXPENSES			
Amortization	28,316		28,316
Investor relations and marketing	296,285		296,285
Office and premises	144,723		144,723
Professional services	50,095		50,095
Salaries and consultants	844,616		844,616
Securities and regulatory	117,043		117,043
Share-based payments	472,555	30,052	442,503
Travel	290,930		290,930
Write-down of resource properties	2,025,371		2,025,371
	4,269,934	30,052	4,239,882
OTHER INCOME (LOSS)			
Interest income	10,765		10,765
Gain (loss) on disposal of equipment	-		
Foreign exchange	(36,726)		(36,726)
	(25,961)	-	(25,961)
LOSS BEFORE INCOME TAXES	(4,295,895)	(30,052)	(4,265,843)
REFUNDABLE TAXES	(490,065)		(490,065)
NET LOSS FOR THE PERIODS	(3,805,830)	(30,052)	(3,775,778)
COMPREHENSIVE LOSS:			
Net loss for the periods	(3,805,830)		(3,775,778)
Unrealized gain (loss) on available-for-sale securities	9,250		9,250
	(3,796,580)		(3,766,528)