FIRST QUARTER REPORT

March 31, 2011

NGEX RESOURCES INC

NGEx Resources Inc.

Q1 2011 Highlights

NGEx's exploration programs on its projects in South America and Africa were in full swing during the quarter. In total, NGEx and its partners are expecting to drill close to 20,000 meters by the end of September, 2011.

Drill programs continued during the quarter on copper-gold projects in South America with outstanding copper and gold results received from the Los Helados project in Chile. Results received to date have been extremely positive indicating a very large copper/gold porphyry system with a significant higher grade core. Each set of results has continued to expand the higher grade core of the system. In Eritrea drilling on base metal projects commenced in May 2011.

Please refer to NGEx news releases filed via www.sedar.com and posted to NGEx's website for detailed information on drill results.

South America

Los Helados Porphyry Copper/Gold Project, Chile

NGEx completed a 9,638 metre, 13-hole drill program at Los Helados in mid-May. Highlights include drill hole LH-12 with 711 metres of 0.54% copper and 0.26 g/t gold, including 114 metres of 0.67% copper and 0.19 g/t gold; and Hole LH 16 with 701 metres of 0.67% copper and 0.30 g/t gold.

NGEx is encouraged by both the length and grade of the intercepts and by the fact that the drill holes contain long intervals of better than 0.6% copper plus gold. Because of the gold, the reported intervals look even more encouraging on a copper equivalent basis. Drilling has demonstrated so far that the higher grade portion system is well mineralized with an estimated area of approximately 600 metres by approximately 500 metres and is open to the west, south and east. In addition, the higher grade mineralization is open at depth, extending to more than 750 metres depth. Future drilling will test this depth potential as well as test for further expansion laterally. A major drill program is scheduled to start in November, 2011 at the beginning of the South American spring. This program will include drills with the capability to drill to more than 1 kilometre depth.

Los Helados is one of several large porphyry copper-gold systems including NGEx's Josemaria and Filo del Sol projects all located with the large block of contiguous claims that NGEx controls in Region 3 Chile and adjacent San Juan Province, Argentina. NGEx holds a 60% interest in the Los Helados project. Japan, Oil, Gas, and Metals National Corporation ("JOGMEC") holds the remaining 40% interest in the project. Both parties contribute their pro-rata share of exploration expenditures.

Josemaria Porphyry Copper/Gold Project, Argentina

A 6 hole 2,173 metre drill program was completed at the Josemaria project, located approximately 15 kilometers east of Los Helados in northern San Juan Province, Argentina. Josemaria has a previously announced NI 43-101 inferred resource of 460Mt @ 0.4% Cu and 0.3 g/t Au. This year's drilling at Josemaria is focused on discovering extensions of the known deposit under post-mineralization cover and testing a strong chargeability anomaly north of the current resource. The drill program was funded by JOGMEC who are earning a 40% interest in the project. Results are pending.

Colmillos, Chile

Colmillos is an exciting early stage porphyry copper project located east of Ovalle, Chile. Mapping and sampling at Colmillos have defined a 4.3 kilometer trend of tourmaline breccia bodies, local visible copper oxide mineralization and anomalous copper and molybdenum geochemistry. Copper mineralized tourmaline breccias are a common feature of many major porphyry copper systems. An access road and an IP survey were completed during the quarter. The plan was to drill Colmillos with one of the drills from Los Helados but drilling was deferred until next field season due to the extension of the Los Helados drill program and the onset of winter conditions.

Africa

Bada Potash Project, Eritrea

Initial mapping and geophysical surveying has been completed on NGEx's recently awarded Bada potash license located approximately 35 kilometers from the Red Sea coast of Eritrea. NGEx's license covers the northern portion of the Dallol evaporite basin which in Ethiopia hosts the historic potash deposits of Musley held by Sainik Coal Company, India and Dallol, held by Allana Resources, Canada. The Eritrean portion of the basin hosts the Colluli potash deposit which is currently being explored by South Boulder Mines of Australia. All three areas are being actively explored with resource estimates recently issued for all three projects. Recent results released by South Boulder Mines highlight the potential for shallow potash mineralization on the Eritrean side of the border. NGEx's license lies approximately 20 kilometers northwest of South Boulder's license and covers the northwest extension of the same basin. Any discovery of potash on the Eritrean side of the border will have significant logistical advantages over deposits on the Ethiopian side because they have much closer access to the Red Sea coast. A 1,000 metre reconnaissance drill program will commence early in the third quarter of 2011.

Base Metals Projects, Eritrea

NGEx holds approximately 650 square kilometers covering prospective stratigraphy near Nevsun Resources' recently commissioned Bisha Mine. The successful development of the Bisha Mine has significantly increased investor confidence in Eritrea. NGEx's land position hosts the Hambok Deposit for which an initial NI 43-101 resource estimate was announced in 2009 as well as the high grade Aradaib discovery announced in 2010. Previously released drill results from Aradaib include 13 meters of 3.3% Cu, 5.6% Zn, 1.8 g/t Au, and 46 g/t Ag.

In late 2010 NGEx completed a high resolution helicopter-borne electromagnetic, magnetic, and radiometric (VTEM) survey covering NGEx's entire land position. The survey was designed to identify volcanic-hosted massive sulfide (VMS) mineralization beneath recent cover. A drill program to test targets generated by the VTEM survey and to infill the Hambok deposit commenced in May.

Reneville and Kingouala Copper/Lead/Zinc projects, Congo Brazzaville

Mapping, surveying and sampling carried out during 2010 at the 100%-owned Reneville and Kingouala exploration licenses in the Republic of Congo (Congo-Brazzaville) have defined targets with potential for high-grade carbonate-hosted copper-lead-zinc mineralization in Upper Proterozoic rocks in the historic Boko Songo-Mindouli district. Only limited work was carried out during the quarter due to the onset of the rainy season.

Canada

GJ Project, BC

GJ is a copper-gold project, located in northern British Columbia. NGEx has optioned the project to Teck Resources Limited. ("Teck") which has the right to earn an initial 51% by spending $12,000,000 by December 31, 2014 and up to a 75% interest by spending an aggregate of $44,000,000 by December 31, 2020. Teck has advised the NGEx that it plans a $4.5 million exploration program consisting of ground geophysics and up to 5,000 meters of drilling. The objective of the program is to add to the previously reported NI 43-101 compliant resource and to test the potential for high grade copper-gold zones similar to those discovered at Imperial Metals' nearby Red Chris project. Exploration is expected to begin in late June, 2011 and continue through to September.

Outlook

NGEx is very pleased with the exploration success to date at its key Los Helados project in South America. Much focus going forward will be on this exciting project. NGEx also looks forward to testing its new potash license in Eritrea which has all the earmarks of a major potash play. Drilling on the potash project is expected to begin in late June. In addition, Teck plans a $4.5 million program on NGEx's GJ project in northern BC beginning in June.

NGEx RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2011

This Management's discussion and analysis ("MD&A") focuses on significant factors that have affected NGEx Resources Inc. ("the Company" or "NGEx") and its subsidiaries and such factors that may affect its future performance. In order to understand the MD&A better, it should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2011 and the December 31, 2010 year end audited consolidated financial statements and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollars amounts are expressed in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is June 10, 2011.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and at the Company's website www.ngexresources.com .

OVERVIEW

The Company is principally engaged in the acquisition, exploration, and development of precious and base metal properties located in Africa, North and South America.

2011 HIGHLIGHTS

During the quarter ended March 31, 2011 the Company conducted exploration programs in South America and Africa in the course of which it:

- Received results from the first seven drill holes completed during the quarter at its Los Helados copper gold project. Highlights included hole LH-16 with 701 metres of 0.67% copper and 0.30 grams/tonne gold and LH-12 with 711 metres of 0.54% copper and 0.26 grams/tonne gold.

- Completed 6 diamond drill holes totaling 2,173 metres of drilling at its Josemaria project in Argentina.

- Completed a geophysical survey at Colmillos, an early stage copper project in Chile.

- Completed ground magnetic and gravity surveys on its Bada Potash project in Eritrea.

SOUTH AMERICAN PROJECTS

During the quarter ended March 31, 2011, the Company conducted exploration programs on four copper gold projects in Chile and Argentina. The exploration season in South America is during the southern hemisphere summer and our drill programs typically run from November to April and therefore overlap the calendar years. This report focuses on work done during the first quarter of 2011 but will mention work started earlier in the same field season in late 2010. During the current quarter of 2011 the Company continued drill programs at the more advanced Los Helados and Josemaria projects as well as geophysical surveys and sampling programs at two earlier stage projects in Chile - Colmillos and Andrea.

Jose Maria Project, (Batidero) Argentina

Jose Maria is a large copper/gold porphyry project located in San Juan Province, Argentina near the Vicuna group of properties described below. Jose Maria contains a NI 43-101 compliant inferred resource of 460 million tonnes at 0.39% tonnes copper and 0.30 grams/tonne gold at a 0.3% copper cut off. The Jose Maria resource is open in several directions.

The 2010-2011 drill program which finished in April 2011 tested possible extensions of the Jose Maria system to the north where there is a strong chargeability anomaly and to the east under younger cover rocks. These two targets were tested with 2,173 metres of drilling in 6 holes. Drilling began in late December, 2010. Final results are pending.

The 100% owned Jose Maria and the adjacent 75% owned Batidero properties are subject to a joint exploration agreement ("Jose Maria JEA") dated March 16, 2009 with Japan Oil, Gas and Metals National Corporation ("Jogmec"). The Jose Maria JEA provides Jogmec the option to acquire 40% of the Company's interest in these properties. In consideration, Jogmec paid US$1 million upon signing of the Jose Maria JEA and is required to make US$6.13 million in exploration expenditures over three years in order to acquire the 40% interest. Jogmec has met its first year work commitment as of March 31, 2010 and is sole funding the current approximately US$2 million drill program. Once Jogmec has earned its interest, the partners will fund ongoing expenditures pro-rata to their ownership interest.

Vicuna Project (Los Helados, Filo del Sol), Argentina and Chile

The Vicuna properties comprise a large land package of approximately 18,300 hectares that covers a number of porphyry copper and high sulfidation gold targets in San Juan Province, Argentina and immediately adjacent parts of Chile. Nearby deposits held by other companies include Caserones–Regalito (Pan Pacific Copper) and El Morro-La Fortuna (New Gold/Xstrata). The Vicuna Properties are adjacent to Jose Maria and are subject to a separate Joint Venture Exploration Agreement (the "Vicuna JEA") with Jogmec in which the Company holds a 60% participating interest and Jogmec holds a 40% participating interest. Each party funds its pro rata share of expenditures.

During the quarter the Company continued the drill program begun last quarter of 2010 that is intended to better define a higher grade zone of porphyry copper-gold mineralization at Los Helados. The holes completed in the current drill program were all significant step outs from LH-04 completed in 2008 to 2009, which intersected 762 metres of 0.43% copper and 0.22 grams/tonne gold including 345 metres of 0.57% copper and 0.21 grams/tonne gold.

The results of the current drill program confirm the presence of a large mineralized porphyry copper system. The system is open to the south, west and east. The current drill program is focused on better defining the area of higher grade mineralization first detected in LH-04. The results from the first three holes completed this season were announced on 22 February, 2011 included: LH-12 with 711 metres of 0.54% copper and 0.26 grams/tonne gold; and LH-13 with 562 metres of 0.54% copper and 0.25 grams/tonne gold. Results from a further four holes were announced on April 1, 2011 and included LH-16 with 701 metres of 0.67% copper and 0.30 grams/tonne gold and LH-17 with 700 metres of 0.58% copper and 0.33 grams/tonne gold. The length and grade of the intercepts announced this quarter are considered to be encouraging and indicative of a significant copper-gold system at Los Helados.

The Vicuna project includes several copper gold targets that have been explored in the past including: Filo del Sol where previous drilling has indentified near surface copper oxides and gold within a diatreme, the same type of geological structure that hosts the Veladero Deposit owned by Barrick Gold. Most of the drilling to date has focused on a shallow copper oxide resource and a deeper sulfide copper target in the southern part of the project area. However, a recent review of project data identified several compelling near surface gold targets in the northern part of the project area. No drilling was done at Filo del Sol during the current quarter because the company decided to focus on drilling as much as possible at Los Helados.

Tamberias Property, Chile

On March 25, 2011 the Company entered into an option agreement (the “Agreement”) with Compania Minera Tamberias SCM (“Tamberias SCM”) whereby the Company can earn a 100% interest in the Tamberias property by making optional payments totalling US$ 20,000,000 on or before June 30, 2020. Tamberias SCM will retain a 1.5% NSR royalty that will be paid only after the Company has recovered all of its exploration and development costs. The initial payment of US$200,000 was made upon signature of the Agreement. The Tamberias property is located in Region 3, Chile and is adjacent to the Filo del Sol Project discussed above. Work on the Tamberias property by previous operators has defined potential for both porphyry copper and high-sulfidation gold mineralization. An exploration program expected to include geophysics and drilling is planned for the fourth quarter of 2011.

Other Chilean Projects (Colmillos and Andrea)

Regional exploration and prospecting continued on a number of early stage copper-gold projects in Chile where mapping and sampling programs have defined targets with porphyry copper-style mineralization in poorly explored regions of the productive Miocene-Pliocene and Eocene-Oligocene Belts. Colmillos and Andrea projects are new grass roots porphyry copper discoveries made by NGEx geologists while exploring alteration and structural targets identified through a combination of in-house satellite image processing and compilation of regional geology.

The Colmillos project consists of 100% owned exploration licenses covering 3,400 hectares. The licenses were acquired by staking. Mapping and sampling to date have defined a 4.3 by 0.7 kilometre long trend of tourmaline breccia bodies with occasional copper oxides and strongly anomalous molybdenum analyses in rock chip samples. Copper mineralized tourmaline breccias are a common feature of many major porphyry copper systems. Construction of an access road began in December 2010 and was completed in early 2011. An IP (Induced Polarization) geophysical survey is currently underway over the alteration zone. Up to 2,000 metres of drilling will be done starting late in the second quarter of 2011.

The Andrea Project consists of 100% owned exploration licenses covering 1,300 hectares. The alteration zone extends over an area of 3 by 2 kilometres and grades outward from a 600m long central core of potassic alteration with disseminated secondary biotite and stockwork pyrite, magnetite and chalcopyrite, to a large area of sericitic alteration with abundant iron oxides (goethite > jarosite > hematite).

The results of geochemical sampling and alteration mapping completed during 2010 indicate that a significant copper-molybdenum porphyry system has been identified at Andrea. The best results to date correspond to the zone of potassic alteration which has strongly anomalous copper- up to 0.6% in rock chips. The planned program is similar to that for Colmillos. Negotiations with the owners of surface rights along the right of way for the planned access road are ongoing. A geophysical survey supported by helicopter and mules was completed during the quarter ended March 31 2011. The results are being evaluated.

NORTH AMERICAN PROJECT

GJ/Kinaskan Project, Canada

The GJ/Kinaskan Property is located in northwest British Columbia, Canada, about 10 kilometres west of Highway 37. The Company has a 100% working interest subject to an earn-in option with Teck Resources Limited ("Teck") as described below. The claims cover an area of about 150 square kilometres and cover a number of significant mineral showings, including the Donnelly, GJ and North zones. The GJ project has a measured and indicated resource of 153.3 million tonnes grading 0.321% copper and 0.369 g/t gold, at a cut off grade of 0.20% copper which contains 1.09 billion pounds of copper and 1.82 million ounces of gold. The resource estimate was prepared to NI 43-101 standards by qualified person Mr. Gary Giroux P.Eng. and is filed on SEDAR under the Company's profile.

Teck's Earn-In Option - In August 2010, the Company entered into an earn-in option agreement with Teck whereby Teck can earn up to a 75% interest in the GJ and Kinaskan properties by paying the Company $100,000 (paid) on signing of the Agreement and exercising the following options:

First Option: Teck will have the option to earn an initial 51% interest by making cumulative expenditures of $12 million on or before December 31, 2014 of which a minimum of $2.5 million in expenditures, including a firm commitment of 1,500 metres of drilling, must be spent on or before December 31, 2011.

Second Option: Upon exercise of the First option, Teck will have a one-time option to elect to earn an additional 9% interest for a total of 60% interest by sole funding another $12 million in expenditures prior to December 31, 2017 with minimum annual expenditure of $2 million per year.

Third Option: Upon exercising the second option Teck will have a one-time option to elect to earn an additional 15% interest for a total of 75% interest by sole funding another $20 million in expenditures prior to December 31, 2020.

After the formation of a joint venture at any of the earn-in periods, expenditures are to be funded by the Company and Teck in pro rata to the interest held. If any ownership interest falls below 10% it will convert to a 2% Net Smelter Return after payback of all project expenditures.

Teck has advised the Company that it plans to conduct a $4.5 million exploration program at GJ/Kinaskan including ground geophysical surveys and up to 5,000 metres of drilling. The Teck exploration program is scheduled to begin in late June, 2011.

AFRICAN PROJECTS

Mogoraib, Kerkebet, Shukula and Lelit, Eritrea

The Company holds four exploration licenses, Mogoraib, Kerkebet, Shukula and Lelit, which cover the strike extension of the rocks hosting Nevsun Resources ("Nevsun') 's Bisha copper-zinc-gold deposit.

The Company's most advanced project is the Hambok deposit located in the Mogoraib License which has a NI 43-101 compliant indicated resource (at a 0.75% zinc cutoff) of 10.7 million tonnes grading 0.98% copper, 2.25% zinc, 6.84 g/t silver, 0.20 g/t gold and an additional inferred resource (at a 0.75% zinc cutoff) of 17.0 million tonnes of 0.85% copper, 1.74% zinc, 5.89 g/t silver, 0.19 g/t gold. The wide spaced drilling to date suggests the presence of a higher grade core to the Hambok Deposit although more drilling is required to better define this zone. This report is filed under the Company's profile on SEDAR.

In 2010 the Company completed a 1,545 metre drill program that targeted volcanogenic massive sulphide targets on its licenses. The most significant results were obtained from the Aradaib prospect, located in the Kerkebet License.

The first hole at Aradaib, ARD-10-001, tested a gossan outcrop highly anomalous in gold, copper, zinc, silver and lead returning a 17 metre interval of massive and semi-massive sulphides including: 10 metres @ 1.22% Zn, 1.89% Cu, 0.92 g/t Au, 21 g/t Ag and a consecutive zinc rich interval of 7m 15.15% Zn, 0.99% Cu, 0.32 g/t Au, 33 g/t Ag. A second hole, ARD-10-002, drilled 230 metres to the northeast, intersected altered host volcanic rocks with pervasive disseminated and stringer sulphides, returning a 3 metre interval of 1.30% Zn from 60.0 metres depth. The remainder of the hole was strongly anomalous in copper and zinc.

The results from four follow-up holes were received during the quarter ended September 30, 2010. Two holes (ARD-10-03 and 04) confirmed the projected down plunge and down dip extensions of the massive sulfides intersected in ARD-10-01. ARD-10-03 tested 30 metres down plunge from the mineralization in ARD-10-01 and returned 13.0 metres grading 5.59% Zn, 3.31% Cu, 1.85g/t Au and 46g/t Ag from a 24.4 metre intersection of massive sulfide and stringer mineralization.

Hole ARD-10-04 drilled on the same section as ARD-10-01 but intersecting the zone 25 metres deeper, returned 4.0 metres grading 0.31% Zn, 3.49% Cu, 0.68 g/t Au and 38 g/t Ag from massive sulfides at 108 metres and 7.0 metres at 1.70% Zn, 2.70% Cu, 0.82 g/t Au and 26 g/t Ag from 118 metres. The third hole in this program, ARD-10-05, was drilled under gossan outcrops approximately 300 metres north of the other two holes, and intersected a thick interval of altered and oxidized volcanic rock with disseminated and stringer mineralization but no significant values.

The style of mineralization that was intercepted is interpreted as proximal to a massive sulfide body but it is possible that these drill holes over- or under-cut massive sulphide mineralization.

A high resolution helicopter-borne electromagnetic, magnetic, and radiometric (VTEM) survey covering 700 square kilometres was completed in December 2010. The survey covered the Company's exploration licenses in Western Eritrea. The survey done by Geotech Airborne Surveys, South Africa and was designed to identify buried massive sulfide mineralization. Initial screening of the survey results has been done, looking for high conductivity, high gravity, and low magnetism features. This has highlighted in 18 anomalies to be geophysically modeled for 'typical' VMS sulfide bodies. Prospective targets from the modeling will be investigated in detail using gravity (where needed), trenching, shallow RAB overburden drilling, and diamond drilling beginning in the second quarter of 2011.

The recent commissioning of Nevsun's Bisha mine has generated increased interest in the Company's adjacent land position including the Hambok Deposit which lies approximately 15 kilometres from the Bisha mine.

Bada Potash License, Eritrea

The Company owns 100% of the Bada Potash Exploration License located in the Danakil Depression in Eritrea. This large license, encompassing over 431 square kilometres, is located 30 kilometres inland from the Red sea port of Mersa Fatma and 150 kilometres southeast of the capital city of Asmara.

The Bada license is situated within the northern portion of an evaporite basin extending southward into Ethiopia, where exploration in the 1960's resulted in the discovery of the large Crescent and Musley potash and sylvite deposits.

The Danakil Depression is known to continue northeast from Colluli and is believed to have potential for potash-bearing beds on the Bada license. However, only very limited historical exploration work has been done in the license area to date. Initial reconnaissance at Bada by NGEx found extensive shallow alluvium cover, young volcanic rocks or recent marine evaporites, with potential for potash-bearing rocks under much of the license area.

Exploration of the license started in January, 2011. The initial phase will be to confirm the evaporite sequence and then to drill test the shallower portions of the basin for potash mineralization. To that end gravity and ground magnetic surveys were completed during the current quarter. An initial scout drilling program is planned to begin late in the second quarter of 2011.

Congo-Brazzaville

The Company has two exploration licenses in Congo-Brazzaville. The licenses cover 1,579 square kilometres of ground in the Boko Songo-Mindouli trend where mining during French colonial times exploited high grade copper and zinc ore bodies hosted in carbonate rocks. Some historic mines are presently being rehabilitated by Chinese and other foreign companies. The Company's exploration is targeting similar high-grade carbonate-hosted copper and zinc mineralization.

The project area is located approximately 70 kilometres west of the capital city of Brazzaville. Most of the project area is accessible by road and the rail line connecting Brazzaville with the port city of Point Noire passes between 5 and 30 kilometres south of the major prospects identified to date. Recent mapping and sampling completed on the Company's licenses has identified examples of all four styles of mineralization that has historically produced in the District.

- Copper-dominant karst-fill mineralization (3-5% copper),
- High-grade (>10% copper) chalcocite mineralization replacing specific carbonate horizons,
- Fracture controlled moderate grade copper mineralization (1-2% copper), and
- Lead-zinc veins and carbonate replacement bodies (5-15% lead and zinc).

The Company acquired the exploration licenses in late 2009 and began field work consisting of soil sampling, mapping and prospecting shortly thereafter. This work has extended known occurrences and historic prospects and identified several new prospects and trends. Rock chip sampling and mapping continues to help define these prospects. Induced polarization (IP) surveys over the most prospective areas were completed in December 2010. The results are being reviewed to decide whether follow-up drilling is warranted. Work on the project is on hold for the rainy season which lasts until late June.

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	**Mar-11**	**Dec-10**	**Sep-10**	**Jun-10**	**Mar-10**	**Dec-09**	**Sep-09**	**Jun-09**
A. Exploration Expenses, net of recoveries ($000's)	3,483	1,735	1,143	1,741	1,853	1,181	1,448	1,140
B. Net income (loss) ($000's)	(4,273)	522	(1,414)	(2,315)	(2,773)	7,395	(1,855)	(1,920)
C. Basic and diluted income (loss) per share ($)	(0.03)	0.01	(0.01)	(0.02)	(0.02)	0.05	(0.02)	(0.02)

QUARTERLY ANALYSIS

Net loss, quarter over quarter, is affected by the level of exploration and project investigation expenses incurred and write-off of mineral properties interests and will vary accordingly. Net loss is also impacted by the recognition of stock based compensation in that quarter which will depend on options granted and vested. Exploration expenditures are affected to some extent by seasonal factors, exploration results and availability of funds.

The net income for the fourth quarter ended December 2010 is primarily due to a gain of $3.1 million realised from the sale of available for sale (“AFS”) securities.

The net income for the fourth quarter ended December 2009 is primarily due to the gain realised from the sale of the Company’s subsidiaries which held the option on the Caballo Blanco property.

RESULTS OF OPERATIONS

The Company's loss for the three months ended March 31, 2011 was $4.3 million as compared to loss of $2.8 million for the three months ended March 31, 2010. The increase in loss is primarily due to increased exploration expenditures as a result of the Company’s increased level of exploration activities in South America.

The operating losses are a reflection of the Company’s status as a non-revenue producing mineral exploration company. As the Company has no main source of income, losses are expected to continue.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, the Company had cash of $18.3 million and working capital of $15.9 million as compared to cash and working capital of $23.3 million and $19.7 million, respectively, at December 31, 2010.

Net cash used in operating activities was $5.2 million for the three months ended March 31, 2011 and consisted primarily of the loss from operations of $4.3 million, which included exploration expenditures of $3.5 million and adjusted for the impact of non-cash items and changes in non-cash working capital items.

Cash used in investing activities was $0.2 million, which included the option payment for the Tamberias property.

Cash flow from financing activities was $0.5 million, which comprised of proceeds from the exercise of stock options.

Based on the Company’s financial position at March 31, 2011, the Company believes that existing funds will be sufficient to perform planned discretionary exploration and general corporate activities for at least the next twelve months. Additional funding from equity financing or disposition of mineral properties may be required in the future to fund further exploration and corporate expenses. There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

OUTLOOK

The Company's exploration budget is focused on large scale copper, gold, and potash targets that demonstrate the potential for world class discoveries. The Company's 2011 exploration program has been very successful with a significant discovery at Los Helados. Further drill results are expected during the second quarter 2011 from Los Helados, Josemaria, and Colmillos, after which the South American programs will stop for the Southern Hemisphere winter. In total the Company and its partners are expecting to drill more than 20,000 metres by the end of September 2011 at an estimated cost of US $19.5 million of which approximately US$8.6 million will be paid by the Joint Venture partners.

In Eritrea drilling on both base metal and potash projects should start in May 2011, with results released as they become available. In addition, Teck Resources Limited plans a $4.5 million program on the Company's GJ/Kinaskan project in northern BC beginning in June 2011.

The planned exploration program is fully covered by the Company's current cash balance with extra money available to fund further drilling required to follow-up on positive results. We have begun planning for aggressive infill drilling programs at Los Helados and Jose Maria which are expected to restart in November 2011. Our strong financial position will enable us to pursue the planned programs.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

The Company has prepared its March 31, 2011 interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, which changed to IFRS with an effective transition date of January 1, 2010, including IFRS 1, *First-time adoption of international financial reporting standards,* and IAS 34, *Interim financial reporting.* The adoption of IFRS has not had a material impact on the Company's financial position, operations and business decisions. Subject to certain transition elections disclosed in Note 4 to the unaudited interim financial statements, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout the period presented, as if these policies had always been in effect. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The Company's IFRS accounting policies are disclosed in Note 2 to the unaudited interim consolidated financial statements. Reconciliation between the Company's financial statements as previously reported under Canadian GAAP ("CGAAP") and current reporting under IFRS is detailed in Note 4 of the interim consolidated statements.

The following is an overview of the more significant impact to the Company's financial results due to the transition to IFRS.

Shareholders' equity, mineral properties, plant and equipment – The most significant changes to the January 1, 2010 balance sheet on transition to IFRS were within the shareholders equity, mineral properties, plant and equipment. These accounts were adjusted for the effect of changes in foreign exchange rates on the date of transition to IFRS. The net impact was a decrease of $292,120 in shareholders equity, a decrease of $172,476 in plant and equipment and $119,644 in mineral properties. The Company elected an IFRS 1 election which allowed it to deem its cumulative translation differences to zero on the transition date to IFRS.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 7 *Financial instruments – disclosure,* was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact of IFRS 7 amendment.

IFRS 9 *Financial instruments,* issued in 2009, will replace IAS 39 *Financial instruments: Recognition and measurement.* IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristic of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is evaluating the impact of IFRS 9.

CRITICAL ACCOUNTING ESTIMATES

The application of certain accounting policies requires the Company to make estimates based on assumptions that may be undertaken at the time the accounting estimate is made. For a complete discussion of accounting estimates deemed most critical by the Company, refer to the Company's annual 2010 Management's Discussion and Analysis.

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2011, the Company incurred:

(a) management fees of $135,000 (2010 - $135,000) in respect of office facilities and administrative services to a company controlled by a director pursuant to an agreement for services and office facilities, which is renewable on August 1, 2011. At March 31, 2011, $23,274 (December 31, 2010 - $11,005) was due to this company and included in amounts due to related parties.

(b) $3,376 (2010 - $2,625) for technical services to a company related by directors in common. At March 31, 2011, $385 (December 31, 2010, $23,829) was due to this company in respect of technical services incurred.

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

OUTSTANDING SHARE DATA

As at June 10, 2011, the Company had 148,344,323 common shares outstanding and 3,894,260 share options outstanding under its stock-based incentive plans.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. The Company's financial instruments consist of cash, accounts receivable, prepaid expenses, due from joint venture partners, accounts payable and accrued liabilities, due to related parties and due to joint venture partners. The carrying value of cash, accounts receivable, prepaid expenses, due from joint venture partners, accounts payable and accrued liabilities, due to related parties and due to joint venture partners approximates fair value due to their short term nature.

CONTINGENCY

The Company's Argentine subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim from the Banco Central de la Republia Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit by approximately US$63,000 for foreign exchange conversions on those days.

DPM have filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that material information related to the Company is identified and communicated as appropriate on a timely basis. Management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for the design and operation of disclosure controls and internal control over financial reporting.

There have been no changes in the Company's disclosure controls and procedures during the three months ended March 31, 2011.

Internal Control over financial reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Any system no matter how well conceived or operated has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and will not prevent all errors and frauds.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission framework to evaluate the effectiveness of our internal control over financial reporting.

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2010 annual MD&A filed on March 31, 2011.

OFF-BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and contained herein in the MD&A and elsewhere constitute forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or achieved. Forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements including, without limitation, exploration/drill results and budgets; mineral reserve and resource estimates and the geology, grade and continuity of mineral deposits; metal price and foreign currency fluctuations; uncertain political and economic environments; changes in laws or policies; delays or the inability to obtain the necessary government permits; the need to obtain financing and uncertainty as to the availability and terms of future financing; uncertainties involved in dispute or litigation and other risks and uncertainties describe under Risks and Uncertainties disclosed above and in the Company's Annual Information Form. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.

NGEx Resources Inc.
Interim Consolidated Balance Sheet
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)
(Unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current assets			
Cash and cash equivalents	$ 18,344,624	$ 23,265,174	$ 14,240,947
Investments	-	-	6,308,223
Receivables	3,178	44,667	5,114,646
Prepaid expenses	247,615	197,949	388,612
Due from joint venture partners	459,438	10,660	15,513
	19,054,856	23,518,450	26,067,941
Plant and equipment, net (Note 5)	179,656	197,447	290,179
Mineral properties (Note 6)	26,056,074	25,887,548	25,961,365
Other non-current assets	43,500	43,500	43,500
	$ 45,334,086	$ 49,646,945	$ 52,362,985
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	$ 3,123,014	$ 2,048,306	$ 973,568
Due to related parties (Note 10)	23,659	34,833	147,155
Due to joint venture partners	-	1,782,273	613,339
	3,146,673	3,865,412	1,734,062
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share Capital (Note 7)	152,460,012	151,762,620	151,480,754
Reserved for issuance	1,290	1,290	1,290
Contributed surplus	3,885,031	3,866,395	2,986,094
Cumulative deficit	(114,098,267)	(109,825,273)	(103,847,213)
Accumulated other comprehensive income	(60,653)	(23,499)	7,998
	42,187,413	45,781,533	50,628,923
	$ 45,334,086	$ 49,646,945	$ 52,362,985

Approved by the Board of Directors

/s/William A. Rand
Director

/s/Wojtek A. Wodzicki
Director

The accompanying notes are an integral part of these financial statements

NGEx Resources Inc.
Interim Consolidated Statements of Loss and Comprehensive Loss
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)
(Unaudited)

	For the three Months Ended March 31, 2011	For the three Months Ended March 31, 2010
Expenses		
Exploration and project investigation (Note 9)	$ 3,483,240	$ 1,853,420
General and Administration:		
Management fees	135,000	135,000
Office and general	36,637	42,362
Professional fees	35,215	30,822
Promotion and public relations	66,341	24,829
Donation	106,000	-
Stock exchange and filing fees	44,376	30,654
Transfer agent and shareholder information	5,958	5,587
Travel	8,051	2,799
Employee benefits (Note 10)	99,478	139,044
Share-based payments	137,071	380,587
Operating loss	4,157,367	2,645,104
Other (income) expenses		
Interest income	(9,212)	(22,272)
Foreign exchange loss (gain)	101,609	(8,061)
Other expenses	23,230	49,879
Write-off of mineral property interests	-	108,000
Net loss for the period	4,272,994	2,772,650
Other comprehensive loss		
Unrealized loss on investments	-	3,241
Cumulative foreign currency translation adjustment	37,154	26,725
Comprehensive loss for the period	$ 4,310,148	$ 2,802,616
Basic loss per common share	$ 0.03	$ 0.02
Diluted loss per common share	$ 0.03	$ 0.02
Weighted average number of shares outstanding	147,403,200	146,895,447
Diluted weighted average number of shares outstanding	147,403,200	146,895,447

The accompanying notes are an integral part of these financial statements

NGEx Resources Inc.
Interim Consolidated Statement of Cash Flows
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)
(Unaudited)

	For the three Months Ended March 31, 2011	For the three Months Ended March 31, 2010
Cash flows used in operating activities		
Net loss for the period	$ (4,272,994)	$ (2,772,650)
Items not affecting cash		
Depreciation	9,431	28,868
Share-based payments expense	190,152	380,587
Write-off of mineral property interests	-	108,000
	(4,073,412)	(2,255,195)
Changes in non-cash working capital items		
Trade receivable and other	(8,177)	33,908
Trade payable and other	1,074,708	618,597
Due to related parties	(11,174)	(78,867)
Advances from/(to) joint venture partners	(2,231,051)	(662,127)
	(5,249,106)	(2,343,685)
Cash flows from financing activities		
Common shares issued, net	525,876	22,756
	525,876	22,756
Cash flows (used in) from investing activities		
Mineral properties and related expenditures	(197,320)	-
Collection of accounts receivable from sale of subsidiaries	-	2,000,000
	(197,320)	2,000,000
Decrease in cash	(4,920,550)	(320,929)
Cash and cash equivalents, beginning of the period	23,265,174	14,240,947
Cash and cash equivalents, end of the period	$ 18,344,624	$ 13,920,018

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

NGEx Resources Inc.
Interim Consolidated Financial Statements of Changes in Equity
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)
(Unaudited)

	Number of Shares issued and outstanding	Number of Shares reserved for issuance	Share capital	Reserved for issuance	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated Deficit	Total
Balance January 1, 2011	147,087,899	20,348	$ 151,762,620	$ 1,290	$ 3,866,395	$ (23,499)	$ (109,825,273)	$ 45,781,533
Exersise of shares options	592,312	-	697,392	-	(171,516)	-	-	525,876
Stock-based compensation	-	-	-	-	190,152	-	-	190,152
Effects of foreign currency translation	-	-	-	-	-	(37,154)	-	(37,154)
Loss for the period	-	-	-	-	-	-	(4,272,994)	(4,272,994)
Balance March 31, 2011	147,680,211	20,348	$ 152,460,012	$ 1,290	$ 3,885,031	$ (60,653)	$ (114,098,267)	$ 42,187,413
Balance January 1, 2010	146,858,712	20,348	$ 151,480,753	$ 1,290	$ 2,986,094	$ 7,998	$ (103,847,214)	$ 50,628,921
Exersise of shares options	42,937	-	33,001	-	(10,244)	-	-	22,757
Stock-based compensation	-	-	-	-	380,587	-	-	380,587
Unrealized loss on investments	-	-	-	-	-	(3,241)	-	(3,241)
Effects of foreign currency translation	-	-	-	-	-	(26,725)	-	(26,725)
Loss for the period	-	-	-	-	-	-	(2,772,650)	(2,772,650)
Balance March 31, 2010	146,901,649	20,348	$ 151,513,754	$ 1,290	$ 3,356,437	$ (21,968)	$ (106,619,864)	$ 48,229,649

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

1. NATURE OF OPERATIONS

NGEx Resources Inc. together with its subsidiaries (collectively referred to as the "Company") is principally engaged in the acquisition, exploration and development of mineral properties located in Africa, North and South America.

The Company's common shares are listed on the Toronto Stock Exchange. The Company is incorporated under the Canada Business Corporation Act and its registered office is located at Suite 2610 – Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, Canada.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout the period presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, results of operations and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of June 10, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP financial statements for the year ended December 31, 2010.

Throughout these condensed interim consolidated financial statements additional disclosures relating to the year ended December 31, 2010 are provided in accordance with IFRS where material to an understanding of these condensed interim consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare these condensed interim consolidated financial statements are outlined as follows:

a) Consolidation

The financial statements consolidate the financial statements of the Company and its subsidiaries. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated in full on consolidation. Unrealized losses are also eliminated. Accounting policies of subsidiaries, joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

(ii) Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. In some situations, joint control exists even though the Company has an ownership interest of more than 50 % because of the veto rights held by joint venture partners.

Jointly controlled entities ("JCEs"): A JCE is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has a long term interest.

Jointly controlled assets ("JCAs"): A JCA is a joint venture in which the venturers have joint control over the assets contributed to or acquired for the purposes of the joint venture. JCAs do not involve the establishment of a corporation, partnership or other entity. This includes situations where the participants derive benefits from the joint activity through a share of the production, rather than by receiving a share of the results of trading. The Company's proportionate interest in each of the assets, liabilities, revenues, expenses and cash flows of JCEs and JCAs are incorporated into Company's financial statements under the appropriate headings.

(iii) Associates

An associate is an entity that is neither a subsidiary nor a joint venture, over who's operating and financial policies the Company exercises significant influence. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity. The Company's share of the net assets, post tax results and reserves of associates are included in the financial statements using the equity accounting method.

This involves recording the investment initially at cost to the Company, which therefore includes any goodwill on acquisition, and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Company's share of the associate's results less any impairment of goodwill and any other changes to the associate's net assets such as dividends. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

(iv) Acquisition

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill, which is not amortized but is reallocated for impairment annually and where there is an indication of impairment. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Company and is presented in equity in the consolidated balance sheet, separately from the parent shareholders' equity.

b) Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

Areas of judgement that have the most significant effect on the amounts recognized in the financial statements are:

Valuation of Mineral Properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes a periodic review of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking this review, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves.

Stock-based Compensation - The fair value of stock options is determined using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management of the Company is required to make certain assumptions and estimates regarding the life of the options, volatility and forfeitures rates. Changes in the assumptions used could result in materially different results.

Income Taxes – Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the person that makes strategic decisions.

The Company's primary activity is the exploration and development of mineral properties so there is one reportable operating segment. The Company's geographical segments are determined by the location of the Company's assets and liabilities.

d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
(c) All resulting exchange differences are recognized as a separate component of equity.

e) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of fixed assets are as follows:

Furniture and office equipment	2 to 3 years
Field equipment	3 years
Vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains – net' in the income statement.

f) Exploration and evaluation expenditure and mineral properties

The Company is in the process of exploring its mineral properties and has adopted the policy of capitalizing significant acquisition costs for property rights, including payments for exploration rights and leases and estimated fair value of exploration properties acquired as part of a business acquisition. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves.

Development expenditures incurred subsequent to a determination of the feasibility of mining operations and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

g) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Financial instruments

Classification of financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

Impairment of financial assets

(i) Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(ii) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the separate consolidated income statement.

Impairment losses recognized in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

j) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within “general and administrative expenses”. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against “general and administrative expenses” in the income statement.

k) Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

l) Payables

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

m) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

n) Share-based payments

The Company has a share-based compensation plan, under which the entity receives services from employees and non-employees as consideration for equity instruments (options) of the Company.

Stock options granted to employees are measured on the grant date. Stock options granted to non-employees are measured on the date that the goods or services are received.

The fair value of the employee and non-employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted and the vesting periods. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cash subscribed for the shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

o) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

p) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

q) New accounting pronouncements

IFRS 7 Financial instruments – disclosure, was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact of IFRS 7 amendment.

IFRS 9 Financial instruments, issued in 2009, will replace IAS 39 Financial instruments: Recognition and measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristic of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is evaluating the impact of IFRS 9.

4. TRANSITION TO IFRS

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this note as follows:

a) Transition election

The Company has applied the following transition exceptions and exemptions to the full retrospective application of IFRS as follows:

- Cumulative translation adjustments ("CTA") – exemption that allows a company to set its CTA to zero at date of transition.
- Business combinations – exemption that allows a company not to apply the provisions of IFRS 3 to past combinations or apply these provisions only to all business combinations after a certain date.

b) Functional currency and cumulative translation adjustment account

Under Canadian GAAP the Company determines whether a subsidiary is an integrated operation or a self-sustaining entity which determines the method of translation into the presentation currency of the Group. IFRS requires that an entity determine the functional currency of each subsidiary individually, prior to consolidation into the Group's presentation currency.

The Company determined that some subsidiaries had a functional currency other than the CDN dollar, which under Canadian GAAP had been classified as being integrated operations. Those subsidiaries under Canadian GAAP were consolidated using the temporal method (i.e. monetary assets and liabilities translated at the current rate and nonmonetary assets and liabilities at historic exchange rates with gains or losses being charged to income), whereas under IFRS those entities with non CDN dollar functional currencies are translated into CDN dollars using the current rate method (whereby all assets and liabilities are translated using the reporting date exchange rates with any gains or losses being recorded in equity).

The net impact was a decrease in mineral properties of $119,644 and a decrease in plant and equipment of $172,476, offset by a charge to currency translation adjustment ("CTA") to the January 1, 2010 balance.

For the three months period ended March 31, 2010, the impact was a decrease in mineral properties of $25,352 and a decrease in plant and equipment of $1,373. For the year ended December 31, 2010, the impact was a decrease in mineral properties of $48,572 and an increase in plant and equipment of $25,073.

The Company also elected to take the IFRS 1 exemption to deem cumulative translation adjustments to be zero at the date of transition to IFRS. Hence all existing CTA balances and the impact of the above adjustments as of January 1, 2010 were recorded against the brought forward deficit.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

c) Reconciliation of consolidated balance sheet and statement of comprehensive income from Canadian GAAP to IFRS:

	December 31, 2010			March 31, 2010			January 1, 2010		
	Cdn GAAP	Adjustment	IFRS	Cdn GAAP	Adjustment	IFRS	Cdn GAAP	Adjustment	IFRS
Assets									
Current assets									
Cash and cash equivalents	$ 23,265,174		$ 23,265,174	$ 13,920,018		$ 13,920,018	$ 14,240,947		$ 14,240,947
Investments	-		-	6,304,980		6,304,980	6,308,223		6,308,223
Trade receivables	44,667		44,667	45,738		45,738	5,114,646		5,114,646
Prepaid expenses	197,949		197,949	418,774		418,774	388,612		388,612
Loan receivable	-		-	3,004,839		3,004,839	-		-
Due from joint venture partners	10,660		10,660	64,301		64,301	15,513		15,513
	23,518,450	-	23,518,450	23,758,650	-	23,758,649	26,067,942	-	26,067,942
Property, plant and equipment, net	344,850	(147,403)	197,447	433,787	(173,849)	259,938	462,655	(172,476)	290,179
Mineral properties	26,055,764	(168,216)	25,887,548	25,973,009	(144,996)	25,828,013	26,081,009	(119,644)	25,961,365
Other assets	43,500		43,500	43,500		43,500	43,500		43,500
Total Assets	$ 49,962,564	$ (315,619)	$ 49,646,945	$ 50,208,946	$ (318,845)	$ 49,890,101	$ 52,655,106	$ (292,120)	$ 52,362,986
Liabilities									
Current liabilities									
Trade payables and accrued liabilities	$ 2,048,306		$ 2,048,306	$ 1,592,163		$ 1,592,163	$ 973,568		$ 973,568
Due to related parties	34,833		34,833	68,288		68,288	147,155		147,155
Due to joint venture partners	1,782,273		1,782,273	-		-	613,339		613,339
	3,865,412	-	3,865,412	1,660,451	-	1,660,450	1,734,063	-	1,734,063
Equity attributable to shareholders									
Share Capital	151,762,620		151,762,620	151,513,754		151,513,754	151,480,754		151,480,754
Reserved for issuance	1,290		1,290	1,290		1,290	1,290		1,290
Contributed surplus	3,866,395		3,866,395	3,356,437		3,356,437	2,986,094		2,986,094
Cumulative deficit	(109,533,153)	(292,120)	(109,825,273)	(106,327,743)	(292,120)	(106,619,863)	(103,555,093)	(292,120)	(103,847,213)
Accumulated other comprehensive income	-	(23,499)	(23,499)	4,757	(26,725)	(21,968)	7,998		7,998
	46,097,152	(315,619)	45,781,533	48,548,495	(318,845)	48,229,650	50,921,043	(292,120)	50,628,923
Total Liabilities and equity	$ 49,962,564	$ (315,619)	$ 49,646,945	$ 50,208,946	$ (318,845)	$ 49,890,100	$ 52,655,106	$ (292,120)	$ 52,362,986

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Year ended December 31, 2010			Three months ended March 31, 2010		
	Cdn GAAP	Adjustment	IFRS	Cdn GAAP	Adjustment	IFRS
Expenses						
Exploration and project investigation	$ 6,471,818		$ 6,471,818	$ 1,853,420		$ 1,853,420
Management fees	540,000		540,000	135,000		135,000
Office and general	92,662		92,662	42,362		42,362
Professional fees	256,828		256,828	30,822		30,822
Promotion and public relations	60,793		60,793	24,829		24,829
Donation	35,000		35,000	-		-
Stock exchange and filing fees	35,724		35,724	30,654		30,654
Transfer agent and shareholder information	37,228		37,228	5,587		5,587
Travel	76,336		76,336	2,799		2,799
Wages and benefits	1,125,041		1,125,041	139,044		139,044
Stock based compensation	723,230		723,230	380,587		380,587
Loss before the undernoted items	9,454,660		9,454,660	2,645,105		2,645,105
Other (income) expenses						
Interest income	(185,778)		(185,778)	(22,272)		(22,272)
Foreign exchange (gain) loss	109,762		109,762	(8,061)		(8,061)
Other expenses (income)	192,248		192,248	49,879		49,879
Gain on sale of investments	(3,043,056)		(3,043,056)	-		-
Gain on sale of subsidiaries	(682,332)		(682,332)	-		-
Write-off of mineral property interests	132,555		132,555	108,000		108,000
Loss and comprehensive loss for the period	5,978,059		5,978,059	2,772,650		2,772,650
Other comprehensive income						
Unrealized loss on investments	-		-	3,241		3,241
Unrealized (gain) on investments	(3,086,759)		(3,086,759)	-		-
Adjustments for realized gain on investments due to disposition	3,094,757		3,094,757	-		-
Cumulative foreign currency translation adjustment	-	23,499	23,499	-	26,725	26,725
Comprehensive loss (income) for the year	$ 5,986,057	$ 23,499	$ 6,009,556	$ 2,775,891	$ 26,725	$ 2,802,616

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

5. PLANT AND EQUIPMENT

Cost	Furniture and office equipment $	Field equipment $	Vehicles $	Total $
As at January 1, 2010	377,248	346,597	62,040	785,885
Additions	5,364	9,331	-	14,694
Disposals and other	(44,057)	-	(19,988)	(64,045)
Effect of changes in foreign exchange rates	(15,755)	(30,957)	2,504	(44,208)
As at December 31, 2010	322,800	324,970	44,557	692,327
Effect of changes in foreign exchange rates	(14,352)	(14,449)	(1,981)	(30,782)
As at March 31, 2011	308,447	310,521	42,576	661,544
Accumulated depreciation				
As at January 1, 2010	297,168	166,153	32,386	495,707
Depreciation for the period	51,388	46,937	9,166	107,490
Disposals and other	(19,834)	-	(19,201)	(39,035)
Effect of changes in foreign exchange rates	(37,773)	(32,179)	671	(69,281)
As at December 31, 2010	290,949	180,910	23,021	494,881
Depreciation for the period	5,076	2,950	1,404	9,430
Effect of changes in foreign exchange rates	(13,162)	(8,175)	(1,086)	(22,423)
As at March 31, 2011	282,863	175,686	23,340	481,888
Net book amount				
As at January 1, 2010	80,081	180,444	29,654	290,179
As at December 31, 2010	31,851	144,060	21,535	197,446
At March 31, 2011	25,584	134,836	19,236	179,656

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

6. MINERAL PROPERTIES

The carrying value of the Company's mineral properties is summarized as follows:

	Canada (Note (a))		South America (Note (b))					Africa (Note (c))	
	GJ/Kinaskan	Zymo	Josemaria	Los Helados	Lirio	Paramillos	Tamberias	Hambok	Total
Cost	$	$	$	$	$	$	$	$	$
At January 1, 2010	261,552	108,000	10,697,856	2,713,261	39,813	-	-	12,140,883	25,961,365
Additions	-	-	-	-	-	207,310	-	-	207,310
Disposals	(124,555)	-	-	-	-	-	-	-	(124,555)
Write-off	-	(108,000)	-	-	-	-	-	-	(108,000)
Effect of changes in foreign exchange rates	-	-	(37,014)	-	-	(7,270)	-	(4,288)	(48,572)
At December 31, 2010	136,997	-	10,660,842	2,713,261	39,813	200,040	-	12,136,595	25,887,548
Additions	-	-	-	-	-	-	197,320	-	197,320
Effect of changes in foreign exchange rates	-	-	(20,840)	-	-	(5,540)	-	(2,414)	(28,794)
At March 31, 2011	136,997	-	10,640,002	2,713,261	39,813	194,500	197,320	12,134,181	26,056,074

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

(a) CANADIAN PROPERTIES

(i) GJ and Kinaskan Lake Properties, B.C.

GJ Property – The Company owns a 100% interest, subject to an earn in option by Teck Resources Limited ("Teck") as described below, in the GJ Property, a porphyry copper-gold prospect located in the Liard Mining Division of northern British Columbia subject to an earn in.

Kinaskan Lake Property – The Company owns a 100% interest, subject to an earn in option by Teck as described below in the Kinaskan Lake mineral claims located in the Liard Mining District, British Columbia. The claims are subject to a net smelter return royalty of 1%, one-half of which may be repurchased by the Company for $500,000 for a term of 25 years.

Teck's Earn-In Option - In August 2010, the Company entered into an earn-in option agreement with Teck whereby Teck can earn up to a 75% interest in the GJ and Kinaskan properties by paying the Company $100,000 (paid) on signing the Agreement and exercising the following options.

First Option: Teck will have the option to earn an initial 51% interest by making cumulative expenditures of $12 million on or before December 31, 2014 of which a minimum of $2.5 million in expenditures, including a firm commitment of 1, 500 metres of drilling, must be spent on or before December 31, 2011.

Second Option: Upon exercise of the First Option, Teck will have a one-time option to elect to earn an additional 9% interest for a total of 60% interest by sole funding another $12 million in expenditures prior to December 31, 2017 with minimum annual expenditure of $2 million per year.

Third Option: Upon exercising the Second Option Teck will have a one-time option to elect to earn an additional 15% interest for a total of 75% interest by sole funding another $20 million in expenditures prior to December 31, 2020.

After the formation of a joint venture at any of the earn-in periods, expenditures are to be funded by the Company and Teck in pro rata to the interest held. If any ownership interest falls below 10% it will convert to a 2% Net Smelter Return after payback of project expenditures.

(b) SOUTH AMERICAN PROPERTIES

(i) Vicuna Joint Exploration Agreement (“Vicuna JEA”), Argentina and Chile

The Vicuna JEA covers a large land package located in Argentina and Chile (the “Vicuna Properties”) that is subject to a Joint Exploration Agreement with Japan Oil, Gas and Metals National Corporation (“Jogmec”) under which the Company holds a 60% participating interest and Jogmec holds a 40% participating interest. A portion of the Vicuna Properties is subject to underlying agreements:

a) The Lirio Property: The 100% owned Lirio Property is divided between two separate agreements with Jogmec. The Lirio Property-Vicuna Portion is that part of the Lirio Property which forms part of the Vicuna JEA whereby the Company and Jogmec holds a 60% and 40% interest, respectively. The Lirio Property-Jose Maria Portion is that part of the Lirio Property which is subject to a 40% earn-in interest by Jogmec under the Jose Maria Joint Exploration Agreement as described below. The Lirio Property is subject to a 0.5% Net Smelter Return royalty and a further US$2 million payment due within 6 months following the second complete year of mine operations both payable to the original owner.

b) Vicuna Property: The Company holds a 45% participating interest, Jogmec holds a 30% participating interest and the underlying land owner holds a 25% participating interest subject to a dilution clause in the case of non-contribution. There is a payment of US$1.1 million due to the underlying owner within 30 months after a mine goes into production on the Vicuna Property.

c) La Chola Property: The La Chola Property is subject to an agreement whereby the Company and Jogmec can earn a 100% interest through payments in stages totaling US$375,000 over 8 years subject to a 1 % NSR. As at December 31, 2009, the Company has paid an accumulated amount of US$150,000. All option payments are on hold since the property was put under force majeure in April 2007. If the interest is earned then the Company will hold a 60% interest and Jogmec will hold a 40% interest.

The remainder of the property, including the Los Helados project in Chile, subject to the Vicuna JEA was acquired by staking and is held directly by the partners.

(ii) Jose Maria Joint Exploration Agreement ("Josemaria JEA"), Argentina

The Josemaria JEA is an agreement dated March 16, 2009 whereby Jogmec has the option to earn a 40% of the Company's interest in the two properties (Lirio Property-Jose Maria Portion and Batidero) that jointly comprise Jose Maria.

Jogmec can earn its interest by: paying the Company US$1 million (paid) and making US$6.13 million (US$3.2 million spent to December 31, 2010; US$1.7 million spent to December 31, 2009) in exploration expenditures over three years. If Jogmec earns its interest, the partners will fund ongoing expenditure pro-rata to their ownership interest.

The Lirio Property-Jose Maria Portion is subject to a 0.5% Net Smelter Return royalty and US$2 million payment to the underlying owner within 6 months following the second complete year of any mine operation on the property. The Batidero Property is owned 75% by the Company and 25% by TNR Gold.

(iii) Paramillos Project: copper and gold explorations property in Argentina (Mendoza Province)

On August 23, 2010, the Company signed an amended earn in agreement with Minera del Oeste ("MIDO") whereby the Company can earn an 80% interest in the Paramillos copper/gold properties ("Paramillos") in Mendoza province, Argentina by the payment in stages of a total of US$2.7 million to December 28, 2013 (US$200,000 paid December 31, 2010).

The Company has the right to purchase the remaining 20% interest in the property for US$14.3 million by March 2015 to own 100% of Paramillos.

(iv) Tamberias property in Chile

On March 25, 2011 the Company entered into an option agreement (the "Agreement") with Compania Minera Tamberias SCM ("Tamberias SCM") whereby the Company can earn a 100% interest in the Tamberias property by making optional payments totaling US$ 20,000,000 on or before June 30, 2020. Tamberias SCM will retain a 1.5% NSR royalty that will be paid only after the Company has recovered all of its exploration and development costs. The initial payment of US$200,000 was made upon signature of the Agreement. The Tamberias property is located in Region 3, Chile and is adjacent to the Filo del Sol Project.

(c) AFRICAN PROPERTIES

(i) Eritrean properties:

The Company holds four exploration licenses, Mogoraib, Kerkebet, Shukula and Lelit subject to yearly renewal and has made an application for several new licenses in NW Eritrea. The Hambok Deposit is on the Mogoraib license.

(ii) Congo-Brazzaville properties:

The Company has two exploration licenses in Congo-Brazzaville. The licenses cover 1,579 square kilometres of ground in the Boko Songo-Mindouli trend.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

(iii) Bada Potash License:

The Company owns 100% of Bada Potash exploration license located in the Danakil Depression in Eritrea. This large license, encompassing over 431 square kilometres, is located 30 kilometres inland from Red Sea port of Mersa Fatma and 150 kilometres southeast of the capital city of Asmara.

7. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value. All issued shares are fully paid.

8. STOCK OPTIONS

a) Stock Option Plan

The Company has a rolling stock option plan, approved by shareholders on September 15, 2008, reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

During the period ended March 31, 2011, the Company granted 755,000 (2010 – nil) share options to officers, employees, directors and other eligible persons at an exercise price of $1.52 per share expiring February 3, 2014.

The weighted average fair value of the options granted in the period was estimated at $0.80 (2010 - $nil) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	March 31, 2011	**December 31, 2010**
Dividend yield	0%	0%
Risk free interest rate	1.64%	2.12%
Expected life	3 years	5 years
Expected volatility (i)	80.99%	74.46%

(i) Expected volatility has been based on historical volatility of the Company's publicly traded shares.
A share-based compensation cost of $607,007 for the options granted in the period ended March 31, 2011 (2010 - $nil) will be amortized over the vesting period of which $190,153 was recognized in the three months ended March 31, 2011 (2010 - $nil).

The total share-based compensation for the period ended March 31, 2011 was $190,153 (2010 - $380,587). Share-based compensation of $137,071 (2010 - $380,587) has been allocated to Administration expenses and $53,081 (2010 - $nil) to Project investigation and exploration expenses.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

b) Stock Options Outstanding

The following is a summary of the movements in the number of share options outstanding and their related weighted average exercise prices:

	Number of Shares	**Weighted average exercise price $**
Outstanding at January 1, 2010	7,321,289	1.12
Granted	225,000	0.72
Exercised	(229,187)	0.80
Forfeited/Expired	(2,828,918)	1.36
Outstanding at December 31, 2010	4,488,184	0.91
Granted	755,000	1.52
Exercised	(592,312)	0.89
Forfeited/Expired	(82,500)	0.70
Outstanding at March 31, 2011	4,568,372	1.02
Exercisable at March 31, 2011	4,568,372	1.02

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

	Outstanding Options			Exercisable Options		
Range of Exercise Prices (CDN$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$0.53 - $1.00	2,967,774	3.36	0.68	1,587,272	3.03	0.66
$1.01 - $1.30	396,190	0.33	1.21	396,190	0.33	1.21
$1.31 - $2.80	1,204,408	2.21	1.79	449,408	1.08	2.24
	4,568,372	2.7950	1.02	2,432,870	2.23	1.0427

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

9. EXPLORATION AND PROJECT INVESTIGATION

	Canada	South America	Africa	Total
Exploration Expenditures for the three months ended March 31, 2011				
Assaying	$ -	$ -	$ 26,415	$ 26,415
Camp costs	-	-	(24,019)	(24,019)
Drilling	-	1,034,100	59,255	1,093,355
Environmental & community relations	-	17,944	-	17,944
Expediting and project supervision	-	-	96,933	96,933
Field supplies and equipment	-	-	30,247	30,247
Field salaries and contract labour	-	80,468	69,807	150,275
Consulting	-	193,068	95,883	288,951
Geological, geophysical & geochemical	5,130	-	150,405	155,535
Roadwork/Trenching	-	445,066	-	445,066
Maps, staking and reports	-	-	1,692	1,692
Office miscellaneous	-	47,563	40,039	87,602
Licenses , fees and access rights	980	105,525	61,778	168,283
Professional	-	336,963	5,223	342,186
Stock based compensation	-	29,448	23,633	53,081
Transport and travel	-	105,798	28,604	134,402
Value Added Tax	-	415,292	-	415,292
Total for the period	$ 6,110	$ 2,811,235	$ 665,895	$ 3,483,240
Exploration Expenditures for the three months ended March 31, 2010				
Assaying	$ -	$ -	$ -	$ -
Camp costs	-	-	32,279	32,279
Drilling	-	517,744	127,500	645,244
Environmental & community relations	-	20,592	-	20,592
Expediting and project supervision	-	-	142,363	142,363
Field supplies and equipment	-	-	75,508	75,508
Field salaries and contract labour	-	(31,974)	126,964	94,990
Consulting	-	-	-	-
Geological, geophysical & geochemical	875	62,102	55,681	118,658
Roadwork/Trenching	-	185,734	-	185,734
Maps, staking and reports	2,888	-	-	2,888
Office miscellaneous	-	37,554	69,510	107,064
Licenses , fees and access rights	38,063	64,227	4,151	106,441
Professional	-	160,108	57,240	217,348
Stock based compensation	-	-	-	-
Transport and travel	-	99,425	41,978	141,403
Value Added Tax	-	87,908	-	87,908
Proceeds	-	-	(125,000)	(125,000)
Total for the period	$ 41,826	$ 1,203,420	$ 608,174	$ 1,853,420

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

10. RELATED PARTY TRANSACTIONS

(a) Related parties expenses

The Company incurred the following expenses with Namdo Management Services Limited ("Namdo") and Lundin Mining Corp ("Lundin"), companies related by way of directors and shareholders in common.

	Related Party	March 31, 2011 $	March 31, 2010 $
Management fee (i)	Namdo	135,000	135,000
Technical Services	Lundin	3,376	2,625
		138,376	137,625

(i) Pursuant to an Agreement for services and office facilities, which is renewable on August 1, 2011.

(b) Related parties liabilities

The liabilities of the Company include the following amounts due to related parties:

Related Party	March 31, 2011 $	December 31, 2010 $
Namdo	23,274	540,000
Lundin	385	23,829
	23,659	563,829

(c) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's executive officers, vice-presidents and members of its Board of Directors.

The remuneration of key management personnel were as follows:

	Three months ended March 31, 2011 $	Three months ended March 31, 2010 $
Salaries	75,625	68,750
Short-term employee benefits	14,019	5,150
Share-based compensation	516,961	-
Total compensation of key management	606,605	73,900

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods end March 31, 2011 and 2010.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

11. SEGMENT INFORMATION

The Company's primary business activity is the exploration for and development of mineral properties in North and South America and Africa so there is only one reportable operating segment.

The geographic distribution of non-current assets is as follows:

	Plant and equipment, net		Mineral Properties		Corporate	
	March 31, 2011 $	December 31, 2010 $	March 31, 2011 $	December 31, 2010 $	March 31, 2011 $	December 31, 2010 $
Canada	-	-	136,997	136,997	43,500	43,500
South America	179,656	197,446	13,587,576	13,613,955	-	-
Africa	-	-	12,134,181	12,136,595	-	-
	179,656	197,446	25,858,754	25,887,547	43,500	43,500

12. CONTINGENCIES

The Company's Argentine subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim in January 2009 from the Banco Central de la Republia Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit by approximately US$63,000 for foreign exchange conversions on those days. DPM have filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.