LAKOTA RESOURCES INC.

Condensed Consolidated Interim Financial Statements
June 30, 2011

(Unaudited)

Management's Comments on the Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Lakota Resources Inc. as at and for the three and six months ended June 30, 2011 and 2010 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

LAKOTA RESOURCES INC.

Condensed Consolidated Interim Statement of Financial Position (Unaudited)
Expressed in Canadian Dollars
June 30, 2011

	June 30, 2011	Dec. 31, 2010
Assets		(Note 17)
Current assets		
Cash and cash equivalents	**$ 23,910**	$ 3,364
Goods and services tax receivable	**50,964**	38,539
Accounts receivable	**4,020**	7,255
Total current assets	**78,894**	49,158
Non-current assets		
Equipment (Note 4)	**1,294**	1,294
Exploration and evaluation assets (Note 5)	**941,175**	941,175
Total non-current assets	**942,469**	942,469
Total assets	**$ 1,021,363**	$ 991,627
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 1,549,995**	$ 1,495,693
Loans payable (Note 7)	**1,286,042**	1,086,042
Due to related parties (Note 15)	**60,000**	60,000
Total current and total liabilities	**2,896,037**	2,641,735
Shareholders' equity		
Share capital (Note 8(a))	**17,745,691**	17,745,691
Contributed Surplus (Note 8(b))	**2,911,445**	2,911,445
Deficit	**(22,531,810)**	(22,307,244)
Total shareholder's equity	**(1,874,674)**	(1,650,108)
Total equity and liabilities	**$ 1,021,363**	$ 991,627

Post-Reporting Date Events (Note 16)

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 26th 2011, and are signed on its behalf by :

(signed)"David Scott"

David Scott
Director

(signed)"John Seaman"

John Seaman
Director

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

LAKOTA RESOURCES INC.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss (Unaudited)

Expressed in Canadian Dollars

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
		(Note 17)		(Note 17)
Expenses				
Professional fees	**$ 14,195**	$ 3,519	**$ 110,488**	$ 48,171
Salaries and wages	**-**	-	**8,140**	-
Consulting fees	**17,425**	7,825	**23,025**	7,825
Office overhead and corporate services	**1,988**	12,106	**41,709**	35,686
Exploration expenditures	**-**	2,852	**368**	6,552
Travel	**-**	11,121	**4,123**	13,507
Consulting and management fees	**14,103**	40,718	**29,236**	66,922
Current taxes	**-**	-	**28,652**	-
Loss (gain) on foreign exchange	**11,675**	26,689	**21,873**	39,406
	59,386	104,830	**267,614**	218,069
Other income				
Option payments	**-**	-	**(43,048)**	(30,628)
Loss and comprehensive loss for the period	**(59,386)**	(104,830)	**(224,566)**	(187,441)
Loss per common share basic and diluted (Note 11)	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)

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

LAKOTA RESOURCES INC.
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
Expressed in Canadian Dollars

	Share Capital		Other		
	# of Shares	Amount	Reserves	Deficit	Total
Balance, January 1, 2010	59,249,966	$17,745,691	$2,911,445	$(21,593,865)	**$(936,729)**
Loss for the period	-	-	-	(82,611)	**(82,611)**
Balance, March 31, 2010	59,249,966	17,745,691	2,911,445	(21,676,476)	**(1,019,340)**
Loss for the period	-	-	-	(630,768)	**(630,768)**
Balance, December 31, 2010	59,249,966	17,745,691	2,911,445	(22,307,244)	**(1,650,108)**
Loss for the period	-	-	-	(224,566)	**(224,566)**
Balance, June 30, 2011	**59,249,966**	**$17,745,691**	**$2,911,445**	**$(22,531,810)**	**$(1,874,674)**

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

LAKOTA RESOURCES INC.

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

(unaudited)	**Six months ended June 30,**	
	2011	2010
Cash flow from operating activities		
Operating activities		
Loss for the period	**$ (224,566)**	$ (187,441)
Changes in non-cash working capital balances:		
Accounts receivable	**3,235**	-
Goods and services tax receivable	**(12,426)**	-
Accounts payable and accrued liabilities	**54,302**	-
Total cash outflow from operating activities	**(179,455)**	(187,441)
Cash flow from financing activities:		
Proceeds of loan from investor	**200,000**	-
Total cash inflow from financing activities	**200,000**	-
Total increase (decrease) in cash and cash equivalents during the period	**20,546**	10,528
Cash and cash equivalents, beginning of the period	**3,364**	30,309
Cash and cash equivalents, end of period	**$ 23,910**	$ 40,837

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Lakota Resources Inc. (the "**Company**" or "**Lakota**") is a public company incorporated on March 3, 1937 pursuant to the laws of the Province of Ontario, Canada. The Company's shares have not been listed on any stock exchanges since May 19, 2009. The Company is in the exploration stage and is engaged principally in the acquisition and development of mineral properties in Tanzania. The Company's head office and principal business address is Suite 330, 808 4 Ave. SW, Calgary, Alberta, T2P 3E8

These condensed consolidated interim financial statements have been prepared on the basis of a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable level of operation. These condensed consolidated interim financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The Company failed to file its annual audited financial statements for the year ended December 31, 2008, and on May 19, 2009, the Ontario Securities Commissions imposed a cease trade order, subsequently, British Columbia Securities Commission and Alberta Securities Commission issued their cease trade orders. All three cease trade orders were revoked as at June 10, 2011. Management is currently working on securing new sources of financing, as well as recapitalization of the Company's share capital in order to proceed with its exploration plans and re-listing of Company's common shares.

As of June 30, 2011, there was uncertainty that the Company will continue as a going concern without obtaining additional financial resources. The Company incurred a net loss of $224,566 for the period ended June 30, 2011 (2010 - $187,441) and had a working capital deficiency at June 30, 2011 of $2,817,143 (2010 - $2,076,956). Refer to Note 16, Post-Reporting Date Events, in regards to recently completed financing.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company for the year-ending December 31, 2011 will be prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("**pre-changeover Canadian GAAP**"). These unaudited condensed consolidated interim financial statements for the six month period ended June 30, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The condensed interim financial statements were authorized for issue by the Board of Directors on August 26th, 2011.

2. BASIS OF PREPARATION – continued

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Actual results may differ from the estimates used by management. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 4 of the unaudited condensed consolidated interim financial statements for the period ended March 31, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements that were followed for the three month period ended March 31, 2011. In addition, the condensed consolidated interim financial statements for the three month period ended June 30, 2011 contain certain incremental IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with pre-changeover Canadian GAAP. Accordingly, these condensed consolidated interim financial statements for the six month period ended June 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with pre-changeover Canadian GAAP as well as the condensed consolidated interim financial statements for the three month period ended March 31, 2011.

a) Standards, amendments and interpretations not yet effective

At the date of authorization of these unaudited condensed consolidated interim financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company’s accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s financial statements is provided below.

i) IFRS 9, Financial Instruments

IFRS 9 was issued in November 2009 and reflects the first phase of the IASB's work on the replacement of IAS 39 Financial Instruments, Recognition and Measurement. The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements, but does not anticipate that the adoption of the standard will have a significant impact.

Expressed in Canadian Dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ii) IFRS 10, Consolidated Financial Statements

IFRS 10was issued in May 2011 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation - Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

iii) IFRS 11, Joint Arrangements

IFRS 11 was issued in May 2011 and is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

iv) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 was issued in May 2011 and is new comprehensive standard that specifies disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance-sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

v) IFRS 13, Fair Value Measurement

IFRS 13 was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value, and specifying certain disclosure requirements about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. EQUIPMENT

Cost	Vehicles	Office equipment	**Total**
Balance, December 31, 2010	$ 119,446	$ 69,990	**$ 189,436**
Additions	-	-	**-**
Balance, June 30, 2011	**$ 119,446**	**$ 69,990**	**$ 189,436**

Accumulated amortization	Vehicles	Office equipment	**Total**
Balance, December 31, 2010	$ 118,152	$ 69,990	**$ 188,142**
Additions	-	-	**-**
Balance, June 30, 2011	**$ 118,152**	**$ 69,990**	**$ 188,142**

Carrying amounts	Vehicles	Office equipment	**Total**
At December 31, 2010	1,294	-	**1,294**
At June 30, 2011	**1,294**	**-**	**1,294**

Expressed in Canadian Dollars

5. EXPLORATION AND EVALUATION ASSETS

The Company's carrying values of its mineral properties was $941,175 as of January 1, 2010, December 31, 2010 and June 30, 2011.

Of the Company's mineral interests, all but the Tembo property were written down to a nominal amount of $1 in 2008. Management based this decision on the fact that once the Company is properly financed, it will conduct exploration primarily on the Tembo property. The Tembo property is the only project where the Company currently maintains an operational presence, albeit minimal.

Subsequent to June 30, 2011, the Company improved its financial position by completing a $1,721,000 financing and eliminating $1,632,070 of its debt. With additional planned financings, the Company is about to commence exploration on the Tembo property, and therefore no further impairment write down is necessary at this time.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities include the following components:

	June 30, 2011	December 31, 2010
Trade payables	**$ 1,318,506**	$ 1,260,693
Accrued liabilities	**231,489**	235,000
Total accounts payable and accrued liabilities	**$ 1,549,995**	$ 1,495,693

See also Note 16(i)

7. LOANS PAYABLE

The loans payable represent monies advanced to the Company by BEC International Corp. ("**BEC**"), a significant shareholder and creditor of the Company, in order to allow Lakota to complete proposal proceedings pursuant to the Bankruptcy and Insolvency Act (Canada)("the **BIA**"), and to allow the Company to continue its operations. The Company successfully completed restructuring proceedings under the BIA on October 8, 2009. The loans are non-interest bearing, with no specific terms of repayment and are secured by a general assignment of the Company's assets. Refer to Note 16(ii) for details regarding the re-payment of this loan.

8. SHARE CAPITAL

a) Authorized shares

The Company is authorized to issue an unlimited number of common and preferred shares, issuable in series. No Preferred shares have been issued since the Company's inception.

The Company had 59,249,966 common shares outstanding on January 1, 2010, December 31, 2010 and June 30, 2011.

Expressed in Canadian Dollars

8. SHARE CAPITAL - continued

b) Contributed surplus

The Company's balance in contributed surplus was $2,911,445 on January 1, 2010, December 31, 2010 and June 30, 2011.

9. SHARE-BASED PAYMENTS

a) Stock option plan

As of June 30, 2011, the Company had no common stock purchase options outstanding. The Company has not granted any options during the period ended June 30, 2011 or the year ended December 31, 2010.

The following table reflects the continuity of stock options.

	Number of stock options	Weighted average exercise price ($)
Balance, January 1, 2010	400,000	0.25
Balance, December 31, 2010	400,000	0.25
Expired	(400,000)	0.25
Balance, June 30, 2011	**-**	**-**

10. SEGMENTAL REPORTING

The Company currently operates in one operating segment, the exploration of mineral properties in Tanzania. Management of the Company makes decisions about allocating resources based on the one operating segment. A geographic summary of identifiable assets by country is as follows:

	June 30, 2011		
	Canada	Tanzania	**Consolidated**
Current assets	$ 71,693	$ 7,201	**$ 78,894**
Mineral properties	1	941,174	**941,175**
Capital assets	-	1,294	**1,294**

	December 31, 2010		
	Canada	Tanzania	**Consolidated**
Current assets	$ 49,234	$ (76)	**$ 49,158**
Mineral properties	1	941,174	**941,175**
Capital assets	-	1,294	**1,294**

Expressed in Canadian Dollars

11. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period is based on 59,249,966 weighted average number of common shares, basic and diluted outstanding as of June 30, 2011, and 2010.

12. FINANCIAL INSTRUMENTS

a) Categories of financial assets and liabilities

The Company's financial assets and liabilities are categorized as follows:

Account	Category	**June 30, 2011**	Dec. 31, 2010
Cash and cash equivalents	Loans and receivables	**$ 23,910**	$ 3,364
Goods and services tax receivable	Loans and receivables	**50,964**	38,539
Accounts receivable	Loans and receivables	**4,020**	7,255
Accounts payable and accrued liabilities	Other financial liabilities	**1,549,995**	1,495,693
Loans payable	Other financial liabilities	**1,286,042**	1,086,042
Due to related parties	Other financial liabilities	**60,000**	60,000

The recorded amounts for cash and cash equivalents, goods and service tax receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. Income earned on the Company's cash and cash equivalents has been disclosed in the condensed interim statement of comprehensive loss/income.

b) Fair Value Measurements

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of the Company's financial instruments recognized and measured at amortized cost approximates their fair value.

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
ii) Level 2: valuation techniques using inputs other than quoted prices included in Level 1that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
iii) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company had no financial instruments that are carried and measured at fair value at June 30, 2011, December 31, 2010, and January 1, 2010.

13. CAPITAL MANAGEMENT

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended June 30, 2011.

The Company manages capital in proportion to risk and manages the mineral properties and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on related party advances for working capital, to support its ongoing exploration and development activities and ongoing working capital commitments.

The Company will continue to rely on related party advances for working capital, until such time as it is able to raise capital through common shares offerings and settle certain of its debt with common shares. See also Note 16.

14. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, Goods and Services Tax receivable, and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash, which is on deposit with reputable financial institutions, from which management believes the risk of loss to be minimal. Goods and service tax receivable consist of Goods and Services Tax due from the Federal Government of Canada and accrued interest. Goods and services tax receivable, and accounts receivable are in good standing as of June 30, 2011. $54,985 represents the maximum credit exposure.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2011, the Company had cash and cash equivalents of $23,910 (2010 - $40,837) to settle current liabilities of $2,896,037 (2010 - $2,197,774). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. See also Note 16.

c) Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

14. FINANCIAL INSTRUMENT RISKS - continued

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no interest-bearing outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

(ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars and US dollars. The Company funds major exploration expenses in Tanzania and maintains a US dollar bank account in Tanzania. The Company does not manage its foreign currency risk.

(iii) Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

15. RELATED PARTY TRANSACTIONS

a) Related party expenses

The Company's related parties include directors and officers and companies which have directors in common. Transactions made with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Management and professional fees of $39,345 (2010 - $Nil) were incurred by directors and officers of the Company for the period ended June 30, 2011. As at June 30, 2011, $303,608 (2010 - $Nil) remains in accounts payable and accrued liabilities as payable to companies controlled by certain directors of the Company. Refer to Note 16 (ii) for further details regarding the re-payment of this debt.

During the period ended June 30, 2011, the Company received advances of $200,000 (2010 - $100,000) from BEC. The advances are non-interest bearing, with no specific terms of repayment.

As at June 30, 2011, the Company was indebted to a director of the Company's Tanzanian subsidiary in respect to outstanding mineral property acquisition costs of $85,000 (2010 - $85,000).

b) Key management personnel compensation

Key management of the Group are directors and officers of the Company and their remuneration includes the following:

	Period ended June 30,2011	Period ended June 30, 2010
Short-term benefits (consulting fees)	**$ 39,345**	$ 16,927

16. POST-REPORTING DATE EVENTS

(i) On July 15, 2011, the Company announced completion of a private placement of 172,710,000 of its common shares at a price of $0.01 for total gross proceeds of $1,721,000. The common shares issued pursuant to the private placement are subject to a four month hold period. The Company incurred finder's fee of $82,072 in respect to this private placement, which was settled by issuing 8,207,200 of the Company's common shares.

(ii) On July 28, 2011, the Company announced the completion of shares for debt settlement. As a result of this settlement, the Company settled $1,632,070 of its liabilities, including the BEC Loans Payable and certain related party debt in exchange for the issuance of an aggregate of 163,207,219 common shares. The shares issued in respect of this settlement are subject to a four month hold period.

(iii) On August 5, 2011, the Company announced that a total of 38,790,000 stock options to purchase common shares of the Company have been granted to management, directors, employees and consultants. The options are exercisable at a price of $0.0111 and expire on August 5th, 2014.

17. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year-ending December 31, 2011 will be the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian generally accepted accounting principles ("pre-changeover Canadian GAAP").

a) Mandatory exceptions

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

b) Optional exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

17. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

Cumulative translation differences

IFRS 1 permits cumulative translation differences to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21. The effects of changes in foreign exchange rates, from the date a subsidiary or equity method investee was formed or acquired. The Company elected to reset all cumulative translation differences to zero to opening retained earnings at its transition date.

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

c) Reconciliations of pre-changeover Canadian GAAP Equity and Comprehensive Income to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The transition from Canadian GAAP to IFRS had no effect on the equity, comprehensive income and reported cash flows of the amounts previously reported by the Company in accordance with Canadian GAAP at January 1, 2010, December 31, 2010, and June 30, 2010.

There are no differences between Canadian GAAP and IFRS in any of the account balances at January 1, 2010, December 31, and June 30, 2010, therefore the Company did not present a reconciliation of Canadian GAAP and IFRS differences.