



INTERIM FINANCIAL REPORT

**SIX MONTHS ENDED JUNE 30, 2011
(UNAUDITED)**

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STATEMENT CONCERNING THE INTERIM FINANCIAL STATEMENTS

Management has compiled the unaudited interim financial report as of June 30, 2011 and 2010. The statements have not been audited or reviewed by the Company's auditors or any other firm of chartered accountants.

GLOBEX MINING ENTERPRISES INC.
Condensed Consolidated Statements of Income and Comprehensive Income (Loss)
(Unaudited)

		Three months ended		Six months ended	
	Notes	June 30	June 30	June 30	June 30
		2011	2010	2011	2010
Continuing operations					
Revenues	14	\$ 2,562,074	\$ 333,600	\$ 2,867,768	\$ 407,600
Expenses					
Administration		300,945	202,910	582,899	380,512
Professional fees and outside services		238,944	157,482	489,691	352,338
Depreciation and amortization		10,563	12,300	20,263	24,251
Share-based payments		255,951	94,016	255,951	259,181
Impairment of mineral properties and deferred exploration expenses	11	64,189	63,501	125,329	109,216
Loss (gain) on foreign exchange		4,197	(1,502)	15,242	2,437
		874,789	528,707	1,489,375	1,127,935
Income (loss) from operations		1,687,285	(195,107)	1,378,393	(720,335)
Other income (expenses)					
Gain on sale of investments		-	-	27,217	9,903
Interest income		5,458	8,736	13,348	17,568
Increase (decrease) in fair value of financial assets		(215,898)	33,772	(254,104)	29,536
Other		25,773	21,870	56,817	22,147
		(184,667)	64,378	(156,722)	79,154
Income (loss) before taxes		1,502,618	(130,729)	1,221,671	(641,181)
Income and mining taxes	13	809,700	(3,368)	735,530	(97,024)
Income (loss) for the period		692,918	(127,361)	486,141	(544,157)
Other comprehensive income (loss), net of taxes					
Total comprehensive income (loss) for the period		\$ 692,918	\$ (127,361)	\$ 486,141	\$ (544,157)
Income (loss) attributable to:					
Shareholders of the Company		692,918	(127,361)	486,141	(544,157)
		692,918	(127,361)	486,141	(544,157)
Total comprehensive income (loss) attributable to:					
Shareholders of the Company		692,918	(127,361)	486,141	(544,157)
		692,918	(127,361)	486,141	(544,157)
Income (loss) per common share					
Basic	15	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.03)
Diluted	15	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.03)
Weighted average shares outstanding		22,033,477	19,660,997	21,601,117	19,446,312
Shares outstanding at end of period		22,035,675	20,197,674	22,035,675	20,197,674

The accompanying notes are an integral part of these financial statements

GLOBEX MINING ENTERPRISES INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Notes	Six months ended	
		2011	June 30 2010
Operating activities			
Income (loss) for the period		\$ 486,141	\$ (544,157)
Items not affecting cash:			
Disposal of mineral property for shares	18	(1,752,500)	(14,000)
Recovery of property acquisition costs	18	500,000	-
Decrease (increase) in fair value of financial assets		254,104	(29,536)
Depreciation and amortization		20,263	24,251
Foreign exchange rate variation on reclamation bond		3,359	(1,519)
Gain on sale of investments		(27,217)	(9,903)
Impairment of mineral properties and deferred exploration expenses		125,329	109,216
Amortization of bonds premium		597	2,292
Income and mining taxes		735,530	(97,024)
Share-based payments		255,951	259,181
		115,416	(301,199)
Changes in non-cash operating working capital items	18	(109,429)	109,894
		492,128	(191,305)
Financing activities			
Issuance of share capital		276,180	1,850,489
Share capital issue costs		-	(86,759)
		276,180	1,763,730
Investing activities			
Acquisition of properties, plant and equipment		(12,832)	(5,837)
Deferred exploration expenses		(1,144,383)	(838,825)
Mineral properties acquisitions		(50,182)	(49,724)
Proceeds on mineral properties optioned		37,582	-
Proceeds on sale of investments		935,386	767,573
Acquisition of investments		(3,818)	(49,084)
Change in restricted cash		723,814	(1,125,119)
		485,566	(1,301,016)
Net increase (decrease) in cash and cash equivalents		1,253,874	271,409
Cash and cash equivalents, beginning of period		352,863	-
Cash and cash equivalents, end of period		\$ 1,606,737	\$ 271,409

Supplementary cash flow information (note 18)

The accompanying notes are an integral part of these financial statements

GLOBEX MINING ENTERPRISES INC.

Condensed Consolidated Statement of Financial Position
(Unaudited)

	Notes	June 30, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and equivalents	5	\$ 1,606,737	\$ 352,863	\$ -
Investments	6	3,464,998	2,870,071	2,936,343
Accounts receivable		306,428	373,904	215,621
Refundable tax credit and mining duties	13	81,794	242,690	230,888
Prepaid expenses and deposits		303,231	75,140	34,031
		5,763,188	3,914,668	3,416,883
Restricted cash	7	1,245,858	1,969,672	347,883
Reclamation bonds	8	115,631	118,990	125,320
Properties, plant and equipment	9	469,483	476,914	516,505
Mineral properties	10	2,944,587	2,907,036	2,870,356
Deferred exploration expenses	11	9,376,330	8,382,227	8,100,884
		\$ 19,915,077	\$ 17,769,507	\$ 15,377,831
Liabilities				
Current liabilities				
Payables, accruals and provisions	12	\$ 850,610	\$ 1,156,371	\$ 270,238
Income tax provision		333,948	387,768	398,775
		1,184,558	1,544,139	669,013
Deferred tax liabilities	13	3,486,987	2,500,108	2,631,704
Owners' equity				
Share capital	16	48,855,414	48,003,298	44,795,521
Deficit		(37,127,353)	(37,613,494)	(35,722,444)
Contributed surplus		3,515,471	3,335,456	3,004,037
Accumulated other comprehensive loss		-	-	-
		15,243,532	13,725,260	12,077,114
		\$ 19,915,077	\$ 17,769,507	\$ 15,377,831

The accompanying notes are an integral part of these financial statements

GLOBEX MINING ENTERPRISES INC.
Condensed Consolidated Statements of Equity
(Unaudited)

		Six months ended	Year ended
		June 30	December 31,
	2011	2010	2010
Common shares			
Beginning of period	\$ 48,003,298	\$ 44,795,521	\$ 44,795,521
Issued on exercise of options	352,116	43,180	48,790
Fair value of shares issued under private placements	-	1,532,160	3,235,162
Shares issued in connection with a property acquisition	500,000	-	-
Share issuance costs	-	(86,759)	(76,175)
End of period	48,855,414	46,284,102	48,003,298
Contributed surplus			
Beginning of period	3,335,456	3,004,037	3,004,037
Share-based compensation	255,951	1,540	59,220
Share-based payments	-	257,641	291,319
Fair value of stock options exercised	(75,936)	(17,930)	(19,120)
End of period	3,515,471	3,245,288	3,335,456
Deficit			
Beginning of period	(37,613,494)	(35,722,444)	(35,722,444)
Profit (loss) attributable to shareholders	486,141	(544,157)	(1,891,050)
End of period	(37,127,353)	(36,266,601)	(37,613,494)
Accumulated other comprehensive loss			
Beginning of period	-	-	-
Gain or loss on foreign exchange translations	-	-	-
End of period	-	-	-
Total Equity	\$ 15,243,532	\$ 13,262,789	\$ 13,725,260

The accompanying notes are an integral part of these financial statements

Notes to the Condensed Consolidated Financial Statements

Periods ended June 30, 2011 and 2010

1. General business description

Globex Mining Enterprises Inc. (“Globex”) is a Canadian focused exploration, royalty and development company with a North American mineral portfolio of in excess of 100 early to mid-stage exploration and development properties containing; Base Metals (copper, nickel, zinc, lead), Precious Metals (gold, silver, platinum, palladium), Specialty Metals (rare earths, uranium, lithium) and Industrial Minerals (manganese, iron, molybdenum as well as talc and magnesium). The Company currently generates royalty and option income from properties which contain gold, silver and zinc.

Globex was incorporated in the province of Quebec and its head office and principal business offices are located at 86, 14th Street, Rouyn-Noranda, Quebec, J9X 2J1, Canada.

The Company’s common shares are listed on the Toronto Stock Exchange under the symbol GMX, in Europe on the Frankfurt, Munich, Stuttgart, Berlin and Xetra changes under the symbol G1M and GLBXF on the OTCQX International, USA.

The Company seeks to create shareholder value by acquiring mineral properties, enhancing them and either optioning, selling or joint venturing them or developing them to production.

2. Basis of presentation

Until December 31, 2010, 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 Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company 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 condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”) and IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”). Subject to certain transition elections disclosed below, Globex has consistently applied the same accounting policies in the opening IFRS statement of financial position as of January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the reported statement of financial position, profit and loss and comprehensive income and cash flows, including the nature and effect of significant changes in accounting policies from those used in the consolidated financial statements for the year ended December 31, 2010.

The policies applied in these condensed consolidated financial statements are presented in Note 3 and 4, and are based on IFRS issued and outstanding as of August 5, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim financial statements should be read in conjunction with the Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 21 discloses IFRS information for the year ended December 31, 2010 that is material to the understanding of these condensed consolidated interim financial statements.

IFRS 1 has been applied in preparing these first IFRS consolidated interim financial statements. The effects of the transition to IFRS on equity, profit and loss and comprehensive income and cash flows are presented in Note 21.

First-time adoption exemptions

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The elections that the Company considered significant are:

- IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and vested by the Transition Date. The Company has applied IFRS 2 to all options granted after November 7, 2002.
- IFRS 1 provides the option to measure an item of property, plant and equipment as described in IAS 16, Property, plant and equipment, as the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date. The Company has not elected to adopt this option as it believes that the cost method currently employed provides more reliable and relevant information.

Change in estimates

During the analysis of IAS 16, Properties, plant and equipment, management concluded that the estimated useful lives and expected consumption patterns for the depreciable assets should be revised. The change in the management estimate has been treated on a prospective basis from January 1, 2011 and has resulted in a non material increase in depreciation during the three month and six month periods ended June 30, 2011, due to the age of the assets.

These financial statements were prepared on a going-concern basis, under the historical cost convention, as modified by the revaluation of financial assets.

3. Adoption of new and revised International Financial Reporting Standards

(a) New standards adopted:

Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS.

IFRS 9, Financial Instruments

The Company has adopted IFRS 9, Financial Instruments in 2011 in advance of its effective date. It has chosen January 1, 2010 as its date of application (i.e. the date on which the Company has assessed its existing financial assets) as this is the first reporting period end since the Standard was initially issued on November 12, 2009. The Standard has been applied retrospectively and comparative amounts have been restated.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

Under this Standard, debt Instruments are measured at amortized cost if they meet the criteria as specified in the guidance. Even if the instrument meets the criteria, the guidance also permits a Company to choose at initial recognition to designate the financial asset as at fair value through profit and loss (FVTPL) if doing so eliminates or significantly reduces the accounting mismatch. In the current period, the Company has elected to designate debt instruments as FVTPL. Investments in equity instruments are classified and measured as FVTPL.

The reclassification of financial assets on initial application of IFRS 9 changed the measurement basis and/or the policy for the recognition of gains and losses. For more information and details related to the new classifications see note 19.

The impact of adopting IFRS 9 has been a reclassification of fair value losses of \$274,521 as at January 1, 2010, from the accumulated other comprehensive loss to the deficit as the marketable securities were reclassified from "available-for-sale" marketable securities to financial assets at FVTPL. The Company has adopted this treatment of gains and losses related to changes in the fair value of investments are ancillary to the primary exploration business of the Company and these assets are held mainly for strategic and liquidity purposes, not for trading.

In the three month period ended June 30, 2011, unrealized losses of \$215,898 (2010 - gains of \$33,772) were reclassified from other comprehensive income (loss) to profit and loss and during the six month period unrealized losses of \$254,104 (2010 - gains of \$29,536) were reclassified from other comprehensive income (loss) to profit and loss.

(b) New and amended standards not yet adopted:

Certain new standards, interpretations, amendments and improvements to existing standards are not yet effective, and have not been applied in preparing these condensed consolidated interim financial statements.

- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income, introduces changes to the presentation of items of other comprehensive income that may be reclassified to profit or loss in the future are presented separately from items that would never be reclassified;
- Amendments to IAS 19, Employee Benefits deals with the recognition of actuarial gains and losses recognized in other comprehensive income as well as the expected measurement and recording of the expected return on plan assets;
- IFRS 10, Consolidated Financial Statements, builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company;
- IFRS 11, Joint Arrangements, establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;
- IFRS 12, Disclosure of Interest in Other Entities, outlines the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities;
- IFRS 13, Fair Value Measurement, defines fair value, requires disclosures regarding fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards;

All of these standards are applicable to Globex with the exception of the Amendments to IAS 19 as the Company does not have a pension plan in place. None of these standards are expected to have a significant effect on the consolidated financial statements of the Company. All of these standards are effective January 1, 2013 with the exception of IAS 1 which has a July 1, 2012 effective date. Early adoption is permitted.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Company, and its controlled subsidiaries Globex Nevada Inc. (100% owned by Globex), Worldwide Magnesium Corporation (90% owned by Globex), Eco Refractory Solutions Inc. (75% owned by Globex) and Chibougamau Independent Mines Inc. (100% owned by Globex) and its joint venture Duparquet Assets Ltd. (50% owned by Globex) using proportionate consolidation. All significant intercompany transactions and balances have been eliminated on consolidation.

Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of their interest in the subsidiary's equity are allocated against the interest of the Company except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

All dollar amounts are presented in Canadian dollars unless otherwise specified.

Use of Estimates

The preparation of the condensed interim consolidated financial statements in conformity with IAS 34 and IFRS 1 requires estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where judgment is applied include the recoverability of amounts shown for mineral properties and related deferred exploration expenses is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest, in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposal thereof, provisions and contingent liabilities, deferred tax balances and the timing of their reversal. Actual results could differ from the original estimates.

Foreign currencies

The Company's presentation currency and the functional currency of all of its operations is the Canadian (Cdn) dollar as this is the principal currency of the economic environment in which they operate. Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on conversion of these foreign currency transactions are included in profit and loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are expressed in Cdn. dollars using exchange rates prevailing at the end of the reporting period. Revenue and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

Interest in joint ventures

A joint venture can take the form of a jointly controlled entity, jointly controlled operation or jointly controlled assets. A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When the Company undertakes its activities under joint venture arrangements, its share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements and classified according to their nature. Liabilities and expense incurred directly in respect of interest in jointly controlled assets are accounted for on an accrual basis.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Company reports its interest in jointly controlled entity's using proportionate consolidation.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Refundable tax credits and mining duties

The Company is entitled to a refundable tax credit of 35% on qualified exploration expenditures incurred in the province of Quebec. The Company is also entitled to a refund of mining duties of the lesser of 12% on qualified, mining exploration expenses or operating losses during the period, net of the refundable tax credit.

The credit or refunds are recorded based on management's best estimates once the necessary information is available and management believes that the amounts are collectible.

Restricted cash

Cash restricted is composed of cash funds and bank balances. These funds are restricted to pay for prescribed resource expenditures.

Financial assets

All financial assets are recognized or derecognized on trade date. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Classification of financial assets

For the purpose of classifying financial assets, an instrument is an “equity instrument” if it is a non-derivative and meets the definition of “equity” for the issuer (under IAS 32 Financial Instruments: Presentation - “any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities). All other non-derivative financial assets are “debt instruments”.

Financial assets at amortized cost and the effective interest method

Debt instrument are measured at amortized costs if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transactions costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortized cost using the effective interest method less any impairment with interest revenue recognized on an effective yield basis in investment revenue. Subsequent to initial recognition, debt instruments are reclassified from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortized cost criteria described above, or that meet the criteria, but the Company has chosen to designate as FVTPL, at initial recognition, are measured at FVTPL. The Company has elected to designate debt instruments as financial assets at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in note 19.

Interest income on debt instruments at FVTPL is included in the net gain or loss described above. Dividend income on investments in equity instruments at FVTPL is recognized in profit or loss when the Company's right to receive the dividends is established.

Impairment of financial assets at amortized cost

Financial assets that are measured at amortized cost including loans and receivables, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial asset have been affected. If the impairment loss decreases, then the impairment loss is reversed.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets.

Properties, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Management reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment at the end of each annual financial reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Mineral Property

All direct costs related to the acquisition of mineral property interests are capitalized, at their cost at the date of acquisition, by property.

Deferred exploration and evaluation expenses

All costs incurred prior to obtaining the legal rights to undertake exploration and evaluation activities are recognized in the income statement as incurred. Exploration and evaluation costs arising following the acquisition of the right to explore, are capitalized on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical costs and deferred exploration costs are carried at historical cost less any impairment losses recognized. The Company classifies exploration and evaluation assets as tangible or intangible according to the nature of the assets acquired.

General exploration costs not related to specific properties and general exploration administrative expenses are charged to the statement of profit and loss in the year in which they are incurred.

If an exploration project is successful, then the related expenditures are transferred to mining assets and amortized over the estimated life of the ore reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain the necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

Depreciation

Properties, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets. The significant classes and their estimated useful lives are as follows:

Buildings	20 years
Mining equipment	5 years
Office equipment	2 to 5 years
Vehicles	5 years
Computer systems	3 years

Impairment of non-financial assets

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation expenses are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;

- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Reversals of impairment losses are recognized in respect of exploration and evaluation expenditures where this is justified by a change of circumstances.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or arising from the use by others of the Company's assets yielding option income, royalties, interest and dividends. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below.

(a) Sales of mineral properties

The proceeds from the sale of mineral properties are initially recorded as a credit against the carrying costs of the property and deferred exploration expenses until they are fully recovered and any additional amounts are recorded as other income.

(b) Option Income

Option income is recognized on an accrual basis in accordance with the substance of the relevant agreements. Shares received under option agreements are valued at fair value which is determined at quoted market prices if the shares are quoted on an active market and if the market for the shares is not active, fair value is established by using a valuation technique.

(c) Royalty Income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(d) Interest and dividend Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Share-based payments

Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service.

Share-based compensation

The Company grants stock options to buy common shares of the Company to Directors, Officers, and Employees. The Board of Directors grants such options for periods up to five years, with vesting periods determined at its sole discretion and at the TSX prices at the close of business on the day prior to the option grant.

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

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modifications which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

If and when the stock options are exercised, the applicable fair value amounts charged to contributed surplus are transferred to share capital.

Current and deferred taxes

Taxes, comprising both income and resource taxes accounted for as income taxes, are recognized in the statement of profit and loss, except, where they relate to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity. Taxes on income in interim periods are recorded using the tax rate that would be applicable to expected annual profit.

The current income tax charge is based on taxable income for the period. Taxable income differs from net income as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible.

Deferred tax is recognized, using the liability method, on temporary differs arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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. At the end of each reporting period, the Company reassess unrecognized deferred tax assets. The Company recognizes, a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profits will enable the deferred tax asset to be recovered. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is adjusted to the extent that it is no longer probable that sufficient taxable income will be available to ensure that all or part of the asset will be recovered.

The Company raises funds through the issuance of “flow-through” shares which entitles investors to prescribed resource tax benefits and credits once the Company has renounced these benefits to the investors in accordance with the tax legislation. Currently there is no specific IFRS guidance related to the accounting and reporting of these arrangements and as a result, the Company has adopted the guidance as outlined in SFAS 109. On the completion of a subscriber arrangement, the proceeds are recorded as an asset with the share capital being increased by the fair value of the shares issued using representative market prices and the difference is reflected as a liability in the statement of financial position. Generally, the Company renounces expenses on a prospective basis, and as a result, the liability is reversed and the deferred tax liability is recorded when the expenditures have been incurred. The deferred tax liability is estimated based on anticipated future tax rates and the difference between the liability and the deferred tax liability is recorded as a deferred tax expense in the statement of profit and loss.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options (if dilutive).

The number of additional shares is calculated by assuming that outstanding dilutive stock options were exercised and the proceeds from such exercise were used to acquire common stock at the average market price during the reporting periods.

Share Capital

The Company's common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

5. Cash and cash equivalents

	June 30, 2011	December 31, 2010
Bank balances	\$ 1,606,737	\$ 352,863

6. Investments

	June 30, 2011	December 31, 2010
Debt investments	\$ -	\$ 957,288
Interests in money market funds (debt)	969,902	966,084
Other equity investments	2,495,096	946,699
	\$ 3,464,998	\$ 2,870,071

7. Restricted cash

	June 30, 2011	December 31, 2010
Cash at bank and on hand	\$ 1,245,858	\$ 1,969,672

The Company raises flow-through funds for exploration under a subscription agreement which requires the Company to incur prescribed resource expenditures which is not available for current operating purposes and therefore are reported as restricted cash. If the Company does not incur the resource expenditures, then it will be required to indemnify these shareholders for any tax and other costs payable by them as a result of the Company not making the required resource expenditures.

8. Reclamation bonds

	June 30, 2011	December 31, 2010
Nova Scotia bond - Department of Natural Resources	\$ 57,974	\$ 57,974
Option reimbursement	(50,000)	(50,000)
Net Nova Scotia bond	7,974	7,974
Washington State bond - Department of Natural Resources	107,657	111,016
	\$ 115,631	\$ 118,990

9. Properties, plant and equipment

	Land and buildings	Mining equipment	Office equipment	Vehicles	Computer Systems	Total
Cost						
January 1, 2011	\$ 415,112	\$ 33,389	\$ 145,419	\$ 23,462	\$ 197,790	\$ 815,172
Additions	-	-	-	-	12,832	12,832
Disposals	-	-	-	-	-	-
June 30, 2011	415,112	33,389	145,419	23,462	210,622	828,004
Accumulated depreciation						
January 1, 2011	(34,801)	(29,636)	(84,145)	(18,597)	(171,079)	(338,258)
Expense for the period	(6,590)	(376)	(6,127)	(486)	(6,684)	(20,263)
Disposals	-	-	-	-	-	-
Impairment provision	-	-	-	-	-	-
June 30, 2011	(41,391)	(30,012)	(90,272)	(19,083)	(177,763)	(358,521)
Carrying value						
December 31, 2010	380,311	3,753	61,274	4,865	26,711	476,914
June 30, 2011	\$ 373,721	\$ 3,377	\$ 55,147	\$ 4,379	\$ 32,859	\$ 469,483

10. Mineral Properties

	January 1, 2011	Additions (Disposals)	Recovery of property cost	June 30, 2011
Areas				
Nova Scotia	\$ 42,356	\$ 10,000	\$ -	\$ 52,356
Ontario	40,671	-	-	40,671
Quebec				-
Chibougamau	-	2,550	-	2,550
Magusi River and related assets	-	513,614	(501,482)	12,132
Other	2,824,009	24,018	(11,149)	2,836,878
	\$ 2,907,036	\$ 550,182	\$ (512,631)	\$ 2,944,587

During the six months ended June 30, 2011, the Company purchased the Fabie Bay and Magusi River properties by issuing 166,667 Globex shares at an ascribed value of \$3.00 per share. In addition, the Company incurred miscellaneous costs of \$13,614.

11. Deferred exploration expenses

	January 1, 2011	Additions (Disposals)	Impairment provisions and recoveries	June 30, 2011
Exploration Areas				
Ontario properties				
Timmins - Talc Magnesite	\$ 2,770,540	\$ 469,786	\$ -	\$ 3,240,326
Other	14,364	6,937	(2,397)	18,904
Quebec properties				
Atwatter - Turner Falls	10,239	105,994	-	116,233
Cadillac - Wood	1,758,430	35,857	-	1,794,287
Destor - Lyndhurst	1,390,134	69,240	-	1,459,374
Tonnancour	427,931	51,234	-	479,165
Tavernier	260,385	343	-	260,728
General exploration	-	120,933	(120,933)	-
Other	3,015,145	268,898	(24,968)	3,259,075
Other properties				
General exploration	178,366	15,161	(1,982)	191,545
	9,825,534	1,144,383	(150,280)	10,819,637
Quebec refundable tax credit	(1,443,307)	-	-	(1,443,307)
	\$ 8,382,227	\$ 1,144,383	\$ (150,280)	\$ 9,376,330

During the six month period ended June 30, 2011, the Company recorded an impairment provision of \$125,329 and offset option revenue of \$24,951 against deferred exploration expenses. The provisions were a result of management anticipating that they would not continue exploration work on these properties.

Deferred Exploration Expenses	June 30, 2011	December 31, 2010
Balance - beginning of period	\$ 8,382,227	\$ 8,100,884
Current exploration expenses		
Consulting	262,320	203,440
Core shack, storage and equipment rental	13,983	21,459
Drilling	14,860	462,834
Environment	95,072	130,101
Geology	158,836	290,000
Geophysics	72,609	76,663
Laboratory analysis and sampling	116,879	663,932
Labour	190,148	270,567
Line cutting	80,896	69,870
Mining property tax and permits	41,296	71,334
Prospecting and surveying	-	121,928
Reports, maps and supplies	36,982	19,839
Transport and road access	60,502	59,614
Total current exploration expenses	1,144,383	2,461,581
Impairment provisions	(125,329)	(1,379,373)
Option revenue offset	(24,951)	(741,248)
Quebec refundable tax credit recovery	-	(59,617)
	(150,280)	(2,180,238)
Current net deferred exploration expenses	994,103	281,343
Balance - end of period	\$ 9,376,330	\$ 8,382,227

12. Payables, accruals and provisions

	June 30, 2011	December 31, 2010
Trade payable and accrued liabilities ⁽ⁱ⁾	\$ 422,893	\$ 420,391
Sundry liabilities	93,306	173,874
Accrued flow-through shares liabilities	334,411	562,106
	\$ 850,610	\$ 1,156,371

(i) Trade payable and accrued liabilities includes \$255,333 related to exploration expenses.

13. Income taxes

Refundable tax credit and mining duties recoverable

	June 30, 2011	December 31, 2010
Quebec refundable tax credit	\$ 59,617	\$ 59,617
Mining duties recoverable	22,177	183,073
	\$ 81,794	\$ 242,690

The Company applied for certain refundable tax credits in respect of qualifying mining exploration expenses incurred in the province of Quebec. At June 30, 2011, the Company had accrued \$81,794 (December 31, 2010, - \$242,690) and future accruals are dependent upon the level and nature of expenditures during the remainder of the current year.

Deferred tax balances

	December 31, 2010	Recognized in profit or loss	Impact of flow-through exploration expenses	Recognized directly in equity	June 30, 2011
Temporary differences					
Deferred tax assets					
Non-capital losses carry forward	\$ 497,748	\$ (448,433)	\$ -	\$ -	\$ 49,315
Share issue expenses	47,311	-	-	-	47,311
Property, plant & equipment	42,745	-	-	-	42,745
Financial Assets at FVTPL	340,608	-	-	-	340,608
	928,412	(448,433)	-	-	479,979
Less valuation allowance	(340,608)	-	-	-	(340,608)
	587,804	(448,433)	-	-	139,371
Deferred tax liabilities					
Mining properties and deferred exploration expenses	(3,087,912)	(287,097)	(251,349)	-	(3,626,358)
Deferred tax liabilities	\$(2,500,108)	\$ (735,530)	\$ (251,349)	\$ -	\$ (3,486,987)

14. Revenue

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Option income	\$ 2,405,157	\$ 300,000	\$ 2,504,918	\$ 374,000
Metal royalty income	156,917	33,600	362,850	33,600
	\$ 2,562,074	\$ 333,600	\$ 2,867,768	\$ 407,600

15. Income (Loss) per share

Basic earnings (loss) per common share is calculated by dividing the net profit or (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share is calculated by dividing the net profit or (loss) applicable to common shares by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as stock options. Diluted net earnings per share is calculated using the treasury method, where the exercise of options is assumed to be at the beginning of the period and the proceeds from the exercise of options and the amount of compensation expense measured but not yet recognized in income are assumed to be used to purchase common shares of the Company at the average market price during the period.

The following table sets forth the computation of basic and diluted income (loss) per share:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Numerator				
Income (loss) for the period	\$ 692,918	\$ (127,361)	\$ 486,141	\$ (544,157)
Denominator				
Weighted average number of common shares - basic	22,033,477	19,660,997	21,601,117	19,446,312
Effect of dilutive shares ⁽ⁱ⁾				
Stock options ("in the money")	1,014,439	-	1,355,843	-
Weighted average number of common shares - diluted	23,047,916	19,660,997	22,956,960	19,446,312
Income (loss) per share				
Basic	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.03)
Diluted	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.03)

(i) In 2010, the stock options are not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

Impacts of changes in accounting policies

The impact of the early adoption of IFRS 9 is described in note 3. The change in accounting policy resulted in the reclassification of change in the fair value of investments from other comprehensive income to profit (loss) from continuing operations. The following table sets forth the effect on both basic and diluted earnings per share.

	Effect on profit from continuing operations			
	Three months ended		Six months ended	
	2011	June 30, 2010	2011	June 30, 2010
Change in accounting policies relating to:				
Reclassification and measurement of financial assets (IFRS 9)	\$ (215,898)	\$ 33,772	\$ (254,104)	\$ 29,536

16. Share capital

Common shares

Authorized - Unlimited common shares with no par value

Changes in Capital Stock

	June 30, 2011		December 31, 2010	
	Number of shares	Capital Stock	Number of shares	Capital Stock
Fully paid common shares				
Balance, beginning of year	21,018,008	\$ 48,003,298	19,215,074	\$ 44,795,521
Stock options exercised	851,000	352,116	42,000	48,790
Private placement	-	-	1,760,934	3,235,162
Shares issued in connection with a property acquisition ⁽ⁱ⁾	166,667	500,000	-	-
Share issuance costs ⁽ⁱⁱ⁾	-	-	-	(76,175)
Balance, end of year	22,035,675	\$ 48,855,414	21,018,008	\$ 48,003,298

(i) On March 24, 2011, the Company announced that it had re-acquired the Magusi River property for shares with an assigned value of \$3.00 per share.

(ii) In prior years, the share issuance costs totaled \$1,705,477 and were charged to the deficit.

At June 30, 2011, 36,100 (December 31, 2009 - 36,100) common share are held in escrow. These shares were issued as consideration for a property, which has since been abandoned, thus the shares will remain in escrow.

Shareholders Rights Plan

On May 2, 2011, the shareholders approved a Shareholder Rights Plan. The 2011 Rights Plan replaces the 2008 plan, which expired on March 19, 2011. The new plan will be in effect for three years.

The 2011 Plan is designed to provide shareholders and the Board of Directors with adequate time to consider and evaluate any unsolicited take-over bid made for Globex's common shares; provide the Board of Directors with adequate time to identify, develop and negotiate value-enhancing alternatives; encourage the fair and equal treatment of shareholders in connection with any take-over bid for Globex's common shares; and generally to prevent any person from acquiring ownership of or the right to vote more than 20% of Globex's common shares while the process undertaken by the Board of Directors is ongoing.

Pursuant to the 2011 Plan, rights were issued and attached to all outstanding common shares. A separate rights certificate will not be issued until the rights become exercisable. If a person acquires common shares in breach of the 2011 Plan, each right held by a shareholder, other than the acquiring person and its affiliates, associates and joint actors, will upon exercise and payment of the exercise price, entitle the holder of the right to purchase common shares from Globex with a total market value equal to twice the exercise price of the rights.

The 2011 Plan provides for permitted bids, which must be made from a take-over bid circular, and in addition to certain other specified conditions must be for all of the outstanding common shares, other than common shares held by the acquiring person and its affiliates, associates and joint actors, and must remain open for acceptance by shareholders for at least 60 days from the date that the bid is made.

Stock Options

Under the Company's stock option plan (the "Plan"), the Board of Directors may from time to time grant stock options to directors, officers, employees of and service providers to, the Company and its subsidiaries. Stock options granted under the Plan may have a term of up to ten years, as determined by the Board of Directors at the time of granting the stock options. Currently, 348,800 options may be granted in addition to the common share purchase options currently outstanding (December 31, 2010 - 570,000).

The following is a summary of option transactions under the Company's stock option plan for the relevant periods.

	June 30, 2011		December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance - beginning of period	2,713,500	\$ 0.94	2,855,500	\$ 1.12
Expired	-	-	(205,000)	1.67
Exercised ⁽ⁱ⁾	(851,000)	0.32	(42,000)	0.70
Granted - Directors and employees	221,200	2.75	50,000	1.75
Granted - Service providers	-	-	355,000	1.30
Cancelled	-	-	(300,000)	2.75
Balance - end of period	2,083,700	\$ 1.38	2,713,500	\$ 0.94
Options exercisable	1,993,700	\$ 1.32	2,703,500	\$ 0.94

(i) On January 26, 2011, 10,000 options previously issued were exercised at an option price of \$1.75 per share. Globex's shares closed at \$2.64 per share on that date.

On March 16, 2011, Jack Stoch, President & CEO and a Director of Globex, exercised 483,000 options with a weighted average exercise price of \$0.30 per share. Globex's shares closed at \$2.42 per share on that date. On the same date, Dianne Stoch, Executive Vice-President and Corporate Secretary, a Director of Globex, exercised 350,000 options at an option price of \$0.32.

The following table summarizes information regarding the stock options outstanding and exercisable as at June 30, 2011:

Range of prices	Number of options outstanding	Number of options outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price
\$ 0.25 - 0.34	325,000	325,000	1.32	\$0.33
0.75 - 0.88	510,000	510,000	4.23	0.79
1.00 - 1.44	765,000	765,000	3.12	1.14
1.65 - 1.75	90,000	90,000	4.08	1.72
2.75 - 4.45	393,700	303,700	5.03	3.61
	2,083,700	1,993,700	3.44	\$1.32

Stock-based compensation and payments

The Company uses the fair value method for stock options granted to directors, officers, employees and non-employees. Accordingly, the fair value of the options at the date of grant is charged to operations, with an offsetting credit to contributed surplus, over vesting periods (which can vary from immediate vesting to 3 years). If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to capital stock. The Company granted 221,200 stock options to management and directors during the period ending June 30, 2011 (June 30, 2010 -325,000 options were granted). Globex uses the Black-Scholes model to estimate fair value using the following weighted average assumptions:

	Six months ended	
	2011	June 30, 2010
Expected dividend yield	nil	nil
Expected stock price volatility	70.3%	78.4%
Risk free interest rate	2.38%	2.25%
Expected life	5.01 years	4.85 years
Weighted average fair value of granted options	\$1.66	\$0.79

During the period ending June 30, 2011, the total expense related to stock-based compensation costs and payments amounting to \$255,951 has been recorded and presented separately in the statement of operations (June 30, 2010 - \$259,181).

17. Related party transactions

Management Compensation

Outlined below is a summary of the total compensation for the respective periods paid to directors and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company (Management personnel includes President & CEO, Executive Vice-President & Corporate Secretary, and Chief Financial Officer):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Salary cost				
Salaries and other benefits	\$ 117,207	\$ 92,801	\$ 229,707	\$ 200,301
Fair value of share-based payments	218,483	-	218,483	-
	\$ 335,690	\$ 92,801	\$ 448,190	\$ 200,301

18. Supplemental cash flow information

Changes in non-cash working capital items

	Six months ended	
	June 30,	
	2011	2010
Accounts receivable	\$ 67,476	\$ 93,970
Quebec refundable tax credit and mining duties	183,073	-
Prepaid expenses	(228,091)	(39,396)
Accounts payable and accrued liabilities	(78,067)	55,320
Income tax payable	(53,820)	-
	\$ (109,429)	\$ 109,894

Non-cash financing and investing activities

	Six months ended	
	June 30,	
	2011	2010
Disposal of mineral properties for shares	\$ 1,752,500	\$ 14,000
Transfer of contributed surplus to share capital on exercise of stock option	75,376	17,930
Recovery of property acquisition costs	500,000	-
Other liability - flow-through liability	227,694	-
Refundable tax credit and mining duties	22,177	-

19. Financial Instruments

Capital risk management

The Company manages its common shares, stock options and retained earnings (deficit) as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern while it pursues its objective of enhancing projects, properties or the development of properties to the benefit of all stakeholders. As a Canadian exploration company, its principal sources of funds consist of; (a) Option income on properties; (b) Metal royalty income; (c) Investment income; (d) proceeds from the issuance of common and flow-through shares and (e) other working capital items.

The Company manages the capital structure and makes adjustments to it in light of operating results in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company issue shares, enter into joint venture property arrangements or dispose of properties.

The Company's investment policy is to invest its cash in low risk highly liquid short-term interest-bearing instruments selected with a duration which is expected to align with the Company's planned expenditures.

The Company monitors capital on the basis of surplus to equity. The components of the surplus are outlined below:

	June 30, 2011	December 31, 2010
Cash and equivalents	\$ 1,606,737	\$ 352,863
Investments	3,464,998	2,870,071
Accounts receivable	306,428	373,904
Refundable tax credit and mining duties	81,794	242,690
Restricted cash	1,245,858	1,969,672
	6,705,815	5,809,200
Exploration expenditure obligations	(1,245,858)	(1,969,672)
Surplus	\$ 5,459,957	\$ 3,839,528
Owners' equity	\$ 15,243,532	\$ 13,725,260

Reclassification of financial assets at the date of initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the initial application, January 1, 2010.

	Original measurement category under IAS 39	New measurement category IFRS 9	Original carrying amount	Revised carrying amount
Financial assets				
Cash and cash equivalents	Held for trading	Financial assets at amortized cost	\$ -	\$ -
Restricted cash	Held for trading	Financial assets at amortized cost	347,883	347,883
Equity investments	Available for sale	Financial assets at FVTPL	178,478	178,478
Debt investments	Available for sale	Financial assets at FVTPL	2,757,865	2,757,865
Accounts receivable	Loans and receivables	Financial assets at amortized cost	215,690	215,690
Refundable tax credit and mining duties	Loans and receivables	Financial assets at amortized cost	230,888	230,888
Reclamation bonds	Available for sale	Financial assets at amortized cost	125,320	125,320

The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued charges approximate their carrying values due to their short-term nature. The equity investments have been adjusted to reflect the fair market value at the period end based on quoted market rates.

Financial risk management objectives

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

(a) Credit Risk

The Company had cash and cash equivalents as well as restricted cash which totalled \$2,852,595. These funds are subject to a combination of the \$100,000 maximum guarantee per individual institution as provided by the Canadian Deposit Insurance Corporation ("CDIC"): CDIC, a federal Crown Corporation as well as a guarantees of \$1,000,000 provided by the Canadian Investors Protection Fund ("CIPF").

The investments which total \$3,464,998 (Preferred shares - \$192,130; Equity investments - \$2,302,966; and Money Market Fund Investment - \$969,902) are subject to a guarantee by CIPF of \$969,902.

The Company does not believe that it is subject to any significant concentration of credit risk. Cash and cash equivalents are in place with major financial institutions and corporations.

The maximum exposure to credit risk was:

	June 30, 2011	December 31, 2010
Cash and equivalents	\$ 1,606,737	\$ 352,863
Investments	3,464,998	2,870,071
Accounts receivable ⁽ⁱ⁾	306,428	373,904
Refundable tax credit and mining duties	81,794	242,690
Restricted cash	1,245,858	1,969,672
	\$ 6,705,815	\$ 5,809,200

(i) Accounts receivable are made up of taxes receivable from government authorities and customer receivables.

(b) Liquidity Risk

Liquidity risk represents the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital structure and by continuously monitoring actual and projected cash flows. The Company finances its exploration activities through flow-through shares, operating cash flows and the utilization of its liquidity reserves.

The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

Contractual maturities of financial liabilities are all under one year.

(c) Equity market Risk

Equity market risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of action to be taken by the Company.

The Company currently holds investments in a number of Optionee companies as well as a Canadian financial institution which are subject to fair value fluctuations arising from changes in the Canadian mining sector and equity markets and currently these amount to \$2,495,096 (December 31, 2010 - \$984,866). Based on the balance outstanding at June 30, 2011, a 10% increase or decrease would impact profit and loss by approximately \$249,000 (2010 - \$98,000).

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets				
Cash and cash equivalents	\$ 1,606,737	\$ -	\$ -	\$ 1,606,737
Restricted cash	1,245,858	-	-	1,245,858
Equity investments	807,596	-	1,687,500	2,495,096
Interest in money market funds (debt)	969,902	-	-	969,902
Reclamation bonds	-	115,631	-	115,631
Total financial assets	\$ 4,630,093	\$ 115,631	\$ 1,687,500	\$ 6,433,224

There were no transfers between level 1 and level 2 in the period.

20. Commitments and contingencies

At the period end, the Company had no outstanding commitments other than in the normal course of business other than its commitment to incur qualified exploration expenditures to meet its “flow-through” obligations as described in note 7. At this time, Management anticipates meeting that obligation and as a result, no additional provisions are required.

21. First time adoption of IFRS

Transition to IFRS

The Company’s consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these interim financial statements were prepared as described in note 1.

(a) Reconciliation of Equity

A reconciliation between Canadian GAAP and IFRS equity as at January 1, 2010 (date of transition to IFRS), June 30, 2010 and December 31, 2010 is provided below.

	December 31, 2010	June 30, 2010	January 1, 2010
Total equity under Cdn. GAAP before restatement	\$ 13,606,373	\$ 13,555,868	\$ 12,077,114
Adjustments related to			
1. FMV adjustments for marketable securities			
Transfer from OCI	80,208	244,985	274,521
to Deficit	(80,208)	(244,985)	(274,521)
2. Flow-through share accounting adjustments			
<i>Transfer to Deficit</i>	(745,528)	(599,044)	(577,356)
<i>Other liabilities</i>	562,106	293,079	91,737
<i>Deferred taxes</i>	(680,993)	-	(91,737)
<i>from Share Capital</i>	864,415	305,965	577,356
3. Share issuance costs			
<i>Transfer from Deficit</i>	1,781,652	1,781,652	1,705,477
<i>to Share Capital</i>	(1,781,652)	(1,781,652)	(1,705,477)
Total adjustments to equity	118,887	(293,079)	-
Total adjustments Other liabilities	(118,887)	293,079	-
Total equity under IFRS	\$ 13,725,260	\$ 13,262,789	\$ 12,077,114

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences resulted in the adjustments as shown in the table above.

1 Fair market value (FMV) adjustments related to marketable securities

As outlined in note 3 (a), the Company has early adopted, IFRS 9 Financial Instruments and as a result, it has reclassified previously reported unrealized gains (losses) on available for sale marketable securities from other comprehensive income to gains and loss through profit and loss. The treatment has been adopted effective on the transition date of January 1, 2010.

2 Flow-through share accounting adjustments

Under Canadian GAAP, the proceeds from the issuance of flow-through shares were recorded as an increase in share capital when the proceeds were received. Upon the renunciation of the eligible expenditures to the subscribers, a future tax charge was recorded as a reduction in share capital with a related future tax liability being recorded in the balance sheet.

Currently, there is no specific IFRS guidance related to the accounting and reporting of these arrangements; however, as a result, the Company has adopted the guidance as outlined in Statement of Financial Accounting Standards ("SFAS") 109, Accounting for Income Taxes. On the completion of a subscriber arrangement, the proceeds are recorded as an asset with the share capital being increased by the fair value of the shares issued using representative market prices and any difference is reflected as a liability in the statement of financial position. On the renunciation and incurrence of the eligible expenditures, the liability is reversed, the deferred tax liability is estimated based on anticipated future tax rates and the difference between the liability and the deferred tax liability is recorded as a deferred tax expense in the statement of profit and loss. The adjustments as outlined above reflect "flow-through" share financings completed prior to the transition and the renunciation of benefits to shareholders.

In May 2010, the Company raised \$1,825,239 in private placements where as the fair value of the proceeds received was \$1,532,160 resulting in a recognition of an other liability of \$293,079. The other liability was reversed in the fourth quarter of 2010.

3 Share issue costs

Under the Company's previous accounting policy, share issuance costs were charged directly to the deficit. Under IFRS, the costs have been reclassified as a reduction in share capital.

(b) Profit and Loss and Total Comprehensive Income (loss) reconciliation

Reconciliation of Profit and Loss and Other Comprehensive Loss

A reconciliation between Canadian GAAP and IFRS Profit and Loss and Other Comprehensive Loss for the period ended June 30, 2010 and year-ended December 31, 2010 is provided below:

	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
Net loss under Canadian GAAP before restatement	\$ (161,133)	\$ (573,693)	\$ (1,939,879)
<i>Profit adjustments related:</i>			
1. FMV adjustments for marketable securities	33,772	29,536	194,313
2. Flow-through share accounting adjustments	-	-	(145,484)
Total adjustments	33,772	29,536	48,829
Profit (loss) under IFRS	\$ (127,361)	\$ (544,157)	\$ (1,891,050)
Other Comprehensive Loss under Canadian GAAP before restatement	\$ 33,772	\$ 29,536	\$ 194,313
<i>Other Comprehensive Loss adjustments related to:</i>			
1. FMV adjustments for marketable securities	(33,772)	(29,536)	(194,313)
Total IFRS adjustments to comprehensive income	(33,772)	(29,536)	(194,313)
Other Comprehensive Loss under IFRS	\$ -	\$ -	\$ -

The following paragraphs explain the differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences resulted in the adjustments as shown in the table above.

1 Fair market value (FMV) adjustments related to marketable securities

The adjustment represents the reclassification of unrealized gains (losses) on available for sale marketable securities from other comprehensive income to gains and loss through profit and loss.

2 Flow-through share accounting adjustments

The adjustment represents the recognition of the expenses related to issuance of “flow-through shares” during 2010 as well as the renunciation of eligible expenditures to subscribers.

(c) Statement of Cash Flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents.

(d) Financial Statement Presentation Changes

The transition to IFRS has resulted in numerous financial statement presentation changes in the Company’s financial statements, most significantly in the descriptions and level of detail provided in the supporting notes to the statement of financial position.

The following table displays the reclassification of items as reflected on the Statement of Financial Position:

	January 1, 2010				January 1, 2010
	Canadian GAAP Balances	IFRS Adjustments	IFRS Reclassifications	IFRS Balance	IFRS Accounts
Current assets					
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	Cash and equivalents
Marketable securities	2,936,343	-	-	2,936,343	Investments
Accounts receivable	215,621	-	-	215,621	Other receivables
Quebec refundable tax credit and mining duties refunds	230,888	-	-	230,888	Refundable tax credits and mining duty refunds
Prepaid expenses and deposits	34,031	-	-	34,031	Prepaid expenses
	3,416,883	-	-	3,416,883	
Non-current assets					
Restricted cash	347,883	-	-	347,883	Restricted cash
Reclamation bonds	125,320	-	-	125,320	Reclamation bonds
Properties and equipment	516,505	-	-	516,505	Properties, plant and equipment
Mineral properties	2,870,356	-	-	2,870,356	Mineral Properties
Deferred exploration expenses	8,100,884	-	-	8,100,884	Deferred exploration expenses
Total assets	\$ 15,377,831	\$ -	\$ -	\$ 15,377,831	
Current liabilities					
Accounts payable and accrued expenses	\$ 270,238	\$ -	\$ -	\$ 270,238	Payables, accruals and provisions
Income tax payable	307,038	-	-	307,038	Income tax provisions
Other liabilities	-	91,737	-	91,737	Other liabilities
	577,276	91,737	-	669,013	
Future income and mining taxes	2,723,441	(91,737)	-	2,631,704	Deferred tax balances
Shareholder's equity					
Share capital	45,900,953	599,044	(1,704,476)	44,795,521	Capital
Contributed surplus	3,004,037	-	-	3,004,037	Contributed surplus
Retained earnings (Deficit)	(36,553,355)	(599,044)	1,429,955	(35,722,444)	Retained earnings (Deficit)
Accumulated other Comprehensive loss	(274,521)	-	274,521	-	Accumulated other Comprehensive loss
Total owners' equity	12,077,114	-	-	12,077,114	
Total liabilities and owners' equity	\$ 15,377,831	\$ -	\$ -	\$ 15,377,831	