



INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(Unaudited)
(presented in Canadian dollars unless otherwise noted)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (in Canadian dollars) (Unaudited)	Note	September 30 2011 \$	December 31 2010 \$	January 1 2010 \$
Assets				
Current assets				
Cash and cash equivalents		24,600,507	38,865,297	3,345,980
Trade and other receivables	5	376,428	267,879	43,561
Prepaid expenses and other assets		245,543	199,454	42,447
		25,222,478	39,332,630	3,431,988
Non-current assets				
Property, plant and equipment	6	533,789	440,981	150,944
Exploration and evaluation expenditures	7	41,261,821	24,428,517	15,959,790
Total Assets		67,018,088	64,202,128	19,542,722
Liabilities				
Current liabilities				
Trade and other payables		2,082,916	1,147,315	335,673
Total Liabilities		2,082,916	1,147,315	335,673
Shareholders' Equity				
Common shares	8(a)	59,422,540	55,948,735	20,846,186
Warrants	8(b)	15,808,200	14,457,467	848,514
Contributed surplus	8(c)	8,317,545	5,338,487	324,263
Accumulated other comprehensive income (loss)		426,533	(641,511)	-
Accumulated deficit		(19,039,646)	(12,048,365)	(2,811,914)
Total Shareholders' Equity		64,935,172	63,054,813	19,207,049
Total Liabilities and Shareholders' Equity		67,018,088	64,202,128	19,542,722

*Effects of adoption of IFRS (note 4), contingencies (note 11) and commitments (note 12).
The accompanying notes are an integral part of these interim consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(in Canadian dollars)	(Unaudited)	Note	Three Months Ended September 30 2011 \$	Three Months Ended September 30 2010 \$	Nine Months Ended September 30 2011 \$	Nine Months Ended September 30 2010 \$
Expenses						
General and administrative			1,050,773	569,269	3,068,369	2,312,020
Share-based payment		8(c)	471,033	964,771	2,450,703	4,035,987
Depreciation			34,554	7,560	84,459	24,067
			1,556,360	1,541,600	5,603,531	6,372,074
Foreign currency (gain) loss			(1,020,914)	331,864	(613,706)	(31,180)
Warrant extension		8(b)	-	-	2,102,936	-
Interest and other income			(29,453)	(4,788)	(101,480)	(15,884)
Loss for the period			(505,993)	(1,868,676)	(6,991,281)	(6,325,010)
Other comprehensive income (loss)						
Cumulative translation adjustments			1,457,894	(314,223)	1,068,044	(273,150)
Comprehensive income (loss) for the period			951,901	(2,182,899)	(5,923,237)	(6,598,160)
Loss per share						
Basic and diluted		9	nil	(0.01)	(0.05)	(0.05)

Effects of adoption of IFRS (note 4).

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in Canadian dollars) (Unaudited)		Common shares	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Note	\$	\$	\$	\$	\$	\$
Balance - January 1, 2011		55,948,735	14,457,467	5,338,487	(641,511)	(12,048,365)	63,054,813
Comprehensive income (loss)		-	-	-	1,068,044	(6,991,281)	(5,923,237)
Equity-settled share-based payment expense	8(c)	-	-	2,450,703	-	-	2,450,703
Equity-settled share-based payment capitalized	8(c)	-	-	570,789	-	-	570,789
Option exercises	8(a)(c)	92,431	-	(42,434)	-	-	49,997
Warrant exercises	8(a)(b)	3,381,374	(752,203)	-	-	-	2,629,171
Warrant extension	8(b)	-	2,102,936	-	-	-	2,102,936
Balance - September 30, 2011		59,422,540	15,808,200	8,317,545	426,533	(19,039,646)	64,935,172
Balance - January 1, 2010		20,846,186	848,514	324,263	-	(2,811,914)	19,207,049
Comprehensive income (loss)		-	-	-	(273,150)	(6,325,010)	(6,598,160)
Equity-settled share-based payment expense	8(c)	-	-	4,035,987	-	-	4,035,987
Warrant exercises	8(a)(b)	42,663	(2,438)	-	-	-	40,225
Private placement – February 12, 2010	8(a)	62,500	-	-	-	-	62,500
Initial public offering	8(a)	34,483,223	13,646,121	-	-	-	48,129,344
Balance - September 30, 2010		55,434,572	14,492,197	4,360,250	(273,150)	(9,136,924)	64,876,945

Effects of adoption of IFRS (note 4).

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Canadian dollars) (Unaudited)	Note	Three Months Ended September 30 2011 \$	Three Months Ended September 30 2010 \$	Nine Months Ended September 30 2011 \$	Nine Months Ended September 30 2010 \$
Cash provided by (used in)					
Operating activities					
Loss for the period		(505,993)	(1,868,676)	(6,991,281)	(6,325,010)
Non-cash items:					
Depreciation		34,554	7,560	84,459	24,067
Share-based payment		471,033	964,771	2,450,703	4,035,987
Warrant extension		-	-	2,102,936	-
Foreign currency (gain) loss		(2,034,091)	705,443	(1,224,461)	199,683
		(2,034,497)	(190,902)	(3,577,644)	(2,065,273)
Net change in non-cash working capital	14	(387,074)	1,327,036	(1,426,123)	1,406,552
Total operating cash inflows (outflows)		(2,421,571)	1,136,134	(5,003,767)	(658,721)
Investing activities					
Purchase of property, plant and equipment		(85,131)	(173,714)	(196,698)	(314,621)
Exploration and evaluation expenditures		(3,512,402)	(4,599,075)	(12,354,246)	(5,116,769)
Total investing cash outflows		(3,597,533)	(4,772,789)	(12,550,944)	(5,431,390)
Financing activities					
Issuance of common shares for cash, net		-	-	-	48,129,343
Exercise of options for cash		33,331	-	49,997	-
Exercise of warrants for cash		163,945	40,225	2,629,171	40,225
Total financing cash inflows		197,276	40,225	2,679,168	48,169,568
Effect of changes in foreign exchange rates on cash and cash equivalents		1,013,176	(373,580)	610,753	(230,863)
Increase (decrease) in cash and cash equivalents during the period		(4,808,652)	(3,970,010)	(14,264,790)	41,848,594
Cash and cash equivalents, beginning of period		29,409,159	49,164,584	38,865,297	3,345,980
Cash and cash equivalents, end of period		24,600,507	45,194,574	24,600,507	45,194,574

Effects of adoption of IFRS (note 4).

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010 (UNAUDITED)

(in Canadian dollars)

1. NATURE OF OPERATIONS

Stonegate Agricom Ltd. and its subsidiaries (“**Stonegate**” or the “**Company**”) are engaged in the acquisition, exploration and development of agricultural nutrient projects. Stonegate is currently undertaking to explore and assess the potential for the development of its two principal assets, the Mantaro Phosphate Project located in Peru and the Paris Hills Phosphate Project located in Bear Lake County, Idaho, USA (individually, the “**Project**”, collectively the “**Projects**”). Stonegate’s registered head office is located at 401 Bay Street, Toronto, Ontario, Canada, and shares of the Company are traded on the Toronto Stock Exchange.

2. STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) applicable to the preparation of interim financial statements, including *IAS 34, Interim Financial Reporting* and *IFRS 1, First-time Adoption of IFRS (“IFRS 1”)*. The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company’s reported consolidated financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The basis of presentation, and accounting policies and methods of their application in these interim consolidated financial statements are consistent with those used in the Company’s first IFRS financial statements, for the three months ended March 31, 2011, and should be read in conjunction with those statements. The interim consolidated financial statements should also be read in conjunction with the Company’s pre-changeover Canadian generally accepted accounting principles (“**GAAP**”) annual financial statements for the year ended December 31, 2010. Note 4 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements.

New accounting pronouncements

a) IFRS 7, Financial Instruments: Disclosures

In October 2010, the International Accounting Standards Board (“**IASB**”) issued amendments to *IFRS 7, Financial Instruments: Disclosures* that enhance the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment will have a significant impact on its consolidated financial statements.

b) IFRS 9, Financial Instruments

In November 2009, *IFRS 9, Financial Instruments (“IFRS 9”)* was issued and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in *IAS 39, Financial Instruments – Recognition and Measurement (“IAS 39”)* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. *IFRS 9* also replaces the models for measuring equity instruments, and such

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instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

c) IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued *IFRS 10, Consolidated Financial Statements ("IFRS 10")*, which supersedes SIC 12 and the requirements relating to consolidated financial statements in IAS 27, *Consolidated and Separate Financial Statements*. *IFRS 10* is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. *IFRS 10* establishes control as the basis for an investor to consolidate its investees; and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

d) IFRS 11, Joint Arrangements

IFRS 11, Joint Arrangements ("IFRS 11") introduces a principle-based approach where a party to a joint arrangement recognizes its own rights and obligations arising from the arrangement. Joint arrangements not structured through a separate vehicle are classified as a "joint operation" and the accounting for transactions is in accordance with the contractual arrangement. Joint arrangements structured through a separate vehicle must be evaluated based on their legal form and the terms of the contractual arrangement; these arrangements are classified as either a joint operation or a joint venture based on this evaluation. Joint ventures are accounted for using the equity method. The most significant impact of this standard is therefore the elimination of proportionate consolidation as a method to account for joint arrangements. *IFRS 11* is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard will not have an impact on the Company.

e) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") enhances, and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires a reporting entity to disclose information that helps users assess the nature and financial effects of the reporting entity's relationship with other entities. Disclosure requirements include information that helps users in understanding the judgments and assumptions made by a reporting entity when deciding how to classify its involvement with another entity, understand the interest that non-controlling interests have in consolidated entities, and assess the nature of the risks associated with interests in other entities. *IFRS 12* is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard will not have an impact on the Company.

f) IFRS 13, Fair Value Measurement

In May 2011, as a result of the convergence project undertaken by the IASB and the US Financial Accounting Standards Board, to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued *IFRS 13, Fair Value Measurement ("IFRS 13")*. *IFRS 13* is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. *IFRS 13* defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. *IFRS 13* requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while

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(in Canadian dollars)

unobservable inputs should be minimized. The Company does not anticipate the application of *IFRS 13* to have a material impact on its consolidated financial statements.

g) *IAS 1, Presentation of Financial Statements*

In June 2011, the IASB issued amendments to *IAS 1, Presentation of Financial Statements ("IAS 1")* that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to *IAS 1* also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company does not anticipate the application of the amendments to *IAS 1* to have a material impact on its consolidated financial statements.

h) *IAS 12, Income Taxes*

In December 2010, the IASB issued an amendment to *IAS 12, Income Taxes* that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

i) *IAS 19, Employee Benefits*

In June 2011, the IASB issued amendments to *IAS 19, Employee Benefits* that introduced changes to the accounting for defined benefit plans and other employee benefits. The amendments include elimination of the options to defer, or recognize in full in earnings, actuarial gains and losses and instead mandates the immediate recognition of all actuarial gains and losses in other comprehensive income and requires use of the same discount rate for both the defined benefit obligation and expected asset return when calculating interest cost. Other changes include modification of the accounting for termination benefits and classification of other employee benefits. The adoption of this standard will not have an impact on the Company. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The adoption of this standard will not have an impact on the Company.

j) *IFRIC 20, Stripping costs in the production phase of a mine*

In October 2011, the IASB issued *IFRIC 20 - Stripping Costs in the Production Phase of a Mine ("IFRIC 20")*. *IFRIC 20* clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods. *IFRIC 20* is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted and includes guidance on transition for pre-existing stripping assets. The Company is currently evaluating the impact the new guidance is expected to have on its consolidated financial statements.

4. TRANSITION TO IFRS

IFRS had been adopted as at January 1, 2011, as required for publicly accountable enterprises in Canada. The effective transition date was January 1, 2010, and 2010 comparative information has been adjusted from what was previously reported under GAAP to conform to IFRS.

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

- a) Transition elections
- b) Reconciliation of equity and comprehensive income as previously reported under GAAP to IFRS
- c) Adjustments to the statement of cash flows
- d) Additional IFRS information for the year ended December 31, 2010.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010 (UNAUDITED)

(in Canadian dollars)

a) Transition elections

Under *IFRS 1*, IFRS must be applied retrospectively at the transition date, changing retained earnings to incorporate all adjustments to assets and liabilities as stated previously under GAAP, except where exemptions are applied. The Company has assessed all available optional transition exceptions and exemptions and has chosen to apply only one election.

Under *IFRS 1*, the Company elected to set its cumulative translation adjustment (“CTA”) to zero on transition.

b) Reconciliations

The following table illustrates the reconciliation of the Company’s statements of financial position from GAAP to IFRS.

As at	Notes	December 31, 2010			September 30, 2010			January 1, 2010		
		GAAP \$	Adj. \$	IFRS \$	GAAP \$	Adj. \$	IFRS \$	GAAP \$	Adj. \$	IFRS \$
Cash and cash equivalents		38,865,297	-	38,865,297	45,194,574	-	45,194,574	3,345,980	-	3,345,980
Trade and other receivables		267,879	-	267,879	137,947	-	137,947	43,561	-	43,561
Prepaid expenses and other assets		199,454	-	199,454	238,935	-	238,935	42,447	-	42,447
		39,332,630	-	39,332,630	45,571,456	-	45,571,456	3,431,988	-	3,431,988
Property, plant and equipment	4(c)(i) 4(c)(iv)	465,656	(24,675)	440,981	437,889	(5,318)	432,571	167,817	(16,873)	150,944
Exploration and evaluation expenditures	4(c)(iii), 4(c)(iv)	30,770,917	(6,342,400)	24,428,517	25,243,551	(4,127,518)	21,116,033	20,126,782	(4,166,992)	15,959,790
		70,569,203	(6,367,075)	64,202,128	71,252,896	(4,132,836)	67,120,060	23,726,587	(4,183,865)	19,542,722
Trade and other payables		1,147,315	-	1,147,315	2,243,115	-	2,243,115	335,673	-	335,673
Deferred tax	4(c)(iii)	5,455,865	(5,455,865)	-	4,128,664	(4,128,664)	-	4,014,045	(4,014,045)	-
		6,603,180	(5,455,865)	1,147,315	6,371,779	(4,128,664)	2,243,115	4,349,718	(4,014,045)	335,673
Common shares		55,948,735	-	55,948,735	55,434,572	-	55,434,572	20,846,186	-	20,846,186
Warrants		14,457,467	-	14,457,467	14,492,197	-	14,492,197	848,514	-	848,514
Contributed surplus	4(c)(ii)	5,304,830	33,657	5,338,487	4,369,823	(9,573)	4,360,250	324,263	-	324,263
Accumulated other comprehensive income	4(c)(iv)	-	(641,511)	(641,511)	-	(273,150)	(273,150)	-	-	-
Accumulated deficit	4(c)	(11,745,009)	(303,356)	(12,048,365)	(9,415,475)	278,551	(9,136,924)	(2,642,094)	(169,820)	(2,811,914)
		63,966,023	(911,210)	63,054,813	64,881,117	(4,172)	64,876,945	19,376,869	(169,820)	19,207,049
		70,569,203	(6,367,075)	64,202,128	71,252,896	(4,132,836)	67,120,060	23,726,587	(4,183,865)	19,542,722

The following table illustrates the reconciliation of the Company’s comprehensive loss from GAAP to IFRS as at September 30, 2010.

Notes	Three month period ended September 30, 2010			Nine month period ended September 30, 2010			Year ended December 31, 2010		
	GAAP \$	Adj. \$	IFRS \$	GAAP \$	Adj. \$	IFRS \$	GAAP \$	Adj. \$	IFRS \$
General and administration	568,840	429	569,269	2,312,442	(422)	2,312,020	3,527,863	3,857	3,531,720
Share-based payment	1,159,372	(194,601)	964,771	4,045,560	(9,573)	4,035,987	4,985,306	33,657	5,018,963
Depreciation	10,151	(2,591)	7,560	24,851	(784)	24,067	50,494	(5,590)	44,904
	1,738,363	(196,763)	1,541,600	6,382,853	(10,779)	6,372,074	8,563,663	31,924	8,595,587
Foreign currency (gain) loss	634,153	(302,289)	331,864	406,412	(437,592)	(31,180)	721,560	6,445	728,005
Interest income	(4,788)	-	(4,788)	(15,884)	-	(15,884)	(87,141)	-	(87,141)
Deferred taxes	-	-	-	-	-	-	(95,167)	95,167	-
Loss for the period	(2,367,728)	499,052	(1,868,676)	(6,773,381)	448,371	(6,325,010)	(9,102,915)	(133,536)	(9,236,451)
Cumulative translation adjustments	-	(314,223)	(314,223)	-	(273,150)	(273,150)	-	(641,511)	(641,511)
Comprehensive loss for the period	(2,367,728)	184,829	(2,182,899)	(6,773,381)	175,221	(6,598,160)	(9,102,915)	(775,047)	(9,877,962)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010 (UNAUDITED)

(in Canadian dollars)

The following table is a summary of transition adjustments to the Company's deficit from GAAP to IFRS.

	Notes	2010		
		December 31	September 30	January 1
		\$	\$	\$
Deficit as reported under GAAP		(11,745,009)	(9,415,475)	(2,642,094)
IFRS adjustments:				
Property, plant and equipment	4(c)(i)	(6,962)	5,318	(6,102)
Share-based payment	4(c)(ii)	(33,657)	9,573	-
Deferred income taxes	4(c)(iii)	(14,017)	153,664	39,044
Translation of foreign subsidiaries	4(c)(iv)	(248,720)	109,996	(202,762)
Deficit as reported under IFRS		(12,048,365)	(9,136,924)	(2,811,914)

c) Adjustments

(i) Property, plant and equipment. At January 1, 2010, property, plant and equipment was decreased by \$6,102 as a result of the change in depreciation method from declining-balance to straight-line, under *IAS 16, Property, plant and equipment*, as this depreciation method was concluded to better represent the use of the Company's assets. At September 30, 2010, property, plant and equipment was decreased by \$5,318, and at December 31, 2010, property, plant and equipment was decreased by \$6,962.

(ii) Share-based payment. At January 1, 2010, there was no adjustment to deficit related to share-based payment as no stock options were granted prior to the Company's Initial Public Offering ("IPO") on April 28, 2010. At September 30, 2010, and at December 31, 2010, both share-based payment and contributed surplus were increased by \$9,573 and \$33,657, respectively, as a result of the adjustment to fair value of all share-based payment awards granted in the year, under *IFRS 2, Share-based payment*.

(iii) Deferred income taxes. At January 1, 2010, the future income tax liability as required by GAAP was removed as, under *IFRS 3, Business Combinations*, the purchase of the Mantaro property was concluded to be the purchase of an asset, not a business combination. Accordingly, under *IAS 12, Income Taxes*, the recording of a deferred income tax liability is not required. This adjustment resulted in a decrease of \$4,014,045 from future income taxes, \$3,975,000 from exploration and evaluation assets and \$39,044 from deficit, as a result of the foreign exchange difference on translation.

(iv) Translation of foreign subsidiaries. *IFRS 1* allows first time adopters to deem that the cumulative translation differences for all foreign subsidiaries to be zero at the date of transition to IFRS, and, further, that any gain or loss on a subsequent disposal of a foreign subsidiary would exclude any translation differences that arose before the date of transition to IFRS. Upon adoption of IFRS, all resulting foreign exchange differences from translation of the entities' assets, liabilities and income statement items are expected to be recognized in other comprehensive income as a separate component of equity. The impact at the transition date under *IAS 21, Functional Currency ("IAS 21")* is \$202,762; however, the Company elected to eliminate its currency translation adjustment balance in the statement of financial position, as permitted for first-time IFRS adopters.

Under GAAP, the subsidiaries were considered integrated operations and any translation differences were reported in the statement of loss for the period; under IFRS, all translation differences arising as a result of the translation of the Company's foreign subsidiaries under *IAS 21* must be presented as a separate component of equity (CTA). At September 30 and December 31, 2010, the CTA balance was \$273,150 and \$641,511, respectively.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(in Canadian dollars)

d) Additional IFRS information for the year ended December 31, 2010

(i) Loss per share.

For the year ended	December 31 2010
Loss for the period (\$)	(9,236,451)
Basic and diluted weighted-average number of shares outstanding	122,731,091
Loss per share	
Basic and diluted (\$)	(0.08)

(ii) Cash flow statement. The IFRS transition adjustments above did not have an impact on the Company's cash and cash equivalents. Differences in the cash flow statements between GAAP and IFRS are the result of non-cash adjustments to items in the statements of loss outlined above.

(iii) Compensation awarded to key management.⁽¹⁾

	Year ended December 31, 2010
	\$
Salaries and fees	920,143
Short-term employment benefits	-
Share-based payment	6,021,000
	6,941,143

⁽¹⁾Key management is defined as the Chief Executive Officer, Chief Financial Officer and the Board of Directors.

5. TRADE AND OTHER RECEIVABLES

	September 30 2011	December 31 2010	January 1 2010
	\$	\$	\$
Input sales tax recoverable	40,056	113,586	-
Receivables from related parties (note 10)	335,946	107,784	43,561
Other	426	46,509	-
	376,428	267,879	43,561

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(in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment \$	Vehicles \$	Computer equipment \$	Leasehold improvements \$	Total \$
At January 1, 2010					
Cost	47,736	89,357	42,428	29,405	208,926
Accumulated depreciation	(12,563)	(17,936)	(16,981)	(10,502)	(57,982)
Net book value	35,173	71,421	25,447	18,903	150,944
Year ended December 31, 2010					
Opening net book value	35,173	71,421	25,447	18,903	150,944
Additions	80,945	75,974	130,974	84,838	372,731
Depreciation for the period	(11,881)	(23,983)	(29,184)	(13,544)	(78,592)
Effect of foreign exchange rates	(357)	(3,549)	(196)	-	(4,102)
Closing net book value	103,880	119,863	127,041	90,197	440,981
At December 31, 2010					
Cost	128,283	160,891	172,890	114,243	576,307
Accumulated depreciation	(24,403)	(41,028)	(45,849)	(24,046)	(135,326)
Net book value	103,880	119,863	127,041	90,197	440,981
Period ended September 30, 2011					
Opening net book value	103,880	119,863	127,041	90,197	440,981
Additions	31,325	135,712	29,661	-	196,698
Depreciation for the period	(13,545)	(41,034)	(46,252)	(20,365)	(121,196)
Effect of foreign exchange rates	5,072	10,512	1,722	-	17,306
Closing net book value	126,732	225,053	112,172	69,832	533,789
At September 30, 2011					
Cost	165,259	310,903	205,464	114,243	795,869
Accumulated depreciation	(38,527)	(85,850)	(93,292)	(44,411)	(262,080)
Net book value	126,732	225,053	112,172	69,832	533,789

7. EXPLORATION AND EVALUATION EXPENDITURES

The following table summarizes the mineral properties and deferred exploration expenditures associated with the Mantaro and Paris Hills Phosphate Projects.

	Mantaro \$	Paris Hills \$	Total \$
January 1, 2010	11,775,248	4,184,542	15,959,790
Expenditures capitalized during the year	6,068,439	2,737,472	8,805,911
Effect of foreign exchange rates	(114,930)	(222,254)	(337,184)
December 31, 2010	17,728,757	6,699,760	24,428,517
Expenditures capitalized during the period	5,094,476	10,866,815	15,961,291
Effect of foreign exchange rates	256,282	615,731	872,013
September 30, 2011	23,079,515	18,182,306	41,261,821

a) Mantaro Project

On June 11, 2008, a predecessor company of Stonegate completed the acquisition of all outstanding shares of a holding company which held a 100% interest in the two concessions and thirteen pediments that now comprise the Mantaro property ("Original Mantaro Claims"). On August 4, 2008, Stonegate's predecessor completed the

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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acquisition from third parties of an additional thirteen mining concessions that either adjoin or are located near the Original Mantaro Claims.

On February 12, 2010, the Company issued 50,000 common shares to Sprott Resource Corp. ("SRC") at an ascribed value of \$1.25 per share or \$62,500 in aggregate as consideration for the transfer by SRC of a 0.5% gross over-riding royalty on the Original Mantaro Claims. As a result of this transaction, the 2% gross over-riding royalty on the Original Mantaro Claims was reduced to 1.5%. This amount was capitalized as a deferred exploration cost during the second quarter of 2010.

Excluding the effects of foreign exchange rate differences, \$5,094,476 of expenditures were capitalized to the Project (December 31, 2010 - \$6,068,439) during the nine months ended September 30, 2011.

b) Paris Hills Project

On November 5, 2009, the Company completed the acquisition of the Paris Hills Phosphate Project, located in Bear Lake County, Idaho, USA, and it owns a 100% interest in the Project through a wholly-owned subsidiary.

Excluding the effects of foreign exchange rate differences, \$10,866,815 of expenditures were capitalized to the Project (December 31, 2010 - \$2,737,472) during the period ended September 30, 2011.

8. SHAREHOLDERS' EQUITY

a) Common shares

The authorized share capital of the Company is comprised of an unlimited number of voting common shares.

The following table summarizes the common share transactions for the period from January 1, 2010 to December 31, 2010.

	Number of shares #	Amount \$
Balance – January 1, 2010	87,611,992	20,846,186
Private placement	50,000	62,500
Completion of IPO	51,750,000	38,521,138
Less: Share issue costs	-	(4,037,915)
Warrant exercises	53,634	42,663
Balance – September 30, 2010	139,465,626	55,434,572
Option exercises	10,000	14,739
Warrant exercises	619,592	499,424
Balance – December 31, 2010	140,095,218	55,948,735
Option exercises	49,997	92,431
Warrant exercises	3,120,494	3,381,374
Balance – September 30, 2011	143,265,709	59,422,540

During the nine months ended September 30, 2011, 3,120,494 common shares were issued upon the exercise of warrants. Cash proceeds of \$2,629,171 were received and the fair value of the exercised warrants of \$752,203 was transferred from warrants to share capital.

During the nine months ended September 30, 2011, 49,997 common shares were issued upon the exercise of stock options. Cash proceeds of \$49,997 were received and the fair value of the exercised options of \$42,434 was transferred from contributed surplus to share capital.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(in Canadian dollars)

On April 28, 2010, Stonegate closed an IPO of 45,000,000 units (the “Units”) of the Company at a price of \$1.00 per Unit for gross proceeds of \$45,000,000. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”). Each Warrant entitles the holder to acquire one common share of the Company at an exercise price of \$1.50 until April 28, 2013. In addition, the Company granted to the underwriters an over-allotment option, exercisable for a period of 30 days from the date of closing of the Offering. The Company also granted to the underwriters non-transferable broker warrants to acquire an aggregate 2,385,000 Units of the Company at an exercise price of \$1.00 until October 28, 2011. The exercise of the over-allotment option, completed on May 4, 2010, brought the total number of Units sold by the Company pursuant to its IPO to 51,750,000 and the net proceeds from the IPO to \$48,129,343.

On February 12, 2010, the Company issued 50,000 common shares to SRC at an ascribed value of \$1.25 per share or \$62,500 in aggregate as consideration for the transfer by SRC of a 0.5% gross over-riding royalty on the Original Mantaro Claims. As a result of this transaction, the 2% gross over-riding royalty on the Original Mantaro Claims was reduced to 1.5%.

b) Share purchase warrants

The following table provides a summary of common share purchase warrants outstanding as at September 30, 2011.

	Expiry Date	Exercise price per share \$	Number of warrants ⁽²⁾ #	Amount \$
Balance - January 1, 2010			15,099,992	848,514
IPO	April 28, 2013	1.50	25,875,000	13,228,862
IPO – Brokers Units	October 28, 2011	1.00	2,385,000	1,202,467
IPO – Brokers Warrants ⁽¹⁾	April 28, 2013	1.50	1,192,500	601,489
Less: issue costs			-	(1,386,697)
Warrants exercised			(53,634)	(2,438)
Balance - September 30, 2010			44,498,858	14,492,197
Warrants exercised			(619,592)	(34,730)
Balance - December 31, 2010			43,879,266	14,457,467
Warrants exercised			(3,120,494)	(752,203)
Warrant extension			-	2,102,936
Balance - September 30, 2011			40,758,772	15,808,200

⁽¹⁾ Issued upon exercise of the Broker Units.

⁽²⁾ Each warrant entitles the holder to acquire one common share of the Company.

On June 2, 2011, the Company extended the expiry date of the common share purchase warrants issued on August 18, 2008 and June 15, 2009 by one year, to August 18, 2012 and June 15, 2012, respectively. The incremental fair value of the warrants as a result of the extension of \$2,102,936 was recorded as an increase to warrants on the statement of financial position and an expense on the statements of loss and comprehensive loss.

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(in Canadian dollars)

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the costs for warrants issued during the year ended December 31, 2010.

	Warrants issued with IPO	Brokers Units issued with IPO	Brokers Warrants issued as part of Brokers Units
Fair value per option	\$0.69	\$0.50	\$0.75
Expected life in years	3	1.5	1.5
Share price	\$1.00	\$1.00	\$1.50
Exercise price	\$1.50	\$1.00	\$1.50
Volatility	128%	109%	109%
Expected dividends	0%	0%	0%
Risk free interest rate	2.49%	1.97%	1.97%

c) Contributed surplus

In the three and nine months ended September 30, 2011, the Company recorded a compensation expense related to the issuance of stock options of \$471,033 and \$2,450,703 (three months ended September 30, 2010 - \$964,771, nine months ended September 30, 2010 - \$4,035,987, and year ended December 31, 2010 - \$5,018,964). The Company also capitalized \$122,558 and \$570,789 in the three and nine month periods ended September 30, 2011 (three and nine month periods ended September 30, 2010 - \$nil, and year ended December 31, 2010 - \$nil) to the Projects, which increased the balance of contributed surplus. During the first nine months of 2011, \$42,434 of fair value was transferred from contributed surplus to share capital upon the exercise of 49,997 options.

	Amount \$
Balance – January 1, 2010	324,263
Share-based payment	4,035,987
Balance – September 30, 2010	4,360,250
Share-based payment	982,976
Option exercises	(4,739)
Balance – December 31, 2010	5,338,487
Share-based payment	3,021,492
Option exercises	(42,434)
Balance – September 30, 2011	8,317,545

d) Stock option plan

The Company has established a stock option plan (the "Plan") that will authorize the Company to grant options for the purchase of common shares to employees, executive officers, directors and consultants of the Company and its subsidiaries. The maximum number of options that may be issued is not to exceed 10% of the outstanding common shares each the period end date. The Plan was adopted by the directors and shareholders on August 12, 2008 and became the Plan of the Company under the terms of the amalgamation agreement dated August 18, 2008; it was subsequently amended by the Board of Directors and approved by shareholders on May 12, 2011.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010 (UNAUDITED)

(in Canadian dollars)

A summary of the Company's outstanding options at January 1, 2010, December 31, 2010 and September 30, 2011 is presented below.

	Options outstanding #	Weighted average exercise price \$
Balance – January 1, 2010	-	-
Granted	10,160,000	0.98
Exercised	(10,000)	1.00
Forfeited/Cancelled	(500,000)	1.00
Balance – December 31, 2010	9,650,000	0.98
Granted	2,580,000	1.10
Exercised	(49,997)	1.00
Forfeited/Cancelled	(225,003)	1.03
Balance – September 30, 2011	11,955,000	1.03

The following table summarizes the assumptions used in the Black-Scholes valuation model for the determination of the cost of stock options issued during the period ended September 30, 2011.

	March 24 2011	May 12 2011	June 9 2011	August 11 2011
Weighted average fair value per option	\$1.30	\$0.85	\$0.81	\$0.81
Expected life in years	3	3	3	3
Share price	\$1.69	1.12	1.08	\$1.07
Exercise price	\$1.61	1.20	1.14	\$1.03
Weighted average volatility	125.77%	125.18%	123.78%	123.02%
Expected dividends	0%	0%	0%	0%
Forfeiture rate	5%	5%	5%	5%
Weighted average risk free interest rate	2.32%	2.28%	2.02%	1.29%

The following tables summarize the assumptions used in the Black-Scholes valuation model for the determination of the cost of stock options issued during the year ended December 31, 2010.

	April 28 2010	May 7 2010	June 29 2010	August 12 2010
Weighted average fair value per option	\$0.80	\$0.84	\$0.79	\$0.50
Expected life in years	3	3	3	3
Share price	\$1.00	\$1.05	\$1.00	\$0.65
Exercise price	\$1.00	\$1.05	\$1.00	\$0.67
Weighted average volatility	134.96%	134.84%	134.57%	129.91%
Expected dividends	0%	0%	0%	0%
Forfeiture rate	5%	5%	5%	5%
Weighted average risk free interest rate	2.79%	2.50%	2.10%	1.96%

	October 1 2010	November 11 2010
Weighted average fair value per option	\$0.65	\$0.78
Expected life in years	3	3
Share price	\$0.84	\$1.00
Exercise price	\$0.86	\$1.04
Weighted average volatility	129.86%	130.20%
Expected dividends	0%	0%
Forfeiture rate	5%	5%
Weighted average risk free interest rate	1.80%	2.02%

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(in Canadian dollars)

The following table summarizes information about the options outstanding at September 30, 2011.

Exercise price	Outstanding			Exercisable	
	Options #	Weighted average years remaining #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
0.67	550,000	3.87	0.67	366,667	0.67
0.86	35,000	4.01	0.86	11,667	0.86
1.00	8,423,334	3.58	1.00	4,723,333	1.00
1.03	330,000	4.87	1.03	110,000	1.03
1.04	150,000	4.12	1.04	50,000	1.04
1.05	250,000	3.60	1.05	166,667	1.05
1.14	50,000	4.70	1.14	16,666	1.14
1.20	1,966,666	4.62	1.20	666,667	1.20
1.61	200,000	4.48	1.61	66,666	1.61
	11,955,000			6,178,333	

The total fair value of unvested options is \$1,849,725 at September 30, 2011, which will be recognized in the statement of loss in future periods.

9. LOSS PER SHARE

For the periods ended September 30, 2011 and 2010, stock options and common share purchase warrants outstanding have been excluded from the computation of diluted securities as these would be considered to be anti-dilutive.

	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Loss for the period (\$)	(505,993)	(1,868,676)	(6,991,281)	(6,325,010)
Basic and diluted weighted-average number of shares outstanding	143,145,944	139,422,486	142,448,726	117,006,737
Loss per share				
Basic and diluted (\$)	nil	(0.01)	(0.05)	(0.05)

10. RELATED PARTY TRANSACTIONS

Included in receivables at September 30, 2011 is an amount totaling \$57,959 (December 31, 2010 - \$107,784) due from a corporation, related in that it has officers and directors in common with Stonegate. During the nine months ended September 30, 2011, Stonegate charged the related corporation for certain management services, office space and reimbursements for direct third party purchases of goods and services totaling \$241,940 (nine months ended September 30, 2010 - \$210,292). There are no guarantees between Stonegate and the related corporation, nor are there any provisions for doubtful debts or bad debt expenses.

Also included in receivables at September 30, 2011 is an amount totaling \$277,987 (December 31, 2010 - \$nil) due from SRC, comprised of costs related to the Company's secondary offering. SRC is a significant shareholder of Stonegate common shares and is therefore a related party.

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On March 9, 2011, the Company announced the closing of a secondary offering of 25,000,000 common shares at a price of \$1.75, sold directly by SRC. The offering was completed by a syndicate of underwriters, who were granted an over-allotment option exercisable for a period of 30 days from the closing of the offering to purchase an additional 3,750,000 common shares of the Company from SRC at a price of \$1.75; this option was exercised on April 6, 2011. After the transaction, SRC owns 50,662,000 common shares of the Company, representing an approximate 36% interest in the Company on an undiluted basis.

On February 12, 2010, the Company issued 50,000 common shares to SRC at an ascribed value of \$1.25 per share or \$62,500 in aggregate as consideration for the transfer by SRC of a 0.5% gross over-riding royalty on the Original Mantaro Claims (notes 7 and 8).

Compensation awarded to key management

	Three Months Ended September 30 2011 \$	Three Months Ended September 30 2010 \$	Nine Months Ended September 30 2011 \$	Nine Months Ended September 30 2010 \$
Salaries and fees	150,833	194,500	547,833	553,476
Short-term employment benefits	1,485	1,485	4,455	6,994
Share-based payment	396,255	713,814	1,699,343	3,177,408
	548,573	909,799	2,251,631	3,737,878

11. CONTINGENCIES AND LITIGATION

The Company is currently subject to litigation that occurs in the normal course of operations which at this time is not expected to have a material impact on the Company's interim consolidated financial statements.

12. COMMITMENTS

The Company has signed an extension to the operating lease for its Toronto office premises that now expires in March 2015 and has an option to renew for an additional five years at market rates. Stonegate has a lease for certain office equipment at the Toronto office. The Company has also signed one-year leases for offices and five residential dwellings near the site, for administration and staff lodging related to the Paris Hills Project. The following table summarizes the Company's future payments under the terms of its leases.

	\$
2012	349,234
2013	318,934
2014	318,934
2015	77,654
	1,064,756

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(in Canadian dollars)

The following table summarizes the Company's required estimated aggregate annual payments under the terms of the various mineral interest agreements comprising the Paris Hills Project.

	\$
2012	205,500
2013	225,500
2014	225,500
2015	225,500
2016	225,500
2017	225,500
2018	265,500
Annually thereafter	265,500

The following table summarizes the Company's estimated annual license fees to the Peruvian government in order to maintain the mineral rights that the Company holds related to the Mantaro property.

	\$
2012	87,000
Annually thereafter	87,000

In addition, the Company will be required to pay the individual Mantaro Vendors a final payment of US\$1,500,000 once all approvals are in place, including community agreement, to develop a mine on the Original Mantaro Claims.

13. SEGMENTED INFORMATION

Segmented information is presented in respect of the Company's business and geographical segments. The business segments are based on the Company's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment exploration expenditures are the total cost incurred during the year to acquire or explore segment assets.

	Mantaro	Paris Hills	Corporate	Total
For the three months ended				
September 30, 2011	\$	\$	\$	\$
Expenses				
General and administrative	195,164	-	855,609	1,050,773
Share-based payment	-	-	471,033	471,033
Depreciation	3,526	9,532	21,496	34,554
	198,690	9,532	1,348,138	1,556,360
Foreign currency (gain) loss	14,959	-	(1,035,873)	(1,020,914)
Interest income	-	-	(29,453)	(29,453)
Loss for the period	(213,649)	(9,532)	(282,812)	(505,993)

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	Mantaro	Paris Hills	Corporate	Total
For the nine months ended September 30, 2011	\$	\$	\$	\$
Expenses				
General and administrative	467,309	-	2,601,060	3,068,369
Share-based payment	-	-	2,450,703	2,450,703
Depreciation	11,248	9,532	63,679	84,459
	478,557	9,532	5,115,442	5,603,531
Foreign currency (gain) loss	11,134	-	(624,840)	(613,706)
Warrant extension	-	-	2,102,936	2,102,936
Interest income	-	-	(101,480)	(101,480)
Loss for the period	(489,691)	(9,532)	(6,492,058)	(6,991,281)

	Mantaro	Paris Hills	Corporate	Total
For the three months ended September 30, 2010	\$	\$	\$	\$
Expenses				
General and administrative	93,442	-	475,827	569,269
Share-based payment	-	-	964,771	964,771
Depreciation	-	-	7,560	7,560
	93,442	-	1,448,158	1,541,600
Foreign currency loss	1,638	-	330,226	331,864
Interest income	-	-	(4,788)	(4,788)
Loss for the period	(95,080)	-	(1,773,596)	(1,868,676)

	Mantaro	Paris Hills	Corporate	Total
For the nine months ended September 30, 2010	\$	\$	\$	\$
Expenses				
General and administrative	285,288	-	2,026,732	2,312,020
Share-based payment	-	-	4,035,987	4,035,987
Depreciation	-	-	24,067	24,067
	285,288	-	6,086,786	6,372,074
Foreign currency (gain) loss	(44,100)	-	12,920	(31,180)
Interest income	-	-	(15,884)	(15,884)
Loss for the period	(241,188)	-	(6,083,822)	(6,325,010)

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As at September 30, 2011	Mantaro \$	Paris Hills \$	Corporate \$	Total \$
Total assets	19,251,241	19,272,008	28,494,839	67,018,088
Total liabilities	501,271	1,126,149	455,496	2,082,916

As at December 31, 2010	Mantaro \$	Paris Hills \$	Corporate \$	Total \$
Total assets	15,485,534	7,694,266	41,022,328	64,202,128
Total liabilities	378,155	-	769,160	1,147,315

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Three Months Ended September 30 2011 \$	Three Months Ended September 30 2010 \$	Nine Months Ended September 30 2011 \$	Nine Months Ended September 30 2010 \$
Cash paid during the period for:				
Taxes	-	-	-	-
Interest	-	-	-	-
Net change in non-cash working capital				
Trade and other receivables	186,021	(3,194)	(108,549)	(94,386)
Prepaid expenses and other assets	(86,840)	222,505	(46,089)	(196,488)
Trade and other payables	(486,255)	1,107,725	(1,271,485)	1,697,426
	(387,074)	1,327,036	(1,426,123)	1,406,552