1.13 Changes in Accounting Policies including Initial Adoption

Change in functional and reporting currency

Effective July 1, 2010, the Company changed its reporting currency and functional currency for its all operations to the United States dollar (US) from Canadian Dollar (CAD). The adoption of the US dollar as the unit of measure of the Company's operations reflects the transition from an exploration company to a mine operator and the resulting shift in operational exposure to the US dollar as the Company's sales are of products quoted in US dollars.

Prior to July 1, 2010, the Company reported its annual and quarterly consolidated financial statements with notes in CAD which also was used as the unit of measure of its all foreign and Canadian operations. In making the change in reporting and functional currency, the Company follows the recommendations of the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA) set forth in EIC–130 – "Translation Method when the Reporting Currency Differs from the Measured Currency or there is a Change in the Reporting Currency.

In accordance with EIC – 130, the Company is required to translate all amounts presented for comparative purposes into US dollars using the current rate method whereby all revenues, expenses and cash flows are translated at average rates that were in effect during these periods and all assets and liabilities are translated at the closing rate in effect at the end of these periods. Equity transactions have been translated at historic rates. The exchange difference resulting from the translation is included in accumulated other comprehensive income (loss) presented in shareholders' equity.

Business combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace former Section 1581," Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value. In addition, the definition of a business is expanded and is described as an integrated set of business activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

In August 2009, the CICA issued certain amendments to Section 3251 "Equity". The amendments apply to entities that have adopted Section 1602. The amendments require separate presentation on the statement of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interests. The amendments also require that non-controlling interests be presented separately as a component of equity.

International Financial Reporting Standards

The Canadian Accounting Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. As a result, the Company will report under IFRS for interim and annual periods beginning July 1, 2011, with comparative information for the year ended June 30, 2011 restated under IFRS. Adoption of IFRS as Canadian GAAP requires the Company to make certain accounting policy choices and could materially impact its reported financial position and results of operations

The Company has preceded transition from current Canadian GAAP to IFRS. The action plan for conversion is as follows:

1. Identify differences in Canadian GAAP versus IFRS at July 1, 2010. This has been completed.
2. Evaluate IFRS accounting policy choices/exemptions available at July 1, 2010. This has been completed.
3. Select IFRS accounting policies. This has been completed.
4. Quantify differences at July 1, 2010 and prepare IFRS opening balance at July 1, 2010. This has been completed.
5. Prepare interim and annual financial statements with related discussion and notes under IFRS for fiscal 2011. The interim financial statements have been drafted; full conversion is expected to be completed during the first quarter of fiscal 2012 while compiling the interim financial statements under IFRS for the period ended September 30, 2011.