ADRIANA RESOURCES INC.

Unaudited Interim Consolidated Financial Statements

Six Months Ended April 30, 2011

ADRIANA RESOURCES INC.
(An Exploration Stage Company)
Interim Consolidated Balance Sheets
(Unaudited and expressed in Canadian dollars)

As at	April 30 2011	October 31 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 32,922,166	$ 1,879,633
Marketable securities	645,000	-
Other receivables	459,449	494,988
Prepaid expenses	184,627	103,201
	34,211,242	2,477,822
Capital assets (Note 5)	71,201,626	68,923,389
	$ 105,412,868	$ 71,401,211
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,894,848	$ 4,145,664
Current portion of interest payable (Note 6)	90,334	34,117
Convertible debentures, current portion (Note 6)	1,932,357	3,273,373
	6,917,539	7,453,154
Interest payable (Note 6)	1,298,463	1,034,863
Convertible debentures (Note 6)	5,875,982	5,678,968
Future income tax liabilities (Note 7)	9,054,455	7,236,990
	23,146,439	21,403,975
Non-controlling interest (Note 8)	11,533,523	11,350,566
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	119,541,821	84,309,312
Equity portion of convertible debentures	1,864,933	2,207,021
Warrants (Note 9d)	516,390	530,552
Contributed surplus (Note 10)	4,601,409	4,667,714
Deficit	(55,791,647)	(53,067,929)
	70,732,906	38,646,670
	$ 105,412,868	$ 71,401,211

Commitments and contingencies (Note 13)
Subsequent event (Note 16)

The accompanying notes form an integral part of the consolidated financial statements.

ADRIANA RESOURCES INC.

(An Exploration Stage Company)

Interim Consolidated Statements of Loss and Comprehensive Loss and Deficit

(Unaudited and expressed in Canadian dollars)

	Three months ended April 30		Six months ended April 30	
	2011	**2010**	**2011**	**2010**
Administrative expenses				
Amortization	$ 7,654	$ 2,032	$ 14,042	$ 9,384
Business development	191,754	96,946	298,939	147,163
Conferences	6,204	6,215	14,120	15,973
Interest on convertible debentures	313,802	390,914	683,211	750,478
Investor relations	31,492	39,078	87,703	106,920
Professional and consulting fees	1,343,191	207,183	1,455,998	513,762
Rent and office expenses	70,607	155,102	147,231	311,460
Salaries and benefits	373,313	333,128	769,685	848,385
Stock-based compensation	235,756	313,245	435,441	651,477
Transfer agent and filing fees	27,530	32,773	66,454	37,919
Travel	6,049	13,795	11,312	29,020
Loss before the following:	2,607,352	1,590,411	3,984,136	3,421,941
Other (income) expenses				
Exploration expenditures	-	2,840	-	-
Interest income	(41,783)	(3,031)	(49,211)	(3,555)
Loss (gain) on foreign exchange	117,237	(296,235)	70,088	(552,198)
Gain on property interests	-	(2,118)	-	-
Non-controlling interest	(99,416)	43,328	(171,043)	83,981
Unrealized loss on marketable securities (Note 4)	75,000	-	75,000	-
Gain on disposal of mineral property interests (Note 5biii)	(1,185,252)	(747,448)	(1,185,252)	(747,448)
Loss and comprehensive loss for the period	1,473,138	587,747	2,723,718	2,202,721
Deficit, beginning of the period	54,318,509	49,024,235	53,067,929	47,409,261
Deficit, end of the period	$ 55,791,647	$ 49,611,982	$ 55,791,647	$ 49,611,982
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding	129,876,023	77,993,189	120,668,089	75,546,546

The accompanying notes form an integral part of the consolidated financial statements.

ADRIANA RESOURCES INC.

(An Exploration Stage Company)

Interim Consolidated Statements of Cash Flows

(Unaudited and expressed in Canadian dollars)

	Three months ended April 30		Six months ended April 30	
	2011	**2010**	**2011**	**2010**
Cash provided by (used in)				
Operating activities				
Loss for the period	$ (1,473,138)	$ (587,747)	$ (2,723,718)	$ (2,202,721)
Items not involving cash:				
Amortization	7,654	2,032	14,042	9,384
Unrealized portion of foreign exchange loss (gain)	111,315	81,940	96,447	(135,878)
Accretion on convertible debentures	144,338	176,078	317,549	337,650
Stock-based compensation	235,756	313,245	435,441	651,477
Application of provision for loss on former premises	(20,000)	-	(40,000)	-
Gain on property interests	-	(2,118)	-	-
Unrealized loss on marketable securities	75,000	-	75,000	-
Non-controlling interest	(99,416)	43,328	(171,043)	83,981
Gain on disposal of mineral property interests	(1,185,252)	(747,448)	(1,185,252)	(747,448)
	(2,203,743)	(720,690)	(3,181,534)	(2,003,555)
Changes in non-cash working capital:				
Other receivables and prepaid expenses	90,951	60,614	24,116	471,885
Accounts payable and accrued liabilities	658,344	115,802	912,601	298,574
Cash used in operating activities	(1,454,448)	(544,274)	(2,244,817)	(1,233,096)
Investing activities				
Port facility expenditures	(245,894)	(520,827)	(379,741)	(618,240)
Mineral property expenditures	(705,338)	(1,008,375)	(1,258,347)	(1,242,262)
Office equipment expenditures	(17,822)	(4,650)	(18,876)	(8,345)
Proceeds from disposal of mineral property interests	465,252	347,448	465,252	347,448
Cash used in investing activities	(503,802)	(1,186,404)	(1,191,712)	(1,521,399)
Financing activities				
Proceeds from share issuance, net of issue costs	26,143,107	3,527,657	33,651,723	4,618,523
Proceeds from exercise of options and warrants	260,713	17,625	827,339	26,291
Cash provided by financing activities	26,403,820	3,545,282	34,479,062	4,644,814
Increase in cash and cash equivalents	24,445,570	1,814,604	31,042,533	1,890,319
Cash and cash equivalents, beginning of the period	8,476,596	437,584	1,879,633	361,869
Cash and cash equivalents, end of the period	$ 32,922,166	$ 2,252,188	$ 32,922,166	$ 2,252,188
Supplementary cash flow information				
Interest paid	$ 14,854	$ -	$ 41,359	$ -

The accompanying notes form an integral part of the consolidated financial statements.

1. NATURE OF OPERATIONS

Adriana Resources Inc. (and its subsidiaries, collectively the "Company") was incorporated under the laws of British Columbia and continued under the Canada Business Corporations Act. The Company's principal business activities include the acquisition, exploration and development of resource properties including its Lac Otelnuk Iron Ore Project in Nunavik, Québec (the "Lac Otelnuk Property") and the development of an iron ore port facility in Brazil (the "Port Facility"). The Company's Class A common shares ("Common Shares") are listed on the TSX Venture Exchange under the symbol ADI.V.

These consolidated financial statements include the accounts of the following subsidiaries (wholly-owned unless otherwise indicated), Brazore Resources Inc., Brazore Holdings Ltd. ("Brazore Holdings") (60%), Brazore Representação, Importação, Exportação e Consultoria Ltda. ("Brazore Ltda.") (effective interest 56.1%), Adriana Resources Mineracao Ltda., Adriana Resources (BVI) Inc. (inactive), Adriana Resources Mexico, SA de CV (inactive), Adriana Mining Corporation and Lac Otelnuk Mines Inc.(inactive). The 60%-owned subsidiary Brazore Holdings Ltd. with its 93.5%-owned subsidiary Brazore Ltda. are collectively referred to as "Brazore" in these consolidated financial statements. All significant intercompany transactions and balances have been eliminated.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses to April 30, 2011 of $55,791,647 since its inception and expects to incur further losses in the development of its business. However, with the entering into as of January 12, 2011 of a binding framework agreement (the "Framework Agreement") with WISCO International Resources Development & Investment Limited ("WISCO") (*see Note 5b – Capital Assets*), together with the closing on March 23, 2011 of the private placement contemplated under the Framework Agreement, the Company is now in a position to proceed with the continued exploration of its Lac Otelnuk and December Lake properties.

2. FINANCIAL STATEMENT PRESENTATION

The accompanying interim consolidated financial statements include all adjustments that are, in the opinion of management of the Company, necessary for a fair presentation. However, these interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements, as they do not include all necessary disclosures, and accordingly should be read in conjunction with the Company's October 31, 2010 audited consolidated financial statements and notes thereto.

3. ACCOUNTING POLICIES

The consolidated financial statements of the Company follow the same accounting principles and methods of application as those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended October 31, 2010, other than the following.

Financial Instruments Held for Trading

Held-for-trading financial assets are typically acquired for resale prior to maturity. They are measured at fair value on the balance sheet, with realized and unrealized gains and losses reported in the statement of loss.

(Unaudited and expressed in Canadian Dollars)

Convergence with International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company's first mandatory filing under IFRS, which will be for the quarter ending January 31, 2012, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at the November 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company has developed a plan for IFRS convergence and has started the implementation process. The Company is not currently in a position to fully determine the impact on the consolidated results on transition to IFRS.

4. FINANCIAL INSTRUMENTS

The fair values of other receivables, accounts payable and accrued liabilities are considered by management of the Company to be a reasonable approximation of their carrying values due to their short term to maturity.

The Company's holding of 500,000 shares, held for trading, in Cap-Ex Ventures Ltd. ("Cap-Ex"), acquired as part of the proceeds of sale of the Company's remaining Bedford Labrador mineral claims (see *Note 5biii – Capital Assets*) with a hold period expiring on August 19, 2011, was written down to its market value as of April 30, 2011, resulting in an unrealized fair-value loss of $75,000, Cap-Ex's shares are listed on the TSX Venture Exchange and trade under the stock symbol "CEV".

5. CAPITAL ASSETS

Capital assets consist of the following:

	April 30, 2011 Cost	Accumulated Amortization	Net Book Value
Port Facility	$ 56,235,245	$ -	$ 56,235,245
Mineral properties	14,829,909	-	14,829,909
Office	200,964	64,492	136,472
	$ 71,266,118	$ 64,492	$ 71,201,626

	October 31, 2010 Cost	Accumulated Amortization	Net Book Value
Port Facility	$ 55,286,391	$ -	$ 55,286,391
Mineral properties	13,505,360	-	13,505,360
Office	182,088	50,450	131,638
	$ 68,973,839	$ 50,450	$ 68,923,389

a) Port Facility

The Company currently holds an effective 56.1% indirect interest in the Port Facility through a 60% owned indirect subsidiary, Brazore Holdings, which owns a 93.5% interest in Brazore Ltda., the Company's Brazilian subsidiary which owns and is developing the Port Facility. Under the terms of a 2007 agreement between Brazore Holdings and Brazore Ltda. and the latter's minority shareholders, Brazore Holdings' interest will be increased to 96.75%, equivalent to a 58.5% indirect interest by Adriana, upon Brazore Ltda.'s expenditures on the Port Facility exceeding US$55,000,000. Through April 30, 2011, approximately US$31,182,000 (October 31, 2010 - US$30,316,000) has been invested.

(Unaudited and expressed in Canadian Dollars)

Pursuant to an agreement dated August 21, 2007 with Athena Holdings LLC ("Athena") (the "Brazore Transaction"), the Company transferred a 50% interest in its subsidiary, Brazore Holdings, to Athena in exchange for Athena's 93.5% interest in Brazore Ltda. Under the terms of the agreement, the Company maintained and increased its interest in Brazore by funding Brazore Ltda.'s plan to develop the Port Facility as follows: (i) a first tranche of US$5,000,000 by October 20, 2007 to maintain a 50% ownership interest and (ii) a second tranche of US$17,000,000 by November 29, 2007 to earn a 60% interest. The US$22,000,000 (the "Two Tranches") provided funding for the purchase of certain of the land for the Port Facility and for initial engineering and other environmental studies. On April 1, 2009, the Company provided notice to Athena that it would not proceed with the funding of an additional US$33,000,000 to earn a 75% interest in Brazore. The existing agreement does not provide for any capital contributions by Athena, nor for any additional dilution of Athena's interest beyond that provided for above. As of April 30, 2011, the Company has advanced an additional US$10,958,000 in excess of the Two Tranches, which has been used to fund the continued advancement of the Port Facility in Brazil. On January 3, 2011, Athena gave notice of its intention to sell its 40% ownership in Brazore Holdings. Pursuant to the terms of the Brazore Transaction, Adriana had a right of first refusal until February 12, 2011, which right was not exercised.

In accordance with EIC 124, the Brazore Transaction was considered to be an asset acquisition for accounting purposes since Brazore did not constitute a business. When an asset is acquired other than in a business combination and the tax basis of that asset is less than its cost, the cost of future income taxes recognized at the time of acquisition is added to the cost of the asset since that forms part of the cost of acquisition. Accordingly, the Company has recorded the surplus of the asset's carrying amount as an addition to the asset, which includes the income tax effect in accordance with Brazilian income tax rates. At April 30, 2011, this addition comprises $20,310,834 of the asset and the associated future income tax liability was $7,488,355 (October 31, 2010 - $19,774,471, $7,236,990, respectively). The increase of $251,365 in the related future income tax liability in the period includes a foreign exchange adjustment of $69,001.

As at April 30, 2011, the primary asset of Brazore was the land for the Port Facility, comprised of certain parcels on the coast of Brazil, purchased in December 2007, and on the adjacent island, purchased in 2008.

Costs capitalized to the Port Facility include permitting, environmental, geological, topographical, seismic surveying, travel to port site and royalty payments paid to Athena as described above.

The carrying value of the Port Facility consists of the following land costs and port design and development expenditures:

	October 31 2010	Additions	April 30, 2011
Land	$ 39,428,147	$ -	$ 39,428,147
Port design and development	15,858,244	948,854	16,807,098
	$ 55,286,391	$ 948,854	$ 56,235,245

b) Mineral Properties

Labrador Trough, Nunavik, Québec

The Company's Labrador Trough projects are comprised of the Lac Otelnuk Iron Ore Project and the December Lake Iron Ore Prospect and, in 2010, the Bedford Iron Ore Prospect.

On January 12, 2011, the Company entered into a binding Framework Agreement with WISCO for a total investment of $120,000,000, of which $28,366,389 was contributed by way of a private placement on March 23, 2011. The Framework Agreement contemplates the formation of a joint venture or partnership to hold Adriana's current interests in the Company's Lac Otelnuk and December Lake iron ore properties in Northern Quebec with WISCO contributing an additional $91,633,611, being the balance of the original commitment. WISCO will in turn receive a 60% participating interest in the resulting joint venture or partnership. On the formation of the joint venture or partnership with WISCO, a fee of 10% of the cash consideration will be payable to an arm's length third party.

Under the terms of the Framework Agreement, WISCO will use commercially reasonable efforts to assist the joint venture or partnership to obtain project financing for not less than 70% of the capital cost of the project as determined by a definitive feasibility study. The Framework Agreement provided that the parties had 60 days to settle and enter into a Definitive Agreement with respect to the Joint Venture, this being subsequently extended.

i) Lac Otelnuk Iron Ore Project, Nunavik, Québec

On November 30, 2005, the Company entered into an option agreement (the "Lac Otelnuk Option") to earn a 100% interest in certain claims comprising part of the Lac Otelnuk Property. The Company has also staked additional mineral claims directly adjacent to and surrounding the claims subject to the Lac Otelnuk Option. Pursuant to the Lac Otelnuk Option, as amended, the optionor is entitled to a combination of cash, shares and work commitments, all of which have been fulfilled, and a royalty (the "Lac Otelnuk Royalty") equal to (i) 2.5% from the sale of iron ore products mined from the claims subject to the Lac Otelnuk Option payable commencing in 2015 or earlier on commencement of commercial production with a minimum production royalty based on a certain specified pellet price and a minimum production of 10 million metric tonnes; and (ii) 2.5% net smelter returns from the sale of any other minerals mined from such properties annually. The Lac Otelnuk Royalty is subject to minimum advances of $150,000 payable by November 30 of each year until commencement of commercial production. The Company has made all such necessary minimum payments to date. The Company may purchase one-half of the Lac Otelnuk Royalty for $5.5 million at any time prior to December 31, 2015 and for $11 million thereafter.

The Company has filed an application with the Quebec Superior Court for a judicial Interpretation of certain provisions of the Lac Otelnuk Option agreement relating to a portion of the Lac Otelnuk Property. The clauses for which clarification is sought relate to the timing of the exercise of the option and the royalty payments.

ii) December Lake Iron Ore Prospect, Nunavik, Québec, Canada

The Company owns 159 mineral claims totalling approximately 74 square kilometres near December Lake which is 65 kilometres from the Lac Otelnuk Property and 230 kilometres north of Schefferville, in the Nunavik region of Northern Québec. The Company has identified over 20 kilometres of untested magnetic anomalies on this property and has access to certain historical work, not NI 43-101 compliant, completed on this property.

(Unaudited and expressed in Canadian Dollars)

iii) Bedford Iron Ore Prospect, Newfoundland and Labrador

In June 2008, the Company entered into an option agreement to acquire a 100% interest in the Bedford Iron Ore Prospect, consisting of certain mineral claims in Labrador by, among other things, paying $200,000 over the six-year option term, of which $30,000 had been paid as of October 31, 2009. The agreement was terminated as of July 17, 2010 with no further payments and the Company wrote off incurred costs of $200,183. Certain additional mineral claims directly adjacent to the Bedford Labrador mineral claims remained and were sold in April 2011 for cash proceeds of $500,000 and 500,000 common shares of the purchaser, Cap-Ex Ventures Inc., with a then–market value of $720,000, resulting in a gain on disposal of $1,185,252 being recognized in the current quarter.

Mineral properties consist of the following deferred expenditures pertaining to the Labrador Trough projects:

	Three months ended April 30, 2011	Six months ended April 30, 2011	Year ended October 31, 2010
Balance, beginning of period	$ 14,125,996	$ 13,505,360	$ 8,925,658
Acquisition and maintenance	11,449	161,449	194,652
Camp and expediting	303,171	313,061	1,851,887
Drilling and demobilization	24,710	24,710	1,463,697
Equipment	25,567	32,567	258,612
Geochemistry and metallurgical	143,794	309,961	287,375
Geological and geophysics	37,621	42,157	46,630
Environmental	-	-	134,601
Professionals and consultants	131,030	410,976	176,532
Salaries and benefits	550	1,700	11,905
Surveying	-	-	232,356
Travel	26,021	27,968	121,638
Incurred during the period	703,913	1,324,549	4,779,885
	14,829,909	14,829,909	13,705,543
Less: written off on abandonment	-	-	(200,183)
	-		
Balance, end of period	$ 14,829,909	$ 14,829,909	$ 13,505,360

(Unaudited and expressed in Canadian Dollars)

6. CONVERTIBLE DEBENTURES

	Three months ended April 30, 2011	Six months ended April 30, 2011	Year ended October 31, 2010
Balance, beginning of period	8,137,316	$ 8,952,341	$ 8,248,928
Add: Accretion of liability component of debentures	144,338	317,549	703,413
Less: Converted in period	(473,315)	(1,461,551)	-
Liability component of Convertible Debentures	7,808,339	7,808,339	8,952,341
Less: Current portion of liability	(1,932,357)	(1,932,357)	(3,273,373)
Balance, end of period	$ 5,875,982	$ 5,875,982	$ 5,678,968

On September 10, 2008, the Company issued $10,000,000 of unsecured subordinated convertible debentures bearing interest at an annual rate of 7%. Of that amount, debentures with a face value of $6,450,000 were issued to ArcelorMittal in connection with the Port Facility, and the balance was issued to other third parties. As a result of a subsequent agreement with ArcelorMittal, the Company has deferred payment of its annual interest payment of 7% on the convertible debenture held by ArcelorMittal for three years, along with a one-year deferral of repayment of the related principal, to September 10, 2012.

The debentures are convertible into Common Shares at a conversion price of $0.99 per Common Share if converted prior to maturity. During the three month period ended April 30, 2011, a debenture with a face value of $500,000 was converted, resulting in the issuance of 505,050 common shares. For the six month period ended April 30, 2011, debentures with a face value of $1,550,000 were converted, resulting in the issuance of 1,565,654 common shares. A further debenture with a face value of $2,000,000 was converted subsequent to the quarter end. Shares issued on the conversion of debentures are recorded at the accreted value of the underlying debenture together with its proportion of the amount previously recorded as the equity portion of convertible debentures, the resulting values recorded for such shares issued in the three and six month periods ending April 30, 2011 being $583,666 and $1,803,639 respectively, these amounts including equity portions of $110,351 and $342,088 respectively.

As of April 30, 2011, debentures with an original face value of $2,000,000 (subsequently converted) mature on September 10, 2011 and the debenture held by ArcelorMittal matures on September 10, 2012. At April 30, 2011, interest of $90,334 (October 31, 2010 - $34,117) was accrued as current interest payable, an additional $41,359 having been paid in January and February 2011 on conversion of the related debentures, and interest of $1,298,463 (October 31, 2010 - $1,034,863), relating to the ArcelorMittal convertible debenture, was accrued as non-current interest payable under long-term liabilities of the Company.

The debentures are recorded at amortized cost.

(Unaudited and expressed in Canadian Dollars)

7. FUTURE INCOME TAX LIABILITIES

Future income tax liabilities are comprised of:

	April 30, 2011	January 31, 2011	October 31, 2010
Port Facility (Note 5a)	$ 7,488,355	$ 7,314,412	$ 7,236,990
Future income tax benefits on expenditures renounced to shareholders (Note 9b)	1,566,100	-	-
	$ 9,054,455	$ 7,314,412	$ 7,236,990

8. NON-CONTROLLING INTEREST

	Three months ended April 30, 2011	Six months ended April 30, 2011	Year ended October 31, 2010
Balance, beginning of period	$ 11,450,939	$ 11,350,566	$ 11,262,880
Non-controlling interest in cash contributions to Port Facility	182,000	354,000	423,956
Share of losses for period	(99,416)	(171,043)	(336,270)
Balance, end of period	$ 11,533,523	$ 11,533,523	$ 11,350,566

9. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of Common Shares.

(Unaudited and expressed in Canadian Dollars)

b) Issued

The Company has the following Common Shares issued and outstanding:

	Shares		Amount
Common shares			
Balance, October 31, 2009	72,707,945	$	75,296,033
Private placement of December 31, 2009			
being flow-through common shares	1,350,000		1,201,500
less finders' fees and other issue costs			(110,634)
Private placement of February 8, 2010			
being flow-through common shares	4,270,000		3,800,300
less finders' fees and other issue costs			(272,643)
Private placements of May 7, 2010			
(i) net of warrants valued at $530,552	5,000,000		1,469,448
(ii) being flow-through common shares	4,255,320		2,000,000
less commission, compensation options			
and other issue costs			(721,881)
Private placement of October 29, 2010	5,405,404		2,000,000
less finders' fees and other issue costs			(80,000)
Shares issued on exercise of options	100,001		48,189
Future income tax benefits on			
expenditures renounced to shareholders			(321,000)
Balance, October 31, 2010	93,088,670		84,309,312
Private placements of November 2010	21,621,620		8,000,000
less finders' fees and other issue costs			(491,384)
Shares issued on exercise of options	738,830		828,397
Shares issued on exercise of warrants	102,187		72,780
Shares issued on debenture conversions	1,060,604		1,219,973
Balance, January 31, 2011	116,611,911		93,939,078
Private placement of March 23, 2011	29,243,700		28,366,389
less finders' fees and other issue costs			(2,223,282)
Shares issued on exercise of options	355,425		234,265
Shares issued on exercise of warrants	237,088		207,805
Shares issued on debenture conversions	505,050		583,666
Future income tax benefits on			
expenditures renounced to shareholders			(1,566,100)
Balance, April 30, 2011	146,953,174	$	119,541,821

The private placement that closed on December 31, 2009 was for gross proceeds of $1,201,500, less finders' fees of $60,075 and issue costs of $50,559.

The private placement that closed on February 8, 2010 was for gross proceeds of $3,800,300, less finders' fees of $246,000 and issue costs of $26,643.

The two private placements that closed on May 7, 2010 were for gross proceeds of $4,000,000, less investor warrants valued at $530,552, commission of $280,000, compensation options valued at $280,000 and other issue costs of $161,881. These private placements were comprised of one of 5,000,000 units (each consisting of one Common Share and one-half common share purchase warrant ("Warrant")) and the second of 4,255,320 flow-through Common Shares. Each whole

Warrant issued entitles the holder thereof to acquire one Common Share at a price of $0.50 per Common Share until May 7, 2012. The compensation options issued enable the underwriter to purchase 555,319 units (each consisting of one Common Share and one-half Warrant) at a unit price of $0.40 per unit until May 7, 2012.

The private placement of October 2010 was for gross proceeds of $10,000,000, the first tranche of which closed on October 29, 2010 and totalled $2,000,000 less finders' fees of $70,000 and issue costs of $10,000. The second and third tranches of the private placement of October 2010 were received on November 11 and 18, 2010 for additional gross proceeds of $8,000,000. These two tranches brought the total gross proceeds received pursuant to the private placement to $10,000,000 and the total number of Common Shares issued pursuant to the private placement to 27,027,024. In connection with the private placement, the Company paid finders' fees in the aggregate amount of $560,000.

Further to the Framework Agreement of January 12, 2011 with WISCO, the private placement contemplated thereunder closed on March 23, 2011 for gross proceeds of $28,366,389, less finders' fees of $1,985,647 and issue costs of $237,635, with the issuance of 29,243,700 common shares representing 19.9% of the Company's issued and outstanding shares on a post-issuance basis.

Under the terms of WISCO's private placement of March 23, 2011 and the Framework Agreement of January 12, 2011, WISCO was granted certain rights including a pre-emptive right to subscribe for, at the same or equivalent cash subscription price, any equity securities that the Company proposes to issue, up to that number of offered securities as will enable WISCO, upon completion of the issuance, to maintain its then-current proportionate interest in the Company. As a result of the foregoing, WISCO currently has the right to subscribe for 501,874 common shares.

This pre-emptive right will terminate if (i) the closing of the proposed joint venture or partnership between WISCO and the Company is not completed under specified circumstances, and (ii) WISCO's ownership of common shares of the Company is reduced to less than 10% of the issued and outstanding common shares of the Company.

The Company financed a portion of its resource property exploration through the issuance of flow-through Common Shares whereby the Company transfers the tax deductions arising from the related resource expenditures to the investors. On the date the Company renounces the tax credits associated with the resource expenditures and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced.

During the quarter ended April 30, 2011, as a result of the renunciation to investors of such exploration expenditures, the Company recorded a reduction in share capital of $1,566,100 and a future income tax liability of $1,566,100.

c) Options

Pursuant to the Company's stock option plan approved by the shareholders of the Company on April 28, 2011, options may be granted in respect of authorized and unissued shares provided that, the maximum aggregate number of shares reserved for issuance and which may be purchased upon the exercise of all options shall not exceed 10% of the outstanding issue. As of April 30, 2011, the maximum number of common shares which may be issued under the stock option plan is 14,695,317. The Company may grant options to a director, employee, consultant or consultant company. The exercise price per share shall be determined by the Company at the time the option is granted, but, in any event, shall not be less than the closing price of the shares on the Toronto Stock Exchange on the trading day immediately preceding the date of the grant of the option, unless the grant of the option occurs during a blackout period, in which case the exercise price per share shall not be less than the closing price of the shares on the Exchange on the second trading day immediately following the expiry of the blackout period. Options granted pursuant to the plan shall vest and become exercisable by an optionee as one third of the number of options vesting in six, twelve and eighteen months following the date of grant.

(Unaudited and expressed in Canadian Dollars)

The continuity of options is as follows:

	Number of options	Weighted average exercise price
Balance, October 31, 2010	7,485,000	$ 0.58
Granted	947,500	1.30
Exercised	(700,000)	0.71
Expired	(545,000)	1.09
Forfeited	(15,000)	0.36
Balance, January 31, 2011	7,172,500	$ 0.57
Forfeited	(66,667)	0.55
Balance, April 30, 2011	7,105,833	$ 0.57

During the three months ended April 30, 2011, under the fair-value method, the amount of $235,756 (2010 - $313,245) in stock-based compensation costs was recorded for options vested to directors, officers, employees and consultants. For the corresponding six-month periods then ended, the amounts were $435,441 and $651,477 respectively.

The fair values of options granted in the first quarter, no such options being granted in the current quarter, were calculated using the Black-Scholes option pricing model with the following assumptions:

	2011
Risk free interest rate	1.95%
Expected dividend yield	0%
Stock price volatility	124.6%
Expected life of options	3.12 years
Weighted average fair value of options	$0.96

As of April 30, 2011, the following options to purchase Common Shares were outstanding:

(Unaudited and expressed in Canadian Dollars)

Year of Expiry	Number of Options	Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable
2011	133,333	$0.55-1.10	0.175	$ 0.89	133,333
2012	800,000	$0.35-1.10	0.805	0.69	800,000
2013	275,000	$1.10	2.085	1.10	275,000
2014	3,900,000	$0.26-0.55	3.193	0.35	3,900,000
2015	1,050,000	$0.33-0.45	3.984	0.42	591,667
2016	947,500	$1.30	4.739	1.30	-
	7,105,833	$0.26-1.30	3.148	$ 0.57	5,700,000

d) Warrants and Compensation Options

The continuity of warrants is as follows:

	Exercise price	Number of warrants	Amount
Balance, October 31, 2010 expiring May 7, 2012	$ 0.50	2,500,000	$ 530,552
Exercised in the quarter	0.50	(102,187)	(21,686)
Issued to investors, expiring May 7, 2012 on exercise of compensation options	0.50	19,415	9,670
Balance, January 31, 2011	$ 0.50	2,417,228	518,536
Exercised in the quarter	0.50	(237,088)	(89,262)
Issued to investors, expiring May 7, 2012 on exercise of compensation options	0.50	177,713	87,116
Balance, April 30, 2011	$ 0.50	2,357,853	$ 516,390

The fair value of the warrants issued was calculated using the Black-Scholes option pricing model with the following assumptions:

	2011
Risk free interest rate	1.48-1.98%
Expected dividend yield	0%
Stock price volatility	113.1-116.4%
Expected life of warrants	1.1-1.3 years
Fair value of warrants	$1.01-$1.24

(Unaudited and expressed in Canadian Dollars)

The continuity of compensation options is as follows:

	Number of Compensation Options	Weighted average exercise price
Balance, October 31, 2010	-	
expiring May 7, 2012	555,319	$ 0.40
Exercised in the quarter	(38,830)	0.40
Balance, January 31, 2011	516,489	$ 0.40
Exercised in the quarter	(355,425)	0.40
Balance, April 30, 2011	161,064	$ 0.40

Subsequent to the quarter end, 50,000 compensation options were exercised, resulting in the issuance of 50,000 common shares and 25,000 warrants.

10. CONTRIBUTED SURPLUS

	Three months ended April 30, 2011	Six months ended April 30, 2011	Year ended October 31, 2010
Balance, beginning of period	$ 4,544,864	$ 4,667,714	$ 3,273,206
Stock-based compensation for stock options	235,756	435,441	1,136,406
Stock-based compensation for compensation options	-	-	280,000
Exercise of stock and compensation options	(179,211)	(501,746)	(21,898)
	-		
Balance, end of period	$ 4,601,409	$ 4,601,409	$ 4,667,714

11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT-RELATED RISKS

The Company's approach to capital management did not change during the period.

Certain financial assets and liabilities are measured at fair value and are classified using a fair value hierarchy that reflects the significance of the input used in making the measurements. There are three levels of fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company's financial assets and liabilities are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data

The following table presents the classification of the Company's financial instruments within the fair value hierarchy established under Canadian GAAP as at April 30, 2011 and October 31, 2010:

(Unaudited and expressed in Canadian Dollars)

								April 30, 2011
		Level 1		Level 2		Level 3		Total
Cash and cash equivalents	$	32,922,166	$	-	$	-	$	32,922,166
Marketable securities		645,000		-		-		645,000

								October 31, 2010
		Level 1		Level 2		Level 3		Total
Cash	$	1,879,633	$	-	$	-	$	1,879,633

Cash equivalents are invested in 30-day term deposits.

12. RELATED PARTY TRANSACTIONS

Included in the periods, at their exchange amounts, are the following items paid or accrued to certain then-directors and companies controlled by certain then-directors of the Company for services provided. Exchange amounts are the amounts agreed upon by the transacting parties on terms and conditions similar to arm's-length transactions.

	Six months ended			
	April 30, 2011		April 30, 2010	
Geological consulting fees	$	-	$	48,180

13. COMMITMENTS AND CONTINGENCIES

a) The Company's annual commitments for rental agreements are as follows:

		Office leases
2011	$	106,300
2012		249,000
2013		258,600
2014		234,700
2015		176,100
2016		73,400

Included in the above lease commitments is the cost of the Company's 50% share of rental obligations for its former premises in Vancouver, now sublet to third parties at a future cash cost for the remaining lease term of approximately $272,000. The fair value of this amount has been provided for. Should the former co-occupant fail to meet its share of rental obligations, the Company will be further committed under the terms of the head lease to additional net outlays representing their proportionate share of the loss from the date of default.

b) Pursuant to the issuance of flow-through Common Shares in December 2009 and February and May 2010, the Company is committed to spending $7,001,500 on qualified expenditures, of which $1,201,500 was required to be spent by December 31, 2010, and the balance by December 31, 2011. To April 30, 2011, the Company had expended approximately $4,148,000, with approximately $2,854,000 remaining to be spent by December 31, 2011.

c) In the ordinary course of business, the Company enters into contracts which contain indemnification provisions, including loan agreements, purchase contracts, service agreements, licensing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, leasing agreements and land use agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

(Unaudited and expressed in Canadian Dollars)

d) The Company is committed to certain cash payments as described in Note 5b.

e) In connection with the development of the Port Facility, the Company has made certain conditional commitments to the local municipality to pay for certain municipal improvements. As of April 30, 2011 and October 31, 2010, the value of the contingent commitments approximated $500,000. Settlement of the commitments is conditional on receipt by the Company of all necessary permits.

f) The Company's Brazilian subsidiary is a defendant in certain legal actions in Brazil pursuant to which a third party is seeking the payment of approximately $4,200,000 under a conditional agreement entered into by the Company in 2008 for the purchase of certain lands. The Company is vigorously defending itself including seeking the return of its initial payment of approximately $1,000,000 and the annulment of the agreement on the basis of misrepresentations therein. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management of the Company that these claims are without merit and the resolution of these matters will not have a material adverse effect on the financial position of the Company.

14. NON-CASH TRANSACTIONS

During the six months ended April 30, 2011 and 2010, there were the following non-cash transactions:

	Three months ended	Six months ended	
	April 30, 2011	April 30, 2011	April 30, 2010
Funding of non-controlling interest's share in the Port Facility	$ 182,000	$ 354,000	$ 303,308
Stock-based compensation	235,756	435,441	651,477
Value of warrants issued on exercise of compensation options	179,211	198,790	-
Future income taxes on renunciation to shareholders of certain tax deductions	1,566,100	1,566,100	321,000
Marketable securities received as part of proceeds of disposal of mineral properties	720,000	720,000	-
Unrealized loss on marketable securities	75,000	75,000	-
Conversion of debentures	583,666	1,803,639	-

15. SEGMENTED INFORMATION

The Company has two reportable business segments: the exploration and development of mineral resource properties in Québec, Canada, and the development of an iron ore port facility in Brazil. The Company currently operates in two geographic segments. Geographic distribution of operating results in the geographic segments is as follows:

(Unaudited and expressed in Canadian Dollars)

	As at, and for the six months ended, April 30, 2011		
	Brazil	Canada	Total
Total assets	$ 56,736,371	$ 48,676,497	$ 105,412,868
Cash, cash equivalents and securities	165,827	33,401,339	33,567,166
Capital assets	56,320,995	14,880,631	71,201,626
Net loss for the period	327,040	2,396,678	2,723,718
Cash expenditures on capital assets	379,741	1,277,223	1,656,964

	As at, and for the six months ended, April 30, 2010		
	Brazil	Canada	Total
Total assets	$ 55,644,460	$ 13,286,637	$ 68,931,097
Cash	77,091	2,175,097	2,252,188
Capital assets	55,353,559	10,331,333	65,684,892
Net (income) loss for the period	(37,358)	2,240,079	2,202,721
Cash expenditures on capital assets	618,240	1,250,607	1,868,847

16. SUBSEQUENT EVENT

A debenture with a face value of $2,000,000 was converted subsequent to the quarter end, and 50,000 compensation options were exercised, resulting in the issuance of 2,070,202 common shares.