



**Unaudited Interim Consolidated Financial Statements**

**Three Months Ended January 31, 2011**

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

As at	January 31 2011	October 31 2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,476,596	\$ 1,879,633
Other receivables	511,743	494,988
Prepaid expenses	225,658	103,201
	<u>9,213,997</u>	<u>2,477,822</u>
<b>Capital assets (Note 5)</b>	69,928,102	68,923,389
	<u>\$ 79,142,099</u>	<u>\$ 71,401,211</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,343,695	\$ 4,145,664
Current portion of interest payable (Note 6)	68,781	34,117
Convertible debentures, current portion (Note 6)	2,360,487	3,273,373
	<u>6,772,963</u>	<u>7,453,154</u>
<b>Interest payable (Note 6)</b>	1,167,703	1,034,863
<b>Convertible debentures (Note 6)</b>	5,776,829	5,678,968
<b>Future income tax liabilities (Note 5a)</b>	7,314,412	7,236,990
	<u>21,031,907</u>	<u>21,403,975</u>
<b>Non-controlling interest (Note 7)</b>	11,450,939	11,350,566
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 8)</b>	93,939,078	84,309,312
<b>Equity portion of convertible debentures</b>	1,975,284	2,207,021
<b>Warrants (Note 8 d)</b>	518,536	530,552
<b>Contributed surplus (Note 9)</b>	4,544,864	4,667,714
<b>Deficit</b>	(54,318,509)	(53,067,929)
	<u>46,659,253</u>	<u>38,646,670</u>
	<u>\$ 79,142,099</u>	<u>\$ 71,401,211</u>

Going concern and nature of operations (Note 1)  
 Commitments and contingencies (Note 12)  
 Subsequent event (Note 15)

*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)**

For the three months ended January 31	2011	2010
<b>Administrative expenses</b>		
Amortization	\$ 6,388	\$ 7,352
Business development	107,185	50,217
Conferences	7,916	9,758
Interest on convertible debentures	369,409	359,564
Investor relations	56,211	67,842
Professional and consulting fees	112,807	306,579
Rent and office expenses	76,624	156,358
Salaries and benefits	396,372	515,257
Stock-based compensation (Note 8c)	199,685	338,232
Transfer agent and filing fees	38,924	5,146
Travel	5,263	15,225
<b>Loss before the following:</b>	<b>1,376,784</b>	<b>1,831,530</b>
<b>Other (income) expenses</b>		
Exploration expenditures	-	(2,840)
Interest income	(7,428)	(524)
Gain on foreign exchange	(47,149)	(255,963)
Loss on disposal of capital assets	-	2,118
Non-controlling interest (Note 7)	(71,627)	40,653
<b>Loss and comprehensive loss for the period</b>	<b>1,250,580</b>	<b>1,614,974</b>
<b>Deficit, beginning of the period</b>	<b>53,067,929</b>	<b>47,409,261</b>
<b>Deficit, end of the period</b>	<b>\$ 54,318,509</b>	<b>\$ 49,024,235</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of shares outstanding</b>	<b>111,760,414</b>	<b>73,184,868</b>

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**ADRIANA RESOURCES INC.**  
**(An Exploration Stage Company)**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited and expressed in Canadian dollars)**

<b>For the three months ended January 31</b>	<b>2011</b>	<b>2010</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the period	\$ (1,250,580)	\$ (1,614,974)
Items not involving cash:		
Amortization	6,388	7,352
Unrealized portion of foreign exchange gains	(14,868)	(217,818)
Accretion on convertible debentures	173,211	161,572
Stock-based compensation	199,685	331,198
Provision for loss on former premises	(20,000)	-
Write-off of property interests	-	2,118
Non-controlling interest	(71,627)	40,653
	(977,791)	(1,289,899)
Changes in non-cash working capital:		
Receivables and prepaids	(66,835)	411,271
Accounts payable and accrued liabilities	254,257	182,772
<b>Cash used in operating activities</b>	<b>(790,369)</b>	<b>(695,856)</b>
<b>Investing activities</b>		
Port facility expenditures	(133,847)	(97,414)
Mineral property expenditures	(553,009)	(226,853)
Office equipment expenditures	(1,054)	(3,695)
<b>Cash used in investing activities</b>	<b>(687,910)</b>	<b>(327,962)</b>
<b>Financing activities</b>		
Proceeds from share issuance, net of issue costs	7,508,616	1,090,866
Proceeds from exercise of options and warrants	566,626	8,666
<b>Cash provided by financing activities</b>	<b>8,075,242</b>	<b>1,099,532</b>
<b>Increase in cash and cash equivalents</b>	<b>6,596,963</b>	<b>75,714</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,879,633</b>	<b>361,869</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 8,476,596</b>	<b>\$ 437,583</b>
<b>Supplementary cash flow information</b>		
Interest paid	\$ 26,505	\$ -

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**ADRIANA RESOURCES INC.**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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## **1. GOING CONCERN AND 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 Otelnuik Iron Ore Project in Nunavik, Québec (the "Lac Otelnuik 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) and Adriana Mining Corporation. 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.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assume that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company has no source of operating cash flows, has not yet achieved profitable operations, and has accumulated losses to January 31, 2011 of \$54,319,509 since its inception and expects to incur further losses in the development of its business, all of which cast doubt about the Company's ability to continue as a going concern. 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 (see Note 15 - Subsequent Event) 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 Otelnuik Property.

## **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.

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The following accounting standards affecting future accounting periods were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2009 and 2010:

These accounting standards, other than convergence with International Financial Reporting Standards ("IFRS"), will be adopted on a prospective basis with no restatement to prior period financial statements.

*Financial Instruments – Recognition and Measurement (Section 3855)*

Section 3855 has been amended to clarify (i) the application of the effective interest method after a debt instrument has been impaired, and (ii) when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These amendments apply to interim and annual financial statements beginning on or after January 1, 2011. The Company does not expect any significant impact on its financial position, operating results or disclosure on adopting the amended Section 3855.

*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 and convertible debentures are considered by management of the Company to be a reasonable approximation of their carrying values due to their short term to maturity.

**5. CAPITAL ASSETS**

Capital assets consist of the following:

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	January 31, 2011 Cost	Accumulated Amortization	Net Book Value
Port Facility	\$ 55,675,802	\$ -	\$ 55,675,802
Mineral properties	14,125,996	-	14,125,996
Office	183,142	56,838	126,304
	<u>\$ 69,984,940</u>	<u>\$ 56,838</u>	<u>\$ 69,928,102</u>

	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
	<u>\$ 68,973,839</u>	<u>\$ 50,450</u>	<u>\$ 68,923,389</u>

**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.

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 January 31, 2011, the Company has advanced an additional US\$10,493,000 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 Ltd. Pursuant to the terms of the Brazore Transaction, Adriana had the right of first refusal until February 12, 2011. This 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 January 31, 2011, this addition comprises \$20,035,076 of the asset and the associated future income tax liability was \$7,314,412 (October 31, 2010 - \$19,774,471,

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\$7,236,990, respectively). The increase of \$77,422 in the future income tax liability in the period is net of a favourable foreign exchange adjustment of \$11,184.

As at January 31, 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	January 31 2011
Land	\$ 39,428,147	\$ -	\$ 39,428,147
Port design and development	15,858,244	389,411	16,247,655
	<b>\$ 55,286,391</b>	<b>\$ 389,411</b>	<b>\$ 55,675,802</b>

**b) Mineral Properties**

*Labrador Trough, Nunavik, Québec*

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

The Company has entered into a binding Framework Agreement with WISCO as of January 12, 2011 for a total investment of \$120,000,000, of which \$28,366,000 was contributed by way of a private placement on March 23, 2011 (*see Note 15 - Subsequent Event*). The Framework Agreement contemplates the formation of a joint venture to hold Adriana's current interests in the Company's Lac Otelnuke and December Lake iron ore properties in Northern Quebec with WISCO contributing an additional \$91,634,000, being the balance of the original commitment. WISCO will in turn receive a 60% participating interest in the joint venture. A 4% participating interest in the joint venture will be granted to an arm's-length third party in connection with the closing of the definitive joint venture agreement.

Under the terms of the Framework Agreement, WISCO will use commercially reasonable efforts to assist the joint venture 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 Joint Venture Agreement with respect to the Joint Venture, this being subsequently extended to a date on or before June 30, 2011.

**i) Lac Otelnuke Iron Ore Project, Nunavik, Québec**

On November 30, 2005, the Company entered into an option agreement (the "Lac Otelnuke Option") to earn a 100% interest in certain claims comprising part of the Lac Otelnuke Property. The Company has also staked additional mineral claims directly adjacent to and surrounding the claims subject to the Lac Otelnuke Option. Pursuant to the Lac Otelnuke 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 Otelnuke Royalty") equal to (i) 2.5% from the sale of iron ore products mined from the claims subject to the Lac Otelnuke 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 Otelnuke Royalty is subject to

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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 Otelnuik 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 Otelnuik Option agreement relating to a portion of the Lac Otelnuik 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 Otelnuik 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.

**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.

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

	Three months ended January 31, 2011	Year ended October 31, 2010
Balance, beginning of period	\$ 13,505,360	\$ 8,925,658
Acquisition and maintenance	150,000	194,652
Camp and expediting	9,890	1,851,887
Drilling and demobilization	-	1,463,697
Equipment	7,000	258,612
Geochemistry and metallurgical	166,167	287,375
Geological and geophysics	4,536	46,630
Environmental	-	134,601
Professionals and consultants	279,946	176,532
Salaries and benefits	1,150	11,905
Surveying	-	232,356
Travel	1,947	121,638
Incurred during the period	620,636	4,779,885
	14,125,996	13,705,543
Less: written off on abandonment	-	(200,183)
Balance, end of period	\$ 14,125,996	\$ 13,505,360

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**6. CONVERTIBLE DEBENTURES**

	Three months ended January 31, 2011	Year ended October 31, 2010
Balance, beginning of period	\$ 8,952,341	\$ 8,248,928
Add: Accretion of liability component of debentures	173,211	703,413
Less: Converted in period	(988,236)	-
Liability component of Convertible Debentures	8,137,316	8,952,341
Less: Current portion of liability	(2,360,487)	(3,273,373)
<b>Balance, end of period</b>	<b>\$ 5,776,829</b>	<b>\$ 5,678,968</b>

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 months ended January 31, 2011, debentures with a face value of \$1,050,000 were converted, resulting in the issuance of 1,060,604 common shares with a recorded value of \$1,219,973.. A further debenture with a face value of \$500,000 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.

As of January 31, 2011, debentures with an original face value of \$2,500,000 mature on September 10, 2011 and the debenture held by ArcelorMittal matures on September 10, 2012. At January 31, 2011, interest of \$68,781 (October 31, 2010 - \$34,117) was accrued as current interest payable, \$26,505 having been paid in January 2011 on conversion of the related debentures, and interest of \$1,167,703 (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.

**7. NON-CONTROLLING INTEREST**

	Three months ended January 31, 2011	Year ended October 31, 2010
Balance, beginning of period	\$ 11,350,566	\$ 11,262,880
Non-controlling interest in cash contributions to Port Facility	172,000	423,956
Share of losses for period	(71,627)	(336,270)
<b>Balance, end of period</b>	<b>\$ 11,450,939</b>	<b>\$ 11,350,566</b>

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**8. SHARE CAPITAL**

a) Authorized

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

b) Issued

The Company has the following Common Shares issued and outstanding:

	Three months ended January 31, 2011		Year ended October 31, 2010	
	Shares	Amount	Shares	Amount
<b>Common shares</b>				
Balance, beginning of period	93,088,670	\$ 84,309,312	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	-	-	4,270,000	3,800,000
less finders' fees and other issue costs				(272,343)
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)
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	100,001	48,189
Shares issued on exercise of warrants	102,187	72,780	-	-
Shares issued on debenture conversions	1,060,604	1,219,973	-	-
Future income tax benefits on				
expenditures renounced to shareholders		-		(321,000)
<b>Balance, end of period</b>	<b>116,611,911</b>	<b>\$ 93,939,078</b>	<b>93,088,670</b>	<b>\$ 84,309,312</b>

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 \$3,800,000, less finders' fees of \$246,000 and issue costs of \$26,343.

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

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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 finder's fees in the aggregate amount of \$560,000.

Subsequent to January 31, 2011, the private placement contemplated under the Framework Agreement with WISCO closed for gross proceeds of approximately \$28,366,000. See *Note 15 – Subsequent Events*.

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 year ended October 31, 2010, as a result of the exploration expenditures renounced to investors in December 2009, the Company recorded a future income tax liability of \$321,000.

c) Options

Pursuant to the Company's stock option plan approved by the shareholders of the Company on April 8, 2010, the maximum number of Common Shares which may be issued is 9,452,032. The Company may grant options to directors, officers, employees and consultants of the Company and its subsidiaries. The exercise price of each option cannot be lower than the market price of the Common Shares on the date of the option grant. The options vest as to one-third of the number of options granted to an option holder six months, twelve months and eighteen months after the date of the grant.

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

During the three months ended January 31, 2011, under the fair-value method, the amount of \$199,685 (2010 - \$338,232) in stock-based compensation costs was recorded for options vested to directors, officers, employees and consultants.

The fair values of options granted were calculated using the Black-Scholes option pricing model with the following assumptions:

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	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 January 31, 2011, the following options to purchase Common Shares were outstanding:

Year of Expiry	Number of Options	Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable
2011	200,000	\$0.55-1.10	0.419	\$ 0.78	166,667
2012	800,000	\$0.35-1.10	1.052	0.69	800,000
2013	275,000	\$1.10	2.329	1.10	275,000
2014	3,900,000	\$0.26-0.55	3.437	0.35	3,466,667
2015	1,050,000	\$0.33-0.45	4.227	0.42	266,667
2016	947,500	\$1.30	4.983	1.30	-
	7,172,500	\$0.26-1.30	3.364	\$ 0.57	4,975,001

d) Warrants and Compensation Options

The continuity of warrants is as follows:

	Exercise price	Number of warrants	Value
Balance, October 31, 2010			
expiring May 7, 2012	\$ 0.50	2,500,000	\$ 530,552
Exercised in the period	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

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	1.98%
Expected dividend yield	0%
Stock price volatility	113.60%
Expected life of warrants	1.3 years
Fair value of warrants	\$0.50

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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 period	(38,830)	0.40
<b>Balance, January 31, 2011</b>	<b>516,489</b>	<b>\$ 0.40</b>

**9. CONTRIBUTED SURPLUS**

	Three months ended January 31, 2011	Year ended October 31, 2010
Balance, beginning of period	\$ 4,667,714	\$ 3,273,206
Stock-based compensation for stock options	199,685	1,136,406
Stock-based compensation for compensation options	-	280,000
Exercise of stock and compensation options	(322,535)	(21,898)
<b>Balance, end of period</b>	<b>\$ 4,544,864</b>	<b>\$ 4,667,714</b>

**10. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT-RELATED RISKS**

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

Certain financial assets 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 January 31, 2011 and October 31, 2010:

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January 31, 2011				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 8,476,596	\$ -	\$ -	\$ 8,476,596

  

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.

**11. 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.

	Three months ended January 31	
	2011	2010
Geological consulting fees	\$ -	\$ 48,180

**12. COMMITMENTS AND CONTINGENCIES**

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

	Office leases
2011	\$ 166,300
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 \$ 297,000. 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 outgoings 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 January 31, 2011, the Company had expended approximately \$4,450,000, with approximately \$2,550,000 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 agree-

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ments, asset purchase and sale agreements, joint venture agreements, operating agreements, leasing agreements, 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.

- d) The Company is committed to certain cash payments as described in Note 5.
- 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 January 31, 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.

### 13. NON-CASH TRANSACTIONS

During the three months ended January 31, 2011 and 2010, there were the following non-cash transactions:

	Three months ended January 31	
	2011	2010
Funding of non-controlling interest's share in the Port Facility	\$ 172,000	\$ 88,552
Stock-based compensation	199,685	338,232
Conversion of debentures	1,219,973	-

### 14. 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 (previously three) geographic segments. Geographic distribution of operating results in the geographic segments is as follows:

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	January 31, 2011			
	Brazil	Canada	Finland	Total
Total assets	\$ 56,175,501	\$ 22,966,598	\$ -	\$ 79,142,099
Cash and cash equivalents	170,306	8,306,290	-	8,476,596
Capital assets	55,764,832	14,163,270	-	69,928,102
Net loss (income) for the period	88,458	1,162,122	-	1,250,580
Cash expenditures on capital assets	133,847	554,063	-	687,910

  

	October 31, 2010			
	Brazil	Canada	Finland	Total
Total assets	\$ 55,683,730	\$ 15,717,481	\$ -	\$ 71,401,211
Cash	93,958	1,785,675	-	1,879,633
Capital assets	55,379,118	13,544,271	-	68,923,389
Net loss (income) for the year	422,428	5,611,956	(375,716)	5,658,668
Cash expenditures on capital assets	405,302	4,820,118	-	5,225,420

## 15. SUBSEQUENT EVENT

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 \$28,366,000 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.

Finder's fees in the amount of \$1,986,000 were paid on the closing of the private placement.

Under the terms of the private placement, WISCO has been granted certain rights including the ability to appoint one representative to Adriana's board of directors and WISCO has 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. This pre-emptive right will terminate if (i) the proposed Joint Venture Agreement between WISCO and the Company has not been entered into by May 16, 2011 for certain specified reasons, (ii) the closing of the proposed Joint Venture between WISCO and the Company is not completed by June 30, 2011 under specified circumstances, and (iii) 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.