ETHOS CAPITAL CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 AND 2010

(Expressed in Canadian dollars)

(Unaudited)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the periods ended March 31, 2011 and 2010.

ETHOS CAPITAL CORP.

Condensed Statements of Financial Position
As at March 31, 2011, December 31, 2010 and January 1, 2010
(Stated in Canadian Dollars)

		March 31 2011 (unaudited)		December 31 2010 (note 3)		January 1 2010 (note 3)
Assets						
Current assets:						
Cash and cash equivalents	$	5,747,940	$	5,707,569	$	1,392,457
Amounts receivable		52,460		18,475		1,813
Prepaid expenses		152,235		16,454		-
		5,952,635		5,742,498		1,394,270
Mineral Interests (note 3 and 7)		1,011,750		1,011,750		130,750
Equipment		1,023		-		-
	$	6,965,408	$	6,754,248	$	1,525,020
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	$	319,430	$	134,360		18,925
Due to related parties (note 9)		79,157		6,876		1,304
		398,587		141,236		20,229
Deferred tax liabilities		129,100		129,100		-
		527,687		270,336		20,229
Shareholders' Equity						
Share capital (note 3 and 8)		7,875,586		6,682,433		2,007,873
Share option reserve		656,452		662,465		322,808
Share warrant reserve		1,063,225		1,627,040		-
Deficit		(3,157,542)		(2,488,026)		(825,890)
		6,437,721		6,483,912		1,504,791
	$	6,965,408	$	6,754,248		1,525,020

See accompanying notes to the unaudited condensed financial statements.

APPROVED ON BEHALF OF THE BOARD:

"Chris Theodoropoulos" Director

"Peter Wong" Director

ETHOS CAPITAL CORP.

Condensed Statements of Loss and Comprehensive Loss
For the three month periods ended March 31, 2011 and 2010
(Unaudited)
(Stated in Canadian Dollars)

	Three months ended March 31, 2011	Three months ended March 31, 2010 (note 3)
Expenses		
Amortization of equipment	$ 40	$ -
Bank charges	825	-
Consulting	101,496	24,000
Exploration and project evaluation	336,922	116,501
Investor relations	61,686	13,500
Listing and filing fees	28,707	13,915
Office and administrative	57,145	21,801
Professional fees	27,780	6,341
Rent	7,472	5,150
Salaries	14,369	-
Share-based compensation	8,456	8,160
Travel and expenses	32,317	-
Loss before the undernoted	(677,215)	(209,368)
Other income (expenses)		
Interest income	15,500	958
Foreign exchange loss	(7,801)	(1,252)
Net loss and comprehensive loss for the period	(669,516)	(209,662)
Basic and diluted loss per share	$ 0.03	$ 0.02
Weighted average number of shares outstanding	25,434,385	14,003,750

See accompanying notes to the unaudited condensed financial statements.

ETHOS CAPITAL CORP.

Condensed Statements Changes in Equity
For the three month periods ended March 31, 2011 and 2010
(Unaudited)
(Stated in Canadian Dollars)

	Share Capital		Share Reserves			
	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve	Deficit	Total
Balances, January 1, 2010 (note 3)	11,200,000	$2,007,873	$ 322,808	$ -	$(825,890)	$1,504,791
Shares issued for cash	4,000,000	1,000,000	-	-	-	1 ,000,000
Share issuance cost	-	(11,525)	-	-	-	(11,525)
Shares issued for mineral interests	-	-	-	-	-	-
Shares issued for warrants exercised	37,500	-	-	-	-	-
Shares issued for options exercised	-	12,375	-	-	-	12,375
Share-based payments	-	-	8,160	-	-	8,160
Net loss for the period	-	-	-	-	(209,662)	(209,662)
Balances, March 31, 2010	15,237,500	3,008,723	$330,968	-	$(1,035,552)	$2,304,139
Common shares issued for cash						
Shares issued for cash	7,277,455	3,203,143	-	1,586,458	-	4,789,601
Share issuance cost	-	(424,874)	-	147,600	-	(277,274)
Shares issued for mineral interests	700,000	556,000	-	-	-	556,000
Shares issued for warrants exercised	600,585	346,181	-	(107,018)	-	239,163
Shares issued for options exercised	250,000	122,360	(79,735)	-	-	42,625
Deferred tax liabilities - exploration	-	(129,100)	-	-	-	(129,100)
Share-based payments	-	-	411,232	-	-	411,232
Net loss for the period	-	-	-	-	(1,452,474)	(1,452,474)
Balances, December 31, 2010	24,065,540	$6,682,433	$662,465	$1,627,040	$(2,488,026)	$6,483,912
Shares issued for cash	-	-	-	-	-	-
Share issuance cost	-	-	-	-	-	-
Shares issued for mineral interests	-	-	-	-	-	-
Shares issued for warrants exercised	1,722,931	1,170,884	-	(563,815)	-	607,069
Shares issued for options exercised	39,000	22,269	(14,469)	-	-	7,800
Share-based payments	-	-	8,456	-	-	8,456
Net loss for the period	-	-	-	-	(669,516)	(669.516)
Balances, March 31, 2011	25,827,471	$7,875,586	$ 656,452	$1,063,225	$(3,157,542)	$6,437,721

See accompanying notes to the unaudited condensed financial statements.

ETHOS CAPITAL CORP.

Condensed Statements of Cash Flows
For the three month periods ended March 31, 2011 and 2010
(Unaudited)
(Stated in Canadian Dollars)

	Three months ended March 31, 2011	Three months ended March 31, 2010 (note 3)
Operating activities		
Net loss for the period	$ (669,516)	$ (209,662)
Item not affecting cash:		
Amortization of equipment	40	-
Share-based compensation	8,456	8,160
	(661,020)	(201,502)
Changes in non-cash working capital components		
Amounts receivable	(33,985)	(117,290)
Prepaid expense	(135,781)	-
Accounts payable and accrued liabilities	185,070	861
Due to related parties	72,281	8,011
	(573,435)	(309,920)
Investing activities		
Equipment	(1,063)	-
Financing activities		
Private placement of common shares	-	1,000,000
Exercise of options	7,800	-
Exercise of warrants	607,069	12,375
Share issue costs	-	(11,525)
	614,869	1,000,850
Increase in cash	40,371	690,930
Cash and cash equivalents, beginning of period	5,707,569	1,392,457
Cash and cash equivalents, end of period	$ 5,747,940	$ 2,083,387
Cash and cash equivalents, end of period, consisted of		
Cash on deposit with a Canadian Senior Bank	$ 510,176	$ 882,170
Term deposits and Guaranteed investment certificates issued by a Canadian Senior Bank	5,237,764	1,201,217
	$ 5,747,940	$ 2,083,387

See accompanying notes to the unaudited condensed financial statements.

1. NATURE OF OPERATIONS

Ethos Capital Corp. (the "Company") was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2007, the Company completed an initial public offering ("IPO") and was publicly listed as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "TSX-V" or "Exchange"). In 2008, the Company announced a proposed qualifying transaction ("Qualifying Transaction") (note 5). In 2009, the TSX-V accepted the Company's Qualifying Transaction and filing statement, and the Company began trading on the TSX-V as a Tier 2 company under the symbol ECC. Its registered office is located at 680 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company's operations during the three months ended March 31, 2011 were primarily directed towards the exploration of the Company's property interests located in Mexico and Canada.

These financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing and if required through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations in the normal course of business.

2. BASIS OF PREPARATION

(a) Statement of compliance

These interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34"), using accounting policies which are consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These are the Company's first IFRS interim financial statements, representing part of the period covered by the Company's first IFRS annual financial statements for the year ending December 31, 2011. The Company previously prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). Disclosures concerning the transition from GAAP to IFRS are included in note 3.

(b) Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in note 4.

(c) The interim financial statements for the three month period ended March 31, 2011(including comparatives) were approved and authorized for issue by the board of directors on June 22, 2011.

3. FIRST-TIME ADOPTION OF IFRS

The Company adopted IFRS on January 1, 2011, with a transition date of January 1, 2010. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards,* the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemption to its opening statement of financial position dated January 1, 2010:

Share-based payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share Based Payment* to equity instruments that were granted on or before November 7, 2002, or that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has no equity instruments granted prior to November 7, 2002 and has elected not to apply IFRS 2 *Share Based Payment* to equity instruments that vested prior to January 1, 2010.

IFRS 1 also outlines guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guideline to its opening statement of financial position dated January 1, 2010:

Estimates

In accordance with IFRS 1, an entity's estimates in accordance with IFRS at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with previous GAAP, unless there is objective evidence that those estimates were made in error. The Company's IFRS estimates at January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement, and disclosure. While adoption of IFRS has not changed the Company's cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statements of operations, statement of comprehensive loss and statement of financial position have been reconciled to IFRS. The differences between Canadian GAAP and IFRS included in the following reconciliations are:

(a) Under IFRS, the Company is only capitalizing costs to acquire mineral exploration rights once legal title or exploration rights are obtained. The company is expensing all remaining exploration costs. This has resulted in a decrease in mineral interests, and an increase in opening deficit.

(b) Under IFRS, share reserves (contributed surplus) are required to be segregated into their categories of origin.

3. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP statement of financial position as at January 1, 2010 has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets			
Current assets:			
Cash and cash equivalents	$ 1,392,457	$ -	$ 1.392.457
Amounts receivable	1,813	-	1,813
Prepaid expenses	-	-	-
	1,394,270	-	1,394,270
Mineral interests	268,893	(138,143)	130,750
Equipment	-	-	-
	$ 1,663,163	$ (138,143)	$ 1,525,020
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 18,925	$ -	$ 18,925
Due to related parties	1,304	-	1,304
	20,229	-	20,229
Deferred tax liabilities	-	-	-
	20,229	-	20,229
Shareholders' Equity			
Share capital	2,007,873	-	2,007,873
Contributed surplus	322,808	(322,808)	-
Share option reserve	-	322,808	322,808
Share warrant reserve	-	-	-
Deficit	(687,747)	(138,143)	(825,890)
	1,642,934	(138,143)	1,504,791
	$ 1,663,163	$ (138,143)	$ 1,525,020

3. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP statement of financial position as at March 31, 2010 has been reconciled to IFRS as follows:

	March 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets			
Current assets:			
Cash and cash equivalents	$ 2,083,387	$ -	$ 2,083,387
Amounts receivable	119,103	-	119,103
Prepaid expenses		-	
	2,202,490	-	2,202,490
Mineral interests	385,394	(254,644)	130,750
Equipment	-	-	-
	$ 2,587,884	$ (254,644)	$ 2,333,240
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 19,786	$ -	$ 19,786
Due to related parties	9,315	-	9,315
	29,101	-	29,101
Deferred tax liabilities	-	-	-
	29,101	-	29,101
Shareholders' Equity			
Share capital	3,008,723		3,008,723
Contributed surplus	330,968	(330,968)	-
Share option reserve	-	330,968	330,968
Share warrant reserve	-		-
Deficit	(780,908)	(254,644)	(1,035,552)
	2,558,783	(254,644)	2,304,139
	$ 2,587,884	$ (254,644)	$ 2,333,240

3. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP statement of loss and comprehensive loss for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

	March 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses			
Consulting	$ 24,000	$ -	$ 24,000
Exploration and project evaluation	-	116,501	116,501
Investor relations	13,500	-	13,500
Listing and filing fees	13,915	-	13,915
Office and administrative	21,801	-	21,801
Professional fees	6,341	-	6,341
Rent	5,150	-	5,150
Share-based compensation	8,160	-	8,160
Loss before the undernoted	(92,867)	(116,501)	(209,368)
Other income (expenses)			
Interest income	958		958
Foreign exchange loss	(1,252)		(1,252)
Net loss and comprehensive loss for the period	$ (93,161)	$ (116,501)	$ (209,662)
Basic and diluted loss per share	$ 0.01	$ -	$ 0.02
Weighted average number of shares outstanding	14,003,750	-	14,003,750

3. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP statement of financial position as at December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets			
Current assets:			
Cash and cash equivalents	$ 5,707,569	$ -	$ 5,707,569
Amounts receivable	18,475	-	18,475
Prepaid expenses	16,454	-	16,454
	5,742,498	-	5,742,498
Mineral interests	2,002,692	(990,942)	1,011,750
Equipment	-	-	-
	$ 7,745,190	$ (990,942)	$ 6,754,248
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 134,360	$ -	$ 134,360
Due to related parties	6,876	-	6,876
	141,236	-	141,236
Deferred tax liabilities	129,100	-	129,100
	270,336	-	270,336
Shareholders' Equity			
Share capital	6,682,433	-	6,682,433
Contributed surplus	2,289,505	(2,289,505)	-
Share option reserve	-	662,465	555,447
Share warrant reserve	-	1,627,040	1,734,058
Deficit	(1,497,084)	(990,942)	(2,488,026)
	7,474,854	(990,942)	6,483,912
	$ 7,745,190	$ (990,942)	$ 6,754,248

3. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP statement of loss and comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses			
Bank charges	$ 927	$ -	$ 927
Business investigative costs	12,897	-	12,897
Consulting	215,774	-	215,774
Exploration and project evaluation	-	852,799	852,799
Investor relations	79,893	-	79,893
Listing and filing fees	46,797	-	46,797
Office and administrative	79,931	-	79,931
Professional fees	47,016	-	47,016
Rent	21,250	-	21,250
Share-based compensation	291,505	-	291,505
Travel and expenses	22,671	-	22,671
Loss before the undernoted	(818,571)	(852,799)	(1,671,370)
Other income (expenses)			
Interest income	15,846	-	15,846
Foreign exchange loss	(6,612)	-	(6,612)
Net loss and comprehensive loss for the period	$ (809,337)	$ (852,799)	$ (1,662,136)
Basic and diluted loss per share	$ 0.05	$ -	$ 0.10
Weighted average number of shares outstanding	17,481,282	-	17,481,282

On the conversion from GAAP to IFRS, there was no significant net impact on the statements of cash flows for the three months ended March 31, 2010 or the year ended December 31, 2010.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of amounts receivable and carrying values of property and equipment, the fair value of options and warrants issued, the fair value of reclamation obligations. Actual results may differ from those estimates.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from property and equipment.

(b) Foreign currencies

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

(c) Financial instruments

Financial instruments, other than cash and cash equivalents, are classified into various categories. Held to maturity investments, and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as FVTPL when the financial instrument is held for trading or are designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income (see (k) below) until the asset is removed from the balance sheet, and losses due to impairment are included in operations. All other financial assets and liabilities, except for cash, are carried at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's financial instruments are cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and amounts due to related parties. The Company has classified its cash and cash equivalents as held for trading, amounts receivable as loans and receivables and accounts payable and accrued liabilities and due to related parties as other financial liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term maturity.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

(d) <u>Cash and cash equivalents</u>

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

(e) <u>Mineral interests</u>

Mineral interests are recorded at cost less accumulated impairment losses. All direct costs related to the to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. Upon commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (in any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(g) Provisions

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

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

(h) Reclamation obligations

Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future site restoration and other costs as required due to environmental law or contracts. At March 31, 2011, there were no reclamation liabilities.

(i) Income recognition

Interest from cash and short term investments is recorded on an accrual basis when collection is reasonably assured.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the balance sheet. At present, the Company has no other comprehensive income or loss.

(k) Share-based payments

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

(l) Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

(m) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the periods presented as including them would have been anti-dilutive.

5. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders' equity. The Company's primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required, but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through 2011. There are no external restrictions on the Company's capital.

6. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at a major financial institution. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and due to related parties are due within the current operating period. The Company manages liquidity risk through the management of its capital structure (note 5).

Currency Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. Some of the Company's mineral property interests are located in Mexico and the Company's financial instruments are denominated in Canadian dollars. The Company is therefore exposed to changes in the Canadian dollar/Mexican peso exchange rate, a risk which it does not actively manage. If the value of the Canadian dollar versus its U.S. counterpart decreases, the cost of planned operations in Mexico during 2011 would increase accordingly, and the amount would depend on the actual expenditures incurred in Mexico.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

7. MINERAL INTERESTS

Acquisition Costs	Santa Teresa Mexico	Corrales Mexico	Betty and Wolf Yukon	Total
Balance, January 1, 2010	$ 65,375	$ 65,375	$ -	$ 130,750
Additions	58,000	58,000	765,000	881,000
Balance, December 31, 2010	123,375	123,375	765,000	1.011,750
Additions	-	-	-	-
Balance, March 31, 2011	$ 123,375	$ 23,375	$ 765,000	$ 1,011,750

Santa Teresa and Corrales Option Agreement, Mexico

Pursuant to a number of agreements and amendments, the Company has an exclusive option (the "Option") to earn an undivided seventy percent (70%) right, title and working interest in two of Cardero Resource Corp.'s ("Cardero") mineral properties in Mexico, the Santa Teresa and Corrales properties (the "Mineral Properties") respectively, by:

(a) paying to Cardero the sum of $300,000, as follows:

- (i) $100,000 on the Acceptance Date (completed on July 20, 2009)
- (ii) an additional $75,000 on or before December 15, 2010 (completed December 10, 2010); and
- (iii) an additional $125,000 on or before July 17, 2011;

(b) delivering to Cardero 1,000,300 fully-paid and non-assessable common shares of the Company as follows:

- (i) 150,000 common shares of the Company on or before December 15, 2010 (completed December 3, 2010);
- (ii) an additional 250,000 common shares of the Company by July 17, 2011; and
- (iii) an additional 600,300 common shares of the Company on or before July 17, 2012;

(c) assuming all of the liabilities and performing, in a timely manner, all of the obligations pursuant to each of the third-party agreements to which Cardero or its subsidiaries hold their rights in and title to the Mineral Properties during the Option period.

7. MINERAL INTERESTS (continued)

Betty & Wolf Option Agreements, Yukon

On December 21, 2010, the TSX-V accepted for filing two Option Agreements dated November 30, 2010 between the Company and Shawn Ryan ("Ryan") and Wildwood Exploration Inc. ("Wildwood") whereby the Company has the option to acquire a 100% interest in the Betty and Wolf properties, located in the White Gold area, west-central Yukon by completing the following:

Cash Payments

Property	Within 5 business days of TSXV Acceptance (Completed December 23, 2010)	On or before January 15, 2012	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	$100,000	$100,000	$100,000	$100,000	$150,000
Betty	$150,000	$100,000	$100,000	$100,000	$150,000
Totals	$250,000	$200,000	$200,000	$200,000	$300,000
Cumulative	$250,000	$450,000	$650,000	$850,000	$1,150,000

Required Expenditures

Property	On or before January 15, 2012	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Wolf	$200,000	$300,000	$500,000	$750,000	$750,000
Betty	$200,000	$300,000	$500,000	$750,000	$750,000
Totals	$400,000	$600,000	$1,000,000	$1,500,000	$1,500,000
Cumulative	$400,000	$1,000,000	$2,000,000	$3,500,000	$5,000,000

Share Payments

Property	Within 5 business days of TSXV Acceptance (Completed December 23, 2010)	On or before January 15, 2012	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	250,000	250,000	250,000	250,000	250,000
Betty	250,000	250,000	250,000	250,000	250,000
Totals	500,000	500,000	500,000	500,000	500,000
Cumulative	500,000	1,000,000	1,500,000	2,000,000	2,500,000

7. MINERAL INTERESTS (continued)

Betty & Wolf Option Agreements (continued)

The Company will also issue and deliver to Ryan 500,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on each of the Betty and Wolf properties, and issue and deliver to Ryan an additional 500,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on each of the Betty and Wolf properties.

In addition, the Company has the option to accelerate all of the above obligations and upon fulfilling all of these obligations, under both option agreements, the Company will make annual cash advance royalty payments of $30,000 to Ryan and Wildwood commencing October 30, 2015 and continuing each year thereafter until commencement of commercial production of each of the respective mineral properties. These advance royalty payments will be deducted from the royalty payable upon commencement of commercial production.

Each of the properties will be subject to a 2% Net Smelter Return ("NSR") royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buyout 1% of the NSR royalty exercisable for CDN$2,500,000 per property.

Bridget and Hen Option Agreements, Yukon

The Company entered into two Option Agreements dated March 1, 2011 between the Company and Ryan and Wildwood, whereby the Company has the option to acquire a 100% interest in the Bridget and Hen properties, located in the White Gold area. The TSXV approved this transaction subsequent to March 31, 2011. Following are the requirements to fulfill the option:

Cash Payments

Property	Within 5 business days of TSXV Acceptance (Completed May 31, 2011)	On or before 1st Anniversary of Agreement	On or before 2nd Anniversary of Agreement	On or before 3rd Anniversary of Agreement	On or before 4th Anniversary of Agreement
Bridget	$100,000	$100,000	$100,000	$100,000	$150,000
Hen	$125,000	$150,000	$125,000	$100,000	$150,000
Totals	$225,000	$250,000	$225,000	$200,000	$300,000
Cumulative	$225,000	$475,000	$700,000	$900,000	$1,200,000

Required Expenditures

Property	On or before October 15, 2011	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Bridget	$200,000	$300,000	$500,000	$750,000	$750,000
Hen	$300,000	$350,000	$500,000	$650,000	$750,000
Totals	$500,000	$650,000	$1,000,000	$1,400,000	$1,500,000
Cumulative	$500,000	$1,150,000	$2,150,000	$3,550,000	$5,050,000

7. MINERAL INTERESTS (continued)

Betty & Wolf Option Agreements (continued)

Share Payments

Property	Within 5 business days of TSXV Acceptance (Completed May 31, 2011)	On or before 1st Anniversary of Agreement	On or before 2nd Anniversary of Agreement	On or before 3rd Anniversary of Agreement	On or before 4th Anniversary of Agreement
Bridget	250,000	250,000	250,000	250,000	250,000
Hen	350,000	350,000	350,000	350,000	350,000
Totals	600,000	600,000	600,000	600,000	600,000
Cumulative	600,000	1,200,000	1,800,000	2,400,000	3,000,000

The Company will also issue and deliver to Ryan 250,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on the Bridget property, and issue and deliver to Ryan an additional 250,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on the Bridget property.

The Company will also issue and deliver to Ryan 350,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on the Hen property, and issue and deliver to Ryan an additional 350,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on the Hen property.

Each of the properties will be subject to a 2% NSR royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buyout 1% of the NSR royalty exercisable for CDN$2,500,000 per property.

8. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares – Issued and outstanding

At March 31, 2011, 25,827,471 common shares were issued and outstanding.

At March 31, 2011, the Company had 1,091,250 (December 31, 2010 – 1,455,000) common shares issued and under escrow. Pursuant to an escrow agreement, in July 2009, the initial 10% of the original 2,425,000 escrowed common shares was released from escrow on the acceptance by TSX-V of a Qualifying Transaction completed by the Company. A total of 15% of the original number of escrowed common shares will be released every 6 months thereafter.

Refer to the unaudited condensed statements of changes in equity for movement in share capital for the three months ended March 31, 2011.

(c) Share options

Share purchase options are granted at an exercise price equal to the estimated fair value of the Company's common shares on the date of the grant.

During 2007, the Company adopted an incentive share option plan which provides that the Board of Directors may from time to time, at its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non transferrable options to purchase common shares of the Company, provided that the number of common shares reserved for issuance does not exceed 1,090,000, representing 10% of the issued and outstanding common shares of the Company at the closing of the IPO. Such options will be exercisable up to five years from the date of grant and subject to vesting. In connection with the foregoing, the number of common shares reserved for issuance to any individual director, officer or employee shall not exceed 5% of the issued and outstanding common shares of the Company and the number of common shares reserved for issuance to any consultant shall not exceed 2% of the issued and outstanding common shares of the Company. Options may be exercised no later than 90 days following the cessation of the optionee's position with the Company. If the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

On June 22, 2010, the Company implemented a new Share Option Plan for the benefit of directors, employees, management company employees and consultants of the Company. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine.

The maximum aggregate number of common shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant. As at March 31, 2011 2,641,500 share purchase options had been issued.

8. SHARE CAPITAL (continued)

(c) Share options (continued)

A summary of the status of the Company's stock options outstanding as at March 31, 2011 and December 31, 2010 and changes during the periods ended on those dates is presented below:

	March 31, 2011		December 31, 2010	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	1,860,000	$0.36	1,100,000	$0.21
Granted	820,500	$0.93	1,060,000	$0.47
Exercised	(39,000)	$0.20	(250,000)	$0.22
Cancelled	-	-	(50,000)	$0.20
Outstanding at end of period	2,641,500	$0.54	1,860,000	$0.36
Exercisable at end of period	1,651,000	$0.35	1,640,000	$0.35

As at March 31, 2011, the following stock options were outstanding:

Expiry date	**Outstanding Options**	**Weighted Average Exercise Price**	**Weighted Average Remaining contractual life (in years)**	**Exercisable Options**	**Weighted Average Exercise Price**
Dec 12, 2012	611,000	$0.20	1.70	611,000	$0.20
Sep 24, 2014	150,000	$0.25	3.49	150,000	$0.25
Apr 1, 2015	50,000	$0.39	4.01	16,667	$0.39
May 4, 2015	160,000	$0.43	4.10	53,333	$0.43
Sep 22, 2015	750,000	$0.42	4.48	720,000	$0.42
Nov 23, 2015	100,000	$0.90	4.65	100,000	$0.90
Feb 2, 2016	750,000	$0.93	4.85	-	$0.93
Feb 15, 2016	70,500	$0.94	4.88	-	$0.94
	2,641,500	$0.54	3.87	1,651,000	$0.35

8. SHARE CAPITAL (continued)

The weighted average grant-date fair value of share options granted during the three month period ended March 31, 2011 was $0.85 per share (Year ended December 31, 2010 - $0.44 per share). The Company determines the fair value of options granted using the Black-Scholes model for share options issued to employees. The Company determines the fair value of options issued to non-employees using the value of services provided by the non-employees. The following weighted-average grant date assumptions were used in valuing options granted during the periods to employees:

	March 31, 2011	**December 31, 2010**
Risk-free interest rate	2.0%	2.0%
Expected volatility	116%	124%
Expected years of option life	2.75	2.95
Expected dividends	Nil	Nil

Volatility is based on historical share price volatility. Expected option lives were estimated at 2.75 to 2.95 years. Other features of the option grants were not considered relevant for the calculation of grant date fair value.

(d) Warrants

As at March 31, 2011, the following share purchase warrants were outstanding:

Warrants	Exercise Price	Expiry Date
1,616,250	$0.55	Nov. 21, 2011
111,794	$0.45	Nov. 21, 2011
1,549,998	$1.15, $1.40	Dec. 23, 2012
148,546	$1.05	Dec. 23, 2012
3,426,588		

9. RELATED PARTY TRANSACTIONS

Remuneration for directors and key management personnel was as follows:

	Three Months Ended March 31, 2011	2010
Salaries – Board Committee fees	$ 7,774	$ -
Consulting fees	90,000	24,000
Share-based payments	-	-
	$ 97,774	$ 24,000

During the three months ended March 31, 2011, the Company accrued $56,590 (2010 – $nil) to a publicly listed company with a common Director, for reimbursement of exploration costs. During the three month period ended March 31, 2011, the Company paid or accrued $60,000 (2010 – $24,000) in consulting fees to private companies individually controlled by Officers and Directors of the Company. $79,157 (2010 – $6,876) was payable at March 31, 2011. These transactions were measured at the agreed exchange amount between the parties except for the reimbursement of expenditures which was based on third party costs.

11. MULTI-EMPLOYER PENSION PLAN (CPP)

The Company contributes to the Canada Pension Plan, a national multi-employer, defined contribution pension plan in Canada on behalf of its employees. During the three month period ending March 31, 2011, the Company made contributions totaling $380 (2010 - $nil).

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31, 2011	2010
Interest received	$ 15,500	$ 958
Interest paid	$ Nil	$ Nil

13. SEGMENT INFORMATION

a) The Company operates in one industry segment (note 1).

b) At March 31, 2011 and December 31, 2010, the Company's mineral interests were located as follows:

	March 31, 2011	December 31, 2010
Mineral interests assets		
Mexico	$ 246,750	$ 246,750
Canada	765,000	765,000
	$1,011,750	$1,011,750

The Company's other assets and liabilities and net expenses are attributable to its corporate office activities in Canada.

14. COMMITMENT AND CONTINGENCIES

The Company's exploration activities in the Yukon Territory and in Mexico are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. The Company makes, and expects to make in the future, expenditures to comply with such laws and regulations, including any reclamation at its mineral properties, on a continuous basis.

The Company's option agreements with Cardero, Wildwood, and Ryan require that the Company make all of the necessary payments to maintain the mineral properties titles in good standing. Estimated annual fixed fees for 2011 are $12,530 and minimum required exploration expenditures are $599,362.

The Company leases its premises in Vancouver, British Columbia and the minimum annual rent in each of the next five years until the lease agreement's expiry on January 31, 2015 are as follows:

2011	$38,198
2012	$61,762
2013	$63,752
2014	$63,927
2015	$ 5,327

15. SUBSEQUENT EVENTS

Bridget and Hen Option Agreements, Yukon

The TSXV accepted for filing the two option agreements for the acquisition by Ethos of the Bridget and Hen properties in the Yukon. In connection with TSXV acceptance, the Company has filed independent National Instrument 43-101 ("NI 43-101") Technical Reports (the "Technical Reports") in respect of its Yukon project - for the Betty and Wolf properties titled "Technical Report on the Wolf and Betty Properties" dated March 20, 2011; and for the Hen and Bridget properties titled "Technical Report on the Hen and Bridget Projects" dated March 31, 2011, prepared by Jean Pautler, P. Geo.

Private Placements

The Company completed a private placement of 5,800,000 units (the "Units") at a price of $1.00 per Unit and 4,920,000 flow-through shares (the "FT Shares") at a price of $1.20 per FT Share for aggregate gross proceeds of $11,704,000 (the "Brokered Offering"). The Brokered Offering was completed by a syndicate of agents led by Canaccord Genuity Corp. and including Fraser Mackenzie Limited and Salman Partners Inc. (collectively the "Agents"). In addition, the Company completed a non-brokered private placement (the "Non-Brokered Offering") of 2,450,000 Units and 600,000 FT Shares on the same terms as the Brokered Offering for gross proceeds of $3,170,000. The total gross proceeds of the Brokered Offering and the Non-Brokered Offering were $14,874,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of $1.35 per share until November 5, 2012.

15. SUBSEQUENT EVENTS (continued)

Private Placements (continued)

In connection with the Brokered Offering, the Company paid to the Agents cash commissions in the aggregate amount of $702,240 and issued 643,200 broker warrants. Each broker's warrant is exercisable until November 5, 2012 to acquire one additional Unit at a price of $1.00 per Unit. In connection with the Non-Brokered Offering, the Company paid to five registered dealers finder's fees in the aggregate amount of $160,320 and issued 154,800 finder's warrants. Each finder's warrant is exercisable to acquire one additional Unit until November 5, 2012 at a price of $1.00 per Unit. All securities issued under the Private Placement are subject to a four-month hold period and are not tradable in Canada until September 6, 2011.

Incentive Stock Option Grant

On June 22, 2011, the Company granted, under its Share Option Plan, incentive stock options to certain directors, officers, employees and consultants of the Company, to purchase 990,000 common shares. The options will be exercisable for a period of up to five years from the date of grant at a price of $1.15.