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Inspection of McCarney Greenwood LLP
(Headquartered in Toronto, Canada)

Issued by the

Public Company Accounting Oversight Board

February 24, 2011

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2011-084

PCAOB
Public Company Accounting Oversight Board

Notes Concerning this Report

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.

2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.

3. Board inspections encompass, among other things, whether the firm has failed to identify financial statement misstatements, including failures to comply with Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements, in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the apparent misstatements or disclosure departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning whether an issuer's financial statements are misstated or fail to comply with Commission disclosure requirements, rests with the Commission. Any description, in this report, of financial statement misstatements or failures to comply with Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.

PCAOB Release No. 104-2011-084

PCAOB
Public Company Accounting Oversight Board

INSPECTION OF MCCARNEY GREENWOOD LLP

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm McCarney Greenwood LLP ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Board is making portions of the report publicly available. Specifically, the Board is releasing to the public Part I of the report and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report.[1/]

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.[2/] A substantial portion of the Board's criticisms of a firm (specifically criticisms of the firm's quality control system), and the Board's dialogue with the firm about those criticisms, occurs out of public view, unless the firm fails to make progress to the Board's satisfaction in addressing those criticisms. In addition, the Board generally does not disclose otherwise nonpublic information, learned through inspections, about the firm or its clients. Accordingly, information in those categories generally does not appear in the publicly available portion of an inspection report.

[1/] The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In addition, pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report at all. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

[2/] See Statement Concerning the Issuance of Inspection Reports, PCAOB Release No. 104-2004-001 (August 26, 2004).

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection from September 14, 2009 to September 18, 2009.[3/] These procedures were tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices	2 (Brampton and Toronto, Canada)
Ownership structure	Limited liability partnership
Number of partners	10
Number of professional staff[4/]	34
Number of issuer audit clients[5/]	2

[3/] The Board's inspection was conducted in cooperation with the Canadian Public Accountability Board.

[4/] "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

[5/] The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act. In some circumstances, a Board inspection may include a review of a firm's audit of financial statements of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.[6/] To achieve that goal, Board inspections include reviews of certain aspects of selected audits performed by the firm and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, respects in which an issuer's financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in conformity with U.S. Generally Accepted Accounting Principles ("GAAP"), or, as applicable, International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").[7/] It is not the purpose of an inspection, however, to review all of a firm's audits or to identify every respect in which a reviewed audit is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm's audits, or its issuer clients' financial statements, are free of any deficiencies not specifically described in an inspection report.

A. Review of Audit Engagement

The inspection procedures included a review of aspects of the Firm's auditing of financial statements of one issuer. The scope of this review was determined according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the scope.

[6/] This focus necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

[7/] When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with GAAP or IFRS, the Board's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

The inspection team identified what it considered to be audit deficiencies.[8/] The deficiencies identified in the audit reviewed included a deficiency of such significance that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.[9/] That deficiency was the failure to perform audit procedures to test the valuation of mineral property rights.

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on a specific audit, the inspection included review of certain of the Firm's practices, policies, and procedures related to audit quality. This review addressed practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures. Any defects in, or criticisms of, the Firm's quality control system are discussed in the nonpublic portion of this report and will remain nonpublic unless the

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[8/] PCAOB standards require a firm to take appropriate actions to assess the importance of audit deficiencies identified after the date of the audit report to the firm's present ability to support its previously expressed opinions. See AU 390, *Consideration of Omitted Procedures After the Report Date,* and AU 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report* (both included among the PCAOB's interim auditing standards, pursuant to PCAOB Rule 3200T). Failure to comply with these PCAOB standards could be a basis for Board disciplinary sanctions.

[9/] In some cases, an inspection team's observation that a firm failed to perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if a firm claims to have performed the procedure. PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS No. 3"), provides that, in various circumstances including PCAOB inspections, a firm that has not adequately documented that it performed a procedure, obtained evidence, or reached an appropriate conclusion must demonstrate with persuasive other evidence that it did so, and that oral assertions and explanations alone do not constitute persuasive other evidence. See AS No. 3, paragraph 9; Appendix A to AS No. 3, paragraph A28. For purposes of the inspection, an observation that the Firm did not perform a procedure, obtain evidence, or reach an appropriate conclusion may be based on the absence of such documentation and the absence of persuasive other evidence.

Firm fails to address them to the Board's satisfaction within 12 months of the date of this report.

END OF PART I

PARTS II AND III OF THIS REPORT ARE NONPUBLIC
AND ARE OMITTED FROM THIS PUBLIC DOCUMENT

PART IV

RESPONSE OF THE FIRM TO DRAFT INSPECTION REPORT

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Firm provided a written response to a draft of this report. Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the Firm's response, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report.[10/]

[10/] In any version of an inspection report that the Board makes publicly available, any portions of a firm's response that address nonpublic portions of the report are omitted. In some cases, the result may be that none of a firm's response is made publicly available.

December 15, 2010

Mr. George H. Diacont
Director
Division of Registration and Inspection
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

RE: Response by McCarney Greenwood LLP to Part 1 of the Public Company Accounting Oversight Board's Draft Report of Inspection – (PUBLIC PORTION)

We are pleased to take this opportunity to provide our written response to the Public Company Accounting Oversight Board's ("PCAOB") draft report dated November 15, 2010 regarding the inspection of McCarney Greenwood LLP (the "Firm") conducted during September of 2009 pursuant to section 104 of the Sarbanes-Oxley Act of 2002.

The partners and professional staff of our Firm believe that the monitoring and inspection of public accounting firms by the PCAOB is an important function that enhances the quality of audit work performed by PCAOB registrant firms and by the members of the public accountancy profession as a whole. We, as a Firm, are committed to performing quality work on all our assurance engagements and we are continually striving to improve our methodology and auditing techniques. In that respect, we are committed to cooperating fully with the PCAOB in their effort to promote and enforce quality audit work.

In Part 1 of the PCAOB's draft report it is stated that the inspection team identified what it considered to be audit deficiencies in their review of our Firm's audit of the 2008 financial statements of "Issuer A". The main deficiency noted is that our Firm did not obtain sufficient competent evidential matter to support its assessment of the valuation and recoverability of the mineral property rights held by "Issuer A" at the end of the 2008 fiscal year end.

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"Issuer A" is a company in the exploration stage and it has invested in a number of mineral properties that give it the right to explore for gold. The price of gold has increased significantly in the past few years and is currently at historic highs. Even during the last recession that saw the decline in the demand for other commodities with a corresponding decline in commodity prices, gold prices remained high. Many investors see gold as a safer investment during difficult economic times than other types of investment. For that reason, mining companies exploring for gold, such as "Issuer A", have been able to continue attracting financing from equity investors to fund their exploration activities.

As part of our 2008 audit of "Issuer A", we assessed whether any events or circumstances had occurred to indicate that the mineral properties were impaired. We took into consideration events and circumstances such as the general economy and the equity markets in recent years as well as the demand for, and price of, gold as a commodity. Although there was a downturn in the general economy in 2008, the price of gold continued to be high and the demand for this metal was strong in that year and in the period that followed. While the depressed equity markets meant that "Issuer A" might find it more difficult than previously to raise large amounts of capital, there was no indication that the company would not be able to raise money to fund its exploration activities.

We also considered the geographical location of the mineral properties as well as the political climate in the Canadian province of Ontario and the state of Nevada to assess whether any circumstances or events had occurred to indicate that gold reserves in that area were depleted or that mineral rights may be impaired. The company's mineral properties are located in areas where other mining companies have found gold deposits in the past. The political climate in those areas is stable – no impediments exit for mining companies operating within legal, regulatory, and environmental requirements.

During the following fiscal year, the management of "Issuer A" decided to scale back the company's exploration expenditures and focus its activities and resources on one property rather than on all of them. This decision was made because there were not enough resources to continue significant exploration at all the properties, not because the Company's management believed that the other properties lacked value. As a result of this decision, "Issuer A" wrote off two mineral properties in 2009.

In addition to the consideration of events and circumstances mentioned above, the audit team on this engagement performed all the audit procedures outlined by our Firm's audit program to test the valuation and recoverability of the mineral property rights held by "Issuer A". These procedures are described in greater detail in our response to Part II of the PCAOB's draft report of inspection.

As a general rule, if little or no activity has taken place on a particular mineral property for a period of three years, and the Issuer's management has not yet written off that property, we request management to provide us with evidence that the property still has recoverable value and that management intends to develop it in the future. Given funding constraints common to exploration companies, sometimes mining companies with several mineral properties may make a decision to focus their funds and efforts on the most promising property. The other properties may not necessarily be impaired but they may be placed on a "care and maintenance" mode until more financing is acquired. This explains why a significant decline in exploration expenditures does not necessarily imply impairment in the value of a mineral property. These circumstances were taken into consideration when we evaluated management's assessment of each mineral property.

The information that our Firm obtained from the procedures noted above and from discussions we had with the management of "Issuer A" is documented in working papers and memos in various sections of the audit file. The working papers include a memo dealing specifically with the status of the mineral properties and whether any impairment has taken place. This memo is found in the mineral properties section of the audit file. We believe that we have conducted sufficient, appropriate audit work and have obtained and documented sufficient competent evidential matter to support our opinion found in our audit report of the 2008 financial statements of "Issuer A".

We would like to point out that the PCAOB team that visited our office for this inspection conducted themselves professionally and were very courteous to the Firm's partners and staff. Although we disagree with some of their findings and with their characterization of our audit work and documentation, we did give their inspection comments careful and thoughtful consideration. We believe that the documentation included within our audit files was sufficient to comply with the PCAOB audit standards. No new facts came to our attention that caused us to modify or change our conclusions regarding the valuation and recoverability of the mineral property rights held by "Issuer A" at the end of fiscal 2008.

Finally, we wish to inform the PCAOB that we take the matters noted in the draft report of inspection very seriously and we have taken action to rectify the deficiencies identified in the report. Accordingly, we took the steps necessary to fulfill our responsibilities under AU 390, *"Consideration of Omitted Procedures after the Report Date"* and AU 561 *"Subsequent Discovery of Facts Existing at the Date of the Auditor's Report"*. None of those steps changed our overall audit conclusions or affected the related audit report. Performing quality work is a priority for our Firm and, as such, we are continually working toward improving our audit methodology and techniques and our quality control procedures. In that effort, we look forward to continuing to work with the PCAOB with regard to our U.S. registrant clients.

Yours very truly,

"McCarney Greenwood LLP"

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Licensed Public Accountants