FLETCHER NICKEL INC.
(A Development Stage Company)

Interim Financial Statements

March 31, 2011

Unaudited

(Expressed in Canadian Dollars)

FLETCHER NICKEL INC.
(A Development Stage Company)

Notes to the interim financial statements

March 31, 2011

Unaudited

Managements Responsibility for Financial Reporting

The interim financial statements and other information in management's discussion and analysis were prepared by the management of Fletcher Nickel Inc., reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors.

Management is responsible for preparation of the interim financial statements and believes that they fairly represent the Company's financial position and the results of its operations in accordance with International Financial Reporting Standards. Management has included amounts in the Company's interim financial statements based on estimates, judgments and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance, at appropriate cost, that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

The Board of Directors, through its audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The audit committee is composed of three directors and meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

FLETCHER NICKEL INC.

(A Development Stage Company)
Interim Balance Sheets
Unaudited
(Expressed in Cana

	March 31, 2011	December 31, 2010 (Note 14)	January 1, 2010 (Note 14)
Assets			
Current			
Cash	**$ 11,342**	$ 14,054	$ 664
Accounts receivable	**1,952**	368	8,924
Prepaid expenses	**-**	-	7,421
	13,294	14,422	17,009
Fixed Assets (Note 6)	**-**	-	12,993
	$ 13,294	$ 14,422	$ 30,002
Liabilities and Shareholders' Deficiency			
Current Liabilities			
Accounts payable and accruals	**$ 278,899**	$ 295,880	$ 281,496
Loan payable (Note 13)	**40,000**	20,000	-
Dividends payable (Note 8)	**450,027**	340,027	-
Other liabilities (Note 14)	**-**	-	14,000
	768,926	655,907	295,496
Long-Term Liabilities			
Preference shares Series A (Note 8)	**6,109,306**	5,990,275	5,533,814
Preference shares Series B (Note 8)	**178,994**	169,773	142,748
Total Liabilities	**7,057,226**	6,815,955	5,972,058
Shareholders' Deficiency			
Common shares (Note 9)	**9,617,041**	9,617,041	9,616,041
Preference shares Series B (Note 8)	**39,241**	39,241	29,880
Commitment to issue shares (Note 8)	**115,182**	113,182	55,469
Warrants (Note 10)	**14,000**	14,000	14,000
Contributed surplus (Note 12)	**2,447,659**	2,447,659	2,447,659
Deficit	**(19,277,055)**	(19,032,656)	(18,105,105)
Total Deficiency	**(7,043,932)**	(6,801,533)	(5,942,056)
	$ 13,294	$ 14,422	$ 30,002

Going concern (Note 1)

Approved by the board of directors

,Director

,Director

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.
(A Development Stage Company)
Statements of Equity (Deficiency)
Unaudited
(Expressed in Canadian Dollars)

	Common Shares	Preference Series B Shares	Committment to issue Shares	Warrants	Contributed Surplus	Deficit	Total Equity
Balance January 1, 2010	$ 9,616,041	$ 29,880	$ 55,469	$ 14,000	$ 2,447,659	$ (18,105,105)	$ (5,942,056)
Series B Preference shares issued to pay A dividends		9,361					9,361
Dividends in Series B preference shares to be issued			55,469				55,469
Net and Comprehensive Loss for the period						(165,159)	(165,159)
Balance March 31, 2010 (Note 14)	9,616,041	39,241	110,938	14,000	2,447,659	(18,270,264)	(6,042,385)
Common shares issued for property	1,000						1,000
Accretion			2,244				2,244
Net and Comprehensive Loss for the period						(762,392)	(762,392)
Balance December 31, 2010 (Note 14)	9,617,041	39,241	113,182	14,000	2,447,659	(19,032,656)	(6,801,533)
Accretion on commitment to issue shares			2,000				2,000
Net and Comprehensive Loss for the period						(244,399)	(244,399)
Balance March 31, 2011	$ 9,617,041	$ 39,241	$ 115,182	$ 14,000	$ 2,447,659	$ (19,277,055)	$ (7,043,932)

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.

(A Development Stage Company)
Interim Statements of Net and Comprehensive Loss
Unaudited
(Expressed in Canadian Dollars)

for the three months ended March 31	2011	2010 (Note 14)
Expenditures		
Accretion of preference shares (Note 8)	**130,252**	114,115
Administrative and general expenses	**2,065**	2,138
Accounting, audit and legal	**(2,619)**	27,964
Consulting	**-**	2,000
Evaluation and exploration expenses (recovery)	**1,314**	(50,470)
Insurance	**3,387**	5,367
Interest on preference shares (Note 8)	**110,000**	100,000
Rent	**-**	(785)
	244,399	200,329
Other items		
Gain on dividend payment (Note 8)	**-**	35,170
	-	35,170
Net and comprehensive loss	**(244,399)**	(165,159)
Loss per share	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding during the period	**26,031,600**	25,981,600

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.

(A Development Stage Company)
Statements of Cash Flows
Unaudited
(Expressed in Canadian Dollars)

for the three months ended March 31	2011	2010
Cash derived from (applied to)		
Operating activities		
Net Loss	$ (244,399)	$ (165,159)
Less: Operating items not involving cash		
Accretion of preference shares	130,252	114,115
Non-cash interest payments	110,000	100,000
Gain on sale of furniture	-	-
Gain on dividend payment	-	(35,170)
Change in non-cash working capital		
Decrease in accounts receivable	(1,584)	(2,352)
Decrease in prepaid expenses	-	-
Increase (Decrease) in accounts payable and accruals	(16,981)	2,743
Increase in dividend payable	-	-
	(22,712)	14,177
Financing activities		
Increase in loan payable	20,000	-
	20,000	-
Investing activities		
Proceeds from sale of fixed assets	-	525
	-	525
Increase (decrease) in cash	(2,712)	14,702
Cash at beginning of period	14,054	664
Cash at end of period	$ 11,342	$ 15,366

See accompanying notes to the interim unaudited financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Fletcher Nickel Inc. (the "Company") is a development stage company and currently has interests in exploration and development properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable.

The Company was incorporated on December 4, 2003 under the laws of the Province of Ontario and its registered office is 141 Adelaide Street West, Suite 1000, Toronto, Ontario.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying interim financial statements.

The Company has a need for equity capital and financing in order to explore and develop its properties and for working capital requirements. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $19,277,055 (December 31, 2010 - $19,032,656). As at March 31, 2011, the Company had cash of $11,342 (December 31, 2010 - $14,054) to settle current liabilities of $768,926 (December 31, 2010 - $655,907).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation and adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim financial statements. In these interim financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS and IFRS refers to Canadian GAAP subsequent to the adoption of IFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1. The Company has consistently applied the same accounting policies in its opening IFRS balance sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. The impact as a result of the Company's adoption of IFRS as of the transition date is disclosed in note 14 to these interim financial statements.

The policies applied in these interim financial statements are based on IFRS policies effective as of June 28, 2011, the date the Board of Directors approved the interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on changeover to IFRS.

These interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

(b) Basis of presentation

The interim financial statements have been prepared under the historical cost convention.

(c) Financial assets and liabilities

The Company's financial instruments consist of the following:

Financial assets	Classification
Cash	Fair value through profit and loss
Accounts receivable	Loans and receivables
Prepaid expenses	Loans and receivables
Financial liabilities	Classification
Accounts payable and accruals	Other financial liabilities
Loan payable	Other financial liabilities
Dividends payable	Other financial liabilities
Preference shares, Series A	Other financial liabilities
Preference shares, Series B	Other financial liabilities

Loans and receivables:
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:
Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Series B preference shares contain both a liability and equity component represented by the conversion feature. The Company allocates the proceeds received between the debt and equity components by first determining the fair value of the debt component and the remainder is applied to the equity component.

Cash

Cash is the amount on deposit in a bank chequing account and is classified as fair value through profit and loss. Changes in fair value are recorded in net earnings at each period end.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Cash is classified as level 1 in the fair value hierarchy.

Impairment of Financial Assets

Financial assets are tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. When indicators of impairment of the carrying value of the financial assets exist and the carrying value is greater than the fair value, an impairment loss is recognized to the extent that the fair value is below the carrying value.

(d) Interest in Mineral Properties

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and exploration and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(e) Loss and Diluted Loss per Share

Basic loss per share is calculated using the weighted average number of shares outstanding. In order to determine diluted loss per share, any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The dilutive effect of convertible securities is reflected in dilutive loss per share by assuming such conversions occurred at the beginning of the period. The diluted loss per share calculation excludes any potential conversion of options, warrants and debentures that would increase earnings per share or decrease loss per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets is determined not to be probable, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

(g) Flow-through Financing

The Company has adopted a policy whereby proceeds from flow-through issuance are allocated between the offering of shares and the sale of tax benefits based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference and is extinguished by crediting income tax recovery when the entity renounces the tax differences.

(h) Stock-based Compensation

The Company accounts for stock-based compensation using the fair value-based method. The fair value of each option granted is recognized over the period during which the options vest and accounted for in operations over the expected life of the option and the related credit is included in contributed surplus. When options are exercised this amount is transferred to capital.

(i) Significant accounting judgments and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the related reported amounts of expenses during the reporting period. Actual results could differ from those reported. The significant items subject to such assumptions include the carrying amount and impairment of mineral properties, amortized cost of preference shares, the valuation of warrants and determination of contingent liabilities. Management believes that the estimates are reasonable.

(j) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. The Company had no material provisions at March 31, 2011, December 31, 2010 and January 1, 2010

3. RECENT ACCOUNTING PRONOUNCEMENTS

International financial Reporting Standard 9, Financial Instruments – Classification and Measurement (IFRS 9). Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 9 introduces new requirements for the classification and measurement of financial instruments. This standard will be adopted in the Company's financial statements for the period beginning January 1, 2013. The Company has not yet considered the potential impact of the adoption of IFRS 9.

International Financial Reporting Standard 13, Fair Value Measurement (IFRS 13). IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company has not yet considered the potential impact of the adoption of IFRS 13.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its Capital to be equity, which is comprised of common shares, preference shares, commitment to issue shares, warrants, contributed surplus and deficit, which as at March 31, 2011 totalled a deficit of $7,043,932 (December 31, 2010 – $6,801,533).

The Company is subject to external restrictions on its capital. The Company is required to make quarterly dividend payments on its Series A preference shares and has entered into an agreement for alternate payment of the dividends until November 15, 2010 (see Note 8). As well, these preference shares will be required to be repaid in 2014. Failure to meet these requirements may result in the loss of the New Texmont property (Note 7). The Company is also required to make quarterly dividend payments on its Series B preference shares. The Company does not have any other external restrictions on its capital.

As at March 31, 2011, the Company has not made all required dividend payments under the preferred share agreements. The Company has not yet been served a notice of default.

Several properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2011.

5. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Fair value

International Financial Reporting Standards require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash, accounts receivable, accounts payable and accruals, loan payable and dividends payable approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

As at March 31, 2011, the fair value of the Series A preference shares, estimated using a discounted cash flow model and a discount rate of 25% is $4,692,000 (December 31, 2010 - $4,510,000) and the fair value of the Series B preference shares, estimated using a discounted cash flow model and a discount rate of 25% is $176,000 (December 31, 2010 - $169,000).

Credit risk

The Company's credit risk is primarily attributable to accounts receivable included in current assets. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with or purchased from reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities.

To continue operations and to fund future obligations, the Company will be required to raise funds through equity or other financing alternatives. Global economic conditions and market uncertainties may have an impact on the Company's ability to raise funds through the equity markets. There can be no assurance that the Company will be successful in its fund raising activities.

The following are the expected maturities and related undiscounted cash disbursements of the Company's liabilities:

	2011	2012	2013	2014
Accounts payable and accruals	$ 278,899	$ -	$ -	$ -
Loan payable	40,000	-	-	-
Dividends payable	450,027	-	-	-
Preference Shares - Series A	-	-	-	8,000,000
Preference Shares - Series B	-	-	-	300,000
	$ 768,926	$ -	$ -	$ 8,300,000

5. FINANCIAL RISK FACTORS (continued)

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as: interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Following is a discussion of the Company's primary market risk exposures and how they are currently managed.

(a) Interest rate risk
The Company has preference shares bearing fixed interest rates and, therefore, the Company's exposure to interest rate risk over the term of the preference shares is minimal.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in US dollars on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

6. FIXED ASSETS

The Company's office furniture was sold during 2010 and the Company recorded a gain on disposal of $10,632.

7. INTEREST IN MINERAL PROPERTIES

The New Texmont Project

The New Texmont Project is comprised of fourteen mining leases expiring February 28, 2017, plus 53 adjoining mineral claims totaling 548 claim units. The mining leases are located 42 kilometers south of Timmins, Ontario, in Geikie and Bartlett Townships. The adjoining mineral claims extend into Bartlett, McArthur, English, Semple, Hutt, Zavitz and Montrose Townships. The leases cover a surface area of 188 hectares and the mineral claims cover a surface area of 8,768 hectares. Under various option terms, minerals recovered from the leases and the claims will be subject to royalties payable to prior holders. A 1.5% net smelter royalty is payable on minerals recovered from the claims but may be reduced to 0.5% for specified fixed-price payments. A 3% net smelter royalty is payable on minerals recovered from the leases during the first three years of commercial production, after which 5% is payable. However, royalties from the leases are halved upon payment of $2 million.

On May 2, 2008 the Company entered into an option agreement to acquire 88 additional claim units adjacent to its properties for 600,000 shares, $600,000 payable in eight equal quarterly instalments, and $325,000 payable in shares on May 15, 2009, at 95% of their weighted average price over the prior 20 trading days. Prior to December 31, 2008, this agreement was amended. The new terms require payment in the amount of $250,000 in the first year; $300,000 in the second year; and, $50,000 in the third year. The Company may, at any time prior to the commercial production of any part of the optioned property, purchase two-thirds of the 1.5% net smelter royalty on the property for $1,000,000. Pursuant to this agreement, the company issued 600,000 common shares on May 8, 2008 at a value of $390,000 and made payments of $175,000.

7. INTEREST IN MINERAL PROPERTIES (continued)

On April 8, 2008 the Company entered into an option agreement to acquire a majority operating interest in 183 claim units adjoining its properties. The Company may earn a 55% joint venture interest in the claim group by completing $1,000,000 of exploration expenditures over four years and issuing 50,000 shares annually until the interest is earned. A minimum of $150,000 of such exploration expenditures must be incurred in the first year; $200,000 in the second year; $250,000 in the third year; and, $400,000 in the fourth year. The Company may purchase one-half of a 2% net smelter royalty on the property, should the optionor`s interest in the joint venture dilute below 10%, for $1,000,000. The first anniversary date of this agreement was July 8, 2009. As at December 31, 2009, the Company had issued 50,000 shares and had spent $227,187. The optionor agreed to postpone the second and subsequent anniversary dates by six months, to January 8th in 2011, 2012 and 2013, in consideration of the Company's payment of an additional 50,000 shares, which were delivered on August 25, 2010. The Company had not spent the required amount by January 8, 2011 and has not issued the 50,000 shares. The optionor and the Company are negotiating an extension to the anniversary date and related commitments.

8. PREFERENCE SHARES

In conjunction with the New Texmont Project, the Company issued 8,000,000 Series A preference shares. The Series A preference shares entitle the holder to receive a 5% per share fixed cumulative annual preferential cash dividend, payable in quarterly installments on the fifteenth (15th) day of February, May, August and November. The Company may at any time, upon a minimum 14 days notice, redeem all or part of the Series A preference shares at a price of $1.00 per share, together with unpaid dividends accrued to the date of redemption. On the eighth anniversary date of issuance, March 15, 2014, the Company must redeem all of the Series A preference shares at a price of $1.00 per share, together with unpaid dividends accrued to the date of redemption.

On March 15, 2006 the value of the Series A preference shares was determined by discounting the future interest payments until March 15, 2014 at a discount rate of 15% which represents the borrowing rate available to the Company for similar instruments of debt having no conversion rights.

The Company has deposited an executed re-assignment of the mining lease with an escrow agent. New Texmont Explorations Limited ("NTE") may require delivery of the re-assignment by the escrow agent in exchange for delivery of the preferred shares for cancellation, at any time the Company has failed to cure a default in payment of the preferred share dividends within thirty days of a notice of default from NTE. The Company may also require NTE to deliver the preferred shares for cancellation at any time it wishes to relinquish and re-assign the mining leases.

On March 24, 2009 the Company arranged to issue and authorized the issue of 500,000 Series B preference shares to satisfy the dividends due to the Series A preference shareholder in amounts of $100,000 on the 15th day of April, May, August and November 2009 and February 2010. Subsequently the Company arranged to issue a further 300,000 Series B preference shares to satisfy the dividends due to the Series A preference shareholder in amounts of $100,000 on the 15th day of May, August and November, 2010. Each Series B preference share will be redeemable at $1 on or before March 15, 2014, will entitle the holder to receive a 5% cumulative annual preferential cash dividend payable quarterly, and will be convertible into 2.5 common shares at any time prior to redemption.

As of March 31, 2011 the status of these dividend payments is as follows:

Series B Preference shares authorized and issued	300,000
Series B Preference shares authorized and committed to be issued	200,000
Series B Preference shares not yet authorized	300,000

8. PREFERENCE SHARES (continued)

The cumulative fair value of the conversion feature of the Series B preference shares issued and authorized to be issued was determined to be $39,241 and has been recorded in equity as "Equity portion of preference shares Series B". The fair value of the debt portion of the Series B preference shares issued and authorized to be issued was estimated by management by discounting the future payments until March 15, 2014 at a discount rate of 25%. The equity portion was calculated using the Black-Scholes option-pricing model assuming a risk-free interest rate of 1.95%, an expected life of 4 years, a volatility of 153% and no dividends. The gain on settlement for the three months ended March 31, 2010 was $35,170. The Series A dividends for May 15, August 15 and November 15, 2010 are recorded as dividends payable as the Series B preference shares for these payments have not yet been authorized. The series A and Series B preference dividends for February 15, 2011 are also recorded as dividends payable

The Company accretes the value assigned to the par value of the Series A and Series B preference shares using the effective interest rate method. Dividend expense related to the preference shares is recorded as interest. For the three months ended March 31, 2011, the Company recorded $130,252 of accretion expense (2010 - $114,115) and $110,000 of dividends as interest expense (2010 - $100,000).

9. COMMON SHARES

	Number of Shares	Amount
Balance, March 31, 2011 and December 31, 2010	26,031,600	$ 9,617,041

10. WARRANTS

	Number of Warrants	Amount
Balance, March 31, 2011 and December 31, 2010	1,400,000	$ 14,000

Warrants Outstanding

Number of Warrants	Exercise Price	Expiry Date	Book Value
1,400,000	$ 0.06	July 12, 2011	$ 14,000

Each warrant entitles the holder to purchase one common share of the Company.

11. OPTIONS

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed five years at exercise prices not less than the closing sale price of the shares on the trading day immediately proceeding the date options are granted, and are not transferable. The plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual, the exercise price and the term. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued shares.

11. OPTIONS (continued)

Options Transactions

	2011	
	Number of Options	**Weighted average exercise price per share**
Options outstanding, January 1, 2011	1,430,000	$ 0.70
Expired	(125,000)	$ 0.70
Options outstanding, March 31, 2011	1,305,000	$ 0.70

Options Outstanding

Number of Options	Exercise Price	Expiry Date
1,175,000	$ 0.70	November 29, 2012
100,000	$ 0.75	December 12, 2012
30,000	$ 0.75	March 24, 2013
1,305,000		

12. CONTRIBUTED SURPLUS

Balance, March 31, 2011 and December 31,2010	**$2,447,659**

13. RELATED PARTY TRANSACTIONS AND BALANCES

	March 31, 2011	December 31 2010
Balances due to directors and officers:		
Loan payable to an officer	**$40,000**	**$20,000**
Amount included in accounts payable, due to a law firm of which a partner is a director of the Company	-	**$66,808**
Transactions with directors and officers:		
Legal fees incurred to a law firm of which a partner is a director of the Company	-	**$10,621**

Amounts due to officers are non-interest bearing, have no set terms of repayment and are due on demand. All transactions were made in the normal course of business and are measured at the exchange amount.

14. TRANSITION TO IFRS

Overview

The effect of the Company's transition to IFRS, described in Note 2, is summarized as follows: (i) Transition elections; (ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS; and (iii) Adjustments to the statement of cash flows.

Transition elections

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has applied the following transitional exceptions and exemptions to full retrospective application of IFRS in its preparation of an opening IFRS balance sheet as at January 1, 2010, the Company's "transition date":

a) To apply IAS 23, Borrowing Costs prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

b) To apply IFRS 2, Share-based Payment retrospectively only to awards that were issued after November 7, 2002 and had not fully vested by the transition date.

c) To apply the transition provisions of IFRIC 4, Determining whether an Arrangement Contains a Lease, to determine if arrangements existing at the transition date contain a lease based on the circumstances existing at the transition date, rather than the historical date.

d) To apply IAS 32, Financial Instruments – Presentation retrospectively only to compound financial instruments where the liability portion is still outstanding as of the transition date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS balance sheet as at the transition date are consistent with those made under Canadian GAAP.

The Company's transition date IFRS balance sheet is included as comparative information in the interim balance sheets in these interim financial statements.

Reconciliation of equity and comprehensive loss of previously reported Canadian GAAP to IFRS

Reconciliation of equity

The following is a reconciliation of the transition adjustments for the Company from previously reported Canadian GAAP to IFRS as at the transition date:

	Common Shares	Preference Series B Shares	Commitment to Issue Shares	Warrants	Contributed Surplus	Deficit	Total
As reported under Canadian GAAP, December 31, 2009	$ 9,630,041	$ 29,880	$ 55,469	$ 14,000	$ 2,447,659	($6,310,187)	$ 5,866,862
Evaluation and exploration expenses (i)	-	-	-	-	-	($11,794,918)	($11,794,918)
Flow-through shares adjustment (ii)	($14,000)	-	-	-	-	-	($14,000)
As reported under IFRS, January 1, 2010	$ 9,616,041	$ 29,880	$ 55,469	$ 14,000	$ 2,447,659	($18,105,105)	($ 5,942,056)

14. TRANSITION TO IFRS (Continued)

The following is a reconciliation of the Company's equity from previously reported Canadian GAAP to IFRS as at March 31, 2010:

	Common Shares	Preference Series B Shares	Commitment to Issue Shares	Warrants	Contributed Surplus	Deficit	Total
As reported under Canadian GAAP, March 31, 2010	$ 9,630,041	$ 39,241	$ 110,938	$ 14,000	$ 2,447,659	($6,525,816)	$ 5,716,063
Evaluation and exploration expenses (i)	-	-	-	-	-	($11,744,448)	($11,744,448)
Flow-through shares adjustment (ii)	($14,000)	-	-	-	-	-	($14,000)
As reported under IFRS, March 31, 2010	$ 9,616,041	$ 39,241	$ 110,938	$ 14,000	$ 2,447,659	($18,270,264)	($6,042,385)

The following is a reconciliation of the Company's equity from previously reported Canadian GAAP to IFRS as at December 31, 2010:

	Common Shares	Preference Series B Shares	Commitment to Issue Shares	Warrants	Contributed Surplus	Deficit	Total
As reported under Canadian GAAP, December 31, 2010	$ 9,631,041	$ 39,241	$ 113,182	$ 14,000	$ 2,447,659	($19,046,656)	($ 6,801,533)
Evaluation and exploration expenses (i)	-	-	-	-	-	-	-
Flow-through shares adjustment (ii)	($14,000)	-	-	-	-	$14,000	-
As reported under IFRS, December 31, 2010	$ 9,617,041	$ 39,241	$ 113,182	$ 14,000	$ 2,447,659	($19,032,656)	($ 6,801,533)

14. TRANSITION TO IFRS (Continued)

Reconciliation of comprehensive loss

The following is a reconciliation of the Company's comprehensive loss reporting under Canadian GAAP to IFRS for the three month period ended March 31, 2010 and the year ended December 31, 2010:

	Three months ended March 31, 2010	Year ended December 31, 2010
Comprehensive loss as reported under Canadian GAAP	$ (215,629)	$ (12,736,469)
Evaluation and exploration expenses (i)	50,470	11,794,918
Flow-through shares adjustment (ii)	-	14,000
Comprehensive loss as reported under IFRS	$ (165,159)	$ (927,551)

(i) Exploration and evaluation expenses

Under IFRS, the Company has changed its policy to expense all exploration and evaluation expenses under such time as a technical feasibility study shows the economic potential on the property. Under Canadian GAAP, the Company's policy was to capitalize all exploration and evaluation expenses on the balance sheet once the legal right to explore on the property was obtained.

The adoption of IFRS resulted in the interests in the mineral property of $11,794,918 being charged to the deficit on the transition date. For the three months ended March 31, 2010 and the year ended December 31, 2010, the adoption of IFRS resulted in recoveries of exploration and evaluation expenses of $50,470 and $44,717, respectively, which were recorded in the statement of net and comprehensive loss. Additionally, for the year ended December 31, 2010 the write-down of the interests in mineral properties of $11,750,201 recorded under Canadian GAAP was reversed.

(ii) Flow-through shares adjustment

Under IFRS, proceeds from the issuance of flow-through shares are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A future tax liability is recognized for the premium paid by the investors and is then recognized as a future income tax recovery in the period of renunciation. Previously, the Company's Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow through shares. This resulted in the Company reducing the net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow through share subscribers provided that there was reasonable assurance that the expenditures would be made. The future income tax liability is calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting value available for deduction.

The adoption of IFRS resulted in a liability of $14,000 and a reduction of share capital of $14,000 on the transition date. During the year ended December 31, 2010, the liability was reduced by $14,000 and the income tax benefit was recorded.

Adjustments to the Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on the presentation of cash flows by the Company.