(an exploration stage enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars, unless otherwise stated)

March 31, 2011

(unaudited)

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Notice to Reader – From Aquila Resources Inc.

The unaudited interim consolidated financial statements of Aquila Resources Inc. (the "Company") including the accompanying consolidated statements of financial position as at March 31, 2011, December 31, 2010, and January 1, 2010 and the consolidated statements of operations, comprehensive loss and deficit, changes in shareholders' equity and cash flows for the three month periods ended March 31, 2011 and 2010 are the responsibility of the Company's management. The interim unaudited consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements.

The interim consolidated financial statements as at and for the three month period ended March 31, 2011 have not been reviewed by the Company's auditor.

(an exploration stage enterprise)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in United States Dollars - Unaudited)

AS AT

	Note	March 31, 2011	December 31, 2010 (Note 4)	January 1, 2010 (Note 4)
ASSETS				
Current				
Cash		**$ 1,426,783**	$ 950,662	$ 1,791,853
Accounts receivable		**967,269**	94,097	100,882
Prepaid expenses		**25,285**	33,817	35,891
		2,419,337	1,078,576	1,928,626
Security deposits	5(a)	**136,068**	134,528	119,464
Mineral property costs	5	**30,083,582**	29,442,414	28,921,354
Capital assets	6	**791,355**	796,484	937,328
		$ 33,430,342	$ 31,452,002	$ 31,906,772
LIABILITIES				
Current				
Accounts payable and accrued liabilities	8	**$ 154,976**	$ 52,078	$ 104,404
SHAREHOLDERS' EQUITY				
Share capital	7	**39,375,204**	37,277,999	36,977,430
Contributed Surplus		**6,060,034**	4,760,497	4,774,519
Deficit		**(12,159,872)**	(10,638,572)	(9,949,581)
		33,275,366	31,399,924	31,802,368
		$ 33,430,342	$ 31,452,002	$ 31,906,772

Nature of operations and going concern considerations (Note 1)
Commitments (Notes 5 and 9)

Approved on Behalf of the Board

'Edward J. Munden' Director

'Robin Dunbar' Director

See accompanying notes to the unaudited interim consolidated financial statements

(an exploration stage enterprise)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in United States Dollars - Unaudited)

	Note	For the Three Months Ended March 31, 2011	2010 (Note 4)
Expenses			
Depreciation		**$ 4,584**	$ 4,899
Consulting fees		**33,976**	8,646
Directors' fees	8	**11,789**	18,013
Filing and regulatory fees		**34,818**	18,726
Foreign exchange (gain) loss		**(239,454)**	10,803
Interest and bank charges		**1,558**	743
Mineral property expenses		**3,552**	44,694
Management fees	8	**17,039**	9,006
Office, general and administrative		**19,556**	14,773
Professional fees		**67,301**	29,483
Rent	8	**3,651**	3,458
Salaries and benefits		**157,356**	26,608
Stock-based compensation	7(d)	**1,363,681**	27,998
Travel and promotion		**43,433**	12,074
Loss before undernoted		**1,522,840**	229,924
Interest income and other income		**(1,540)**	(1,500)
Net loss and comprehensive loss for the period		**$ 1,521,300**	$ 228,424
Loss per common share			
Basic and fully diluted loss per share		**$ 0.01**	$ 0.01
Weighted average number of common shares outstanding		**82,942,721**	81,779,365

See accompanying notes to the unaudited interim consolidated financial statements

(an exploration stage enterprise)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIODS ENDED March 31, 2011 and 2010
(Expressed in United States Dollars - Unaudited)

	Share Capital		Contributed	Accumulated	Total
	Shares	Amount	Surplus	Deficit	
Balance, December 31, 2009 (Note 4)	81,770,529	36,977,430	4,774,519	(9,949,581)	31,802,368
Share-based payment	-	-	27,998	(27,998)	-
Proceeds of exercise of options	8,836	1,273	-	-	1,273
Net loss	-	-	-	(228,424)	(228,424)
Balance, March 31, 2010 (Note 4)	81,779,365	36,978,703	4,802,517	(10,206,003)	31,575,217

	Share Capital		Contributed	Accumulated		Total
	Shares	Amount	Surplus	Deficit		
Balance, December 31, 2010 (Note 4)	82,656,711	37,277,999	4,760,497	(10,638,572)		31,399,924
Fair value of options	-	64,144	(64,144)	-		-
Share-based payment	-	-	1,363,681	-		1,363,681
Proceeds of exercise of options	113,625	33,061	-	-		33,061
Private Placement	2,226,514	2,000,000	-	-		2,000,000
Net loss	-	-	-	(1,521,300)		(1,521,300)
Balance, March 31, 2011 (Note 4)	84,996,850	39,375,204	6,060,034	(12,159,872)	-	33,275,366

See accompanying notes to the unaudited interim consolidated financial statements

(an exploration stage enterprise)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars - Unaudited)

	Note	For the Three Months Ended March 31, 2011	2010
			(Note 4)
Cash flows from operating activities			
Net loss for the period		**$ (1,521,300)**	$ (228,424)
Adjustment for:			
Depreciation		**4,584**	4,899
Stock-based compensation	7(d))	**1,363,681**	27,998
Foreign exchange		**(239,454)**	10,803
		(392,489)	(184,724)
Changes in non-cash working capital	10	**(748,314)**	(194,206)
Cash flows used in operating activities		**(1,140,803)**	(378,930)
Cash flows from investing activities			
Capital assets		**(545)**	-
Increase in mineral properties	5	**(417,569)**	6,946
Cash flows used in investing activities		**(418,114)**	6,946
Cash flows from financing activities			
Issuance in common shares		**2,035,038**	1,273
Cash flows provided from financing activities		**2,035,038**	1,273
Net increase in cash		**476,121**	(370,711)
Cash, beginning of period		**950,662**	1,791,853
Cash, end of period		**$ 1,426,783**	$ 1,421,142

See accompanying notes to the unaudited interim consolidated financial statements

1. Nature of operations and going concern considerations:

Aquila Resources Inc. (the "Company") was incorporated under the Business Corporations Act ("Canada") and is involved in the mineral exploration business and controls mineral and surface rights at the Back Forty Project located in Menominee County, Michigan.

The Company is listed on The Toronto Stock Exchange ("TSX") and is in the business of exploring for and developing mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenues and is considered an exploration stage company. For the three month period ended March 31, 2011, the Company incurred a loss of $1,521,300 (2010-$228,424) and had an accumulated deficit of $12,159,872 at that date (2010-$(10,638,572)). The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate. These adjustments could be material.

The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties 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 government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

2. Basis of Presentation:

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and require publicly accountable enterprises to apply such standards effectively for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these interim consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. These interim consolidated financial statements do not conform in all respects with disclosures required for annual financial statements and should be read in conjunction with Aquila Resources Inc. Canadian GAAP annual financial statements for the year ended December 31, 2010.

2. Basis of Presentation: (con't)

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("FASB"). These are the Company's first IFRS interim consolidated financial statements in which IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied (note 4). The IAS 34 interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies set out below have been applied consistently to all periods presented in preparing the opening statement of financial position at January 1, 2010 (note 4) for the purposes of transitioning to IFRS. The accounting policies have been applied consistently to the Company and its subsidiaries. The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of June 13, 2011, the date the Board of Directors approved the statements. Any subsequent change to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recorded on change-over to IFRS.

Basis of Measurement and Principles of Consolidation

The interim consolidated financial statements have been prepared on the historical cost basis unless otherwise stated. The interim consolidated financial statements includes all the accounts of the Company and all of its subsidiaries and investments, including its principal subsidiary, Aquila Resources Corp. as well as other non-significant subsidiaries.

Functional and Presentation Currency

These interim consolidated financial statements are presented in US dollars, which is the functional currency and presentation currency of the Company.

Use of Estimates and Judgement

The preparation of interim consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates. In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of exploration and evaluation ("E&E") assets, useful lives of capital assets, decommissioning liabilities (asset retirement obligation), share-based payment, income taxes, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management's best estimates.

3. Significant Accounting Policies:

Principles of consolidation:

These interim consolidated financial statements are prepared in accordance with IFRS. Summarized below are these policies considered significant to the Company. References to the Company included herein are inclusive of the accounts of Aquila Resources Inc.'s wholly-owned subsidiary Aquila Resources Corp. and its subsidiaries. All inter-company balances and transactions have been eliminated. The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases.

3. Significant Accounting Policies: (con't)

Deferred mineral property costs:

The Company capitalizes all costs, net of any recoveries, during the evaluation and exploration and development stage of its mineral properties. These costs will be amortized on the units-of-production basis over the estimated useful life of the properties following commencement of production or written-off if the properties are sold, allowed to lapse, or abandoned.

Cost includes the cash, consideration paid and the fair market value of any common shares issued on the acquisition of mineral properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The recorded cost of mineral claims and deferred exploration and development costs represent costs incurred and are not intended to reflect present or future values.

The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for, and amount of, any write down.

The Company reviews capitalized costs on its property interests on a periodic, or annual, basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review and the assessment of the ability to recover capitalized costs based on technical, social and environmental issues.

Administrative costs, other than for those that are charged to deferred mineral property costs, are expensed as incurred.

The proceeds of options granted on a mining property are recorded as a reduction of the amounts recorded for mineral property costs and any excess is recorded in the statement of comprehensive loss.

Capital assets:

Capital assets consist of land and buildings, furniture fixtures and equipment which are initially recorded at cost. Depreciation is recorded using the following rates and methods:

Buildings	4%	Declining balance
Furniture, fixtures and equipment	20%	Declining balance

Depreciation is recorded at one-half of the annual rate in the year of acquisition.

Share capital:

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted trading price of those shares on the TSX for a reasonable period before and after the transaction.

Share issue costs are recorded as a reduction of share capital when the related shares are issued.

3. Significant Accounting Policies: (con't)

Proceeds from unit placements are allocated between shares and warrants issued according to the residual value method. The fair value of the shares is determined based on the quoted market price on the date the shares are issued with the residual value being allocated to the warrants

Revenue recognition:
Interest income is recognized on an accrual basis as it is earned.

Assets retirement obligation:
The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon undiscounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-term asset, and this amount is subsequently allocated to expense over its expected life. Adjustments will also be made in subsequent periods to changes in asset retirement obligations due to changes in estimates. As at March 31, 2011, the Company does not have any asset retirement obligations.

Impairment:
When events or changes in the economic environment indicate a risk of impairment of mineral properties or property and equipment, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset. 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 assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Income taxes:
The Company accounts for and measures deferred tax assets and liabilities in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using the enacted or substantially-enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets is not probable, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

3. Significant Accounting Policies: (con't)

Share-based payments:

The Company has a stock option plan, which is described in note 7(d). The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock-option at the date of grant. Stock options that vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related services and non-market vesting conditions are met. Stock option compensation is recognized as expense with a corresponding increase in contributed surplus. On exercise of the stock option, consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.

Earnings per share:
The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible warrants and share options granted to directors, officers, employees, consultants and other service providers of the Company.

Translation of foreign currencies:
Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

Property option agreements:

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are typically exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

Mineral property pre-acquisition costs:

The Company capitalizes pre-acquisition costs investigating potential property acquisition. However, if the Company determines that a specific property acquisition will not be concluded, the costs associated with the specific property are charged to operations in the current period.

3. Significant Accounting Policies: (con't)

Financial assets and liabilities:

Assets or liabilities at fair value through profit or loss ("FVTPL")

Financial instruments classified as FVTPL assets or liabilities FVTPL are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period which the change occurs.

Held-to-maturity investments, loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are carried at amortized costs using the effective interest method. Interest income or expenses is included in net income (loss) over the expected life of the instrument.

Available-for-sale

Financial instruments classified as available for sale are recorded at fair value at each balance sheet date and any change in fair value is recognized in other comprehensive income in the period in which these changes occur. Securities classified as available for sale and with no quoted market price in an active market are carried at cost. Available-for-sale securities are written down to fair value (impairment recognized in loss) when it is necessary to reflect an other-than-temporary impairment. Upon derecognition, any accrued gains or losses in accumulated other comprehensive income are then recognized in net income (loss).

Classification of financial instruments:

The Company designates its cash as *FVTPL*, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. Due to the short-term nature of these instruments, their carrying value approximates their fair value.

Comprehensive income:

Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income ("OCI") includes unrealized gains and losses on available-for-sale securities, foreign currency translation adjustment and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a category in shareholders' equity.

Future accounting changes:

IFRS 9, Financial Instruments ("IFRS 9"):

In October 2010, the IASB issued IFRS 9, replacing IAS 39 and establishing principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company for its annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

4. Transition to IFRS:

First-time adoption of IFRS:

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS on the first date at which IFRS was applied, which was January 1, 2010 ("Transition Date"). IFRS 1 generally requires retrospective application of IFRS as 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.

IFRS 1 does not permit changes to estimates that have been previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

On the Transition Date, the Company has elected not to retrospectively apply IFRS 2, Share-based Payments ("IFRS 2") to all share-based transactions at the date of transition. IFRS 2 will only be applied to equity instruments issued on or after, and that have not vested by the Transition Date.

The Company has elected not to retrospectively apply IFRS 3, Business Combinations, to any business combinations that occurred prior to the Transition Date.

Changes to accounting policies:

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for adoption on December 31, 2011, the Company's first annual IFRS reporting date. However, these changes have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, and expenses within the Company's interim consolidated financial statements.

The following summarizes the results and adjustments to the Company's interim consolidated financial statements upon adoption of IFRS:

a) Share-based payment

IFRS 2 requires each vesting tranche to be valued with unique assumptions, as if it were a separate grant, along with estimates on forfeitures based on historical trends experienced by the Company. Under IFRS, when a share-based payment award vests in instalments over the vesting period (graded vesting), each instalment is accounted for as a separate arrangement. Under Canadian GAAP, an entity can elect to treat the equity instruments as a pool and determine fair value using the average life of the instruments, and recognize the compensation cost on a straight-line basis, subject to at least the value of the vested portion of the award being recognized at each reporting date. Under IFRS, the Company uses an estimate of forfeitures based on historical trends experienced by the Company. Under Canadian GAAP no estimate was used, but rather actual forfeitures were accounted for as they occurred.

b) Foreign currency translation

The Company and its subsidiaries determined that their functional currency is US Dollars, previously it was Canadian Dollars under Canadian GAAP. Accordingly, the exchange differences resulting from the change in functional currency were adjusted against deficit on the date of transition.

Additionally, there were no material adjustments to the previously reported statements of cash flows.

4. Transition to IFRS: (con't)

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

	CANADIAN GAAP	CANADIAN GAAP	IFRS Adjustment	Ref:	IFRS
	CDN$	US $	US $		US $
Assets					
Current					
Cash	$ 1,866,125	$ 1,791,853	$ -		$ 1,791,853
Accounts receivable	105,063	100,882	-		100,882
Prepaid expenses	37,379	35,891	-		35,891
	2,008,567	1,928,626	-		1,928,626
Security deposits	124,415	119,464	-		119,464
Mineral property costs	30,120,135	28,921,354	-		28,921,354
Capital assets	976,180	937,328	-		937,328
	$ 33,229,297	$ 31,906,772	$ -		$ 31,906,772
Liabilities					
Current					
Accounts payable and accrued liabilities	108,733	104,404	-		104,404
Shareholders' Equity					
Share capital	38,510,133	36,977,430	-		36,977,430
Contributed surplus	4,806,341	4,615,049	159,470	4(a)	4,774,519
Deficit	(10,195,910)	(9,790,111)	(159,470)	4(a)	(9,949,581)
	$ 33,229,297	$ 31,906,772	$ -		$ 31,906,772

4. Transition to IFRS: (con't)

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

	CANADIAN GAAP	CANADIAN GAAP	IFRS Adjustment	Ref:	IFRS
	CDN$	US $	US $		US $
Assets					
Current					
Cash	$ 1,554,168	$ 1,421,142	$ -		$ 1,421,142
Accounts receivable	290,625	387,857	-		387,857
Prepaid expenses	27,306	26,880	-		26,880
	1,872,099	1,835,879	-		1,835,879
Security deposits	121,624	128,207	-		128,207
Mineral property costs	30,152,443	28,994,975	-		28,994,975
Capital assets	971,059	813,061	-		813,061
	$ 33,117,225	$ 31,772,122	$ -		$ 31,772,122
Liabilities					
Current					
Accounts payable and accrued liabilities	196,769	196,905	-		196,905
Shareholders' Equity					
Share capital	38,511,459	36,978,703	-		36,978,703
Contributed surplus	4,806,341	4,615,049	187,468	4(a)	4,802,517
Deficit	(10,397,344)	(10,018,535)	(187,468)	4(a)	(10,206,003)
	$ 33,117,225	$ 31,772,122	$ -		$ 31,772,122

4. Transition to IFRS: (con't)

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

	CANADIAN GAAP	CANADIAN GAAP	IFRS Adjustment	Ref:	IFRS
	CDN$	US $	US $		US $
Assets					
Current					
Cash	1,029,747	950,662	-		950,662
Accounts receivable	93,589	94,097	-		94,097
Prepaid expenses	33,636	33,817	-		33,817
	1,156,972	1,078,576	-		1,078,576
Security deposits	133,802	134,528	-		134,528
Mineral property costs	30,676,113	29,442,414	-		29,442,414
Capital assets	951,606	796,484	-		796,484
	$ 32,918,493	$ 31,452,002	$ -		$ 31,452,002
Liabilities					
Current					
Accounts payable and accrued liabilities	384,952	52,078	-		52,078
Shareholders' Equity					
Share capital	38,819,709	37,277,999	-		37,277,999
Contributed surplus	4,882,017	4,729,027	31,470	4(a)	4,760,497
Deficit	(11,168,185)	(10,607,102)	(31,470)	4(a)	(10,638,572)
	$ 32,918,493	$ 31,452,002	$ -		$ 31,452,002

4. Transition to IFRS: (con't)

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

	CANADIAN GAAP CDN $	CANADIAN GAAP US $	IFRS Adjustment US $	Ref:	IFRS US $
Expenses					
Depreciation	5,100	4,899	-		4,899
Consulting fees	9,000	8,646	-		8,646
Directors' fees	18,750	18,013	-		18,013
Filing and regulatory fees	19,492	18,726	-		18,726
Foreign exchange loss (gain)	1,826	3,922	6,881	4(b)	10,803
Interest and bank charges	774	743	-		743
Mineral property expense	46,522	44,694	-		44,694
Management fees	9,375	9,006	-		9,006
Office, general and administrative	17,785	14,773	-		14,773
Professional fees	30,591	29,483	-		29,483
Rent	3,600	3,458	-		3,458
Salaries and benefits	27,226	26,608	-		26,608
Share-based payment	-	-	27,998	4(a)	27,998
Travel and promotion	12,987	12,074	-		12,074
Loss before undernoted items	203,028	195,045	34,879		229,924
Interest income and other income	(1,594)	(1,500)	-		(1,500)
Net loss and comprehensive loss	$ 201,434	$ 193,545	$ 34,879		$ 228,424
Loss per share	(0.01)	(0.01)			(0.01)
Basic and diluted loss per share	(0.01)	(0.01)			(0.01)
Weighted average number of shares	81,779,365	81,779,365			81,779,365

4. Transition to IFRS: (con't)

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

	CANADIAN GAAP	CANADIAN GAAP	IFRS Adjustment	Ref:	IFRS
	CDN$	US $	US $		US $
Expenses					
Depreciation	25,306	19,563	-		19,563
Consulting fees	56,495	54,851	-		54,851
Directors' fees	33,188	32,222	-		32,222
Filing and regulatory fees	32,527	31,581	-		31,581
Foreign exchange loss (gain)	(9,489)	59,854	-		59,854
Interest and bank charges	3,872	3,759	-		3,759
Management fees	163,875	100,853	-		100,853
Office, general and administrative	95,168	87,338	-		87,338
Professional fees	70,492	68,441	-		68,441
Rent	14,400	13,981	-		13,981
Salaries and benefits	185,979	180,832	-		180,832
Share-based payment	197,137	191,402	(127,998)	4(a)	63,404
Travel and promotion	110,182	106,967	-		106,967
Adjustment	-	-	-		(128,000)
Loss before undernoted items	979,132	951,644	(127,998)		695,646
Interest income and other income	(6,857)	(6,655)	-		(6,655)
Net loss and comprehensive loss	$ 972,275	$ 944,989	$ (127,998)		$ 688,991
Loss per share	(0.01)	(0.01)			(0.01)
Basic and diluted loss per share	(0.01)	(0.01)			(0.01)
Weighted average number of shares	82,037,263	82,037,263			82,037,263

5. Mineral property costs and commitments:

Total accumulated deferred mineral property costs are detailed as follows:

Mineral property costs:

2011	Balance beginning of year	Acquisition	Exploration	JV reimbursements/ recoveries	Write-down	Balance end of period
Back Forty Project	$29,067,050	$ 174,881	$ 903,761	$ (1,065,853)		$29,079,839
Exploration Alliance	(210,811)	-	848,374	(637,563)		-
Michigan Gold	311,972	-	284,127			596,099
Reef	-	-	88,471	-		88,471
Other	274,203	-	44,970	-		319,173
	$29,442,414	$ 174,881	$ 2,169,703	$ (1,703,416)		$30,083,582

2010	Balance beginning of year	Acquisition	Exploration	JV reimbursements/ recoveries	Write-down	Balance end of year
Back Forty Project	$28,921,354	$ 2,436,988	$ 2,309,660	$ (4,600,952)		$29,067,050
Michigan Gold		31,162	280,810			311,972
Other		63,530	210,673			274,203
Exploration Alliance	-	-	36,300	(247,111)		(210,811)
	$28,921,354	$ 2,531,680	$ 2,837,443	$ (4,848,063)		$29,442,414

a) Back Forty Project

The Back Forty Project controls approximately 7,600 (2010-9,300) acres of surface and mineral rights which are owned or held under lease or option by a 100% owned U.S. subsidiary and are subject ti the HudBay option on a joint venture agreement. Some lands are subject to net smelter royalties varying from 1% to 3.5%, with certain lands subject to a 2% - 7% state royalty, which under state law can be renegotiated. The entire project is subject to a 7% net distributable earnings royalty ("Net Profits after Payback") payable to a former joint venture partner.

HudBay Option and Joint Venture Agreement

On August 6, 2009, the Company signed a Subscription, Option and Joint Venture Agreement (the "Agreement") with HudBay Minerals Inc. ("HudBay"). Under the terms of the agreement, the following events came into effect:

I) HudBay subscribed for 12,141,051 common shares of the Company at $0.1827 per share for gross proceeds of CDN$2,218,170 (see note 5). These shares were subject to a four month hold period.

II) While HudBay maintains at least a 10% ownership interest, HudBay will have the right to nominate a director to the Company's Board of Directors and will have preemptive rights to maintain its ownership interest. In addition, should HudBay choose to dispose of its equity interest in the Company, HudBay has agreed to do so in an orderly manner pursuant to the Agreement.

5. Mineral property costs and commitments: (con't)

III) HudBay can earn a 51% interest in the Back Forty Project (the "Project") by expending a minimum of $10 million in aggregate over a 3 year period with a minimum of $3 million by the first anniversary, an additional US$3 million by the second anniversary, and an additional $4 million by the third anniversary (Fulfilled on August 31, 2010, refer below).

IV) After HudBay completes the initial 51% interest, HudBay and the Company will form a joint venture reflective of their proportionate ownership interest in the Project.

V) Subsequent to HudBay earning the initial 51% interest, HudBay will have the option to increase its interest in the Project to 65% by funding and completing a feasibility study, funding and submitting a permitting application, and making outstanding specified option payments.

VI) In the event a feasibility study is completed and permitting applications are submitted, and HudBay elects to put the Project into production and issues a Development Notice, the Company will have 90 days to arrange financing for its share of project costs. If the Company is unable or elects not to obtain financing, HudBay, by assuming the obligation to finance 100% of the development costs, will increase its ownership in the Project by a further 10% to 75%. Pursuant to the Agreement, the Company's 25% share of the development costs would then be deducted from the Company's proportionate share from Net Proceeds from the Project.

VII) While HudBay retains the largest ownership interest in the Project, HudBay will be the manager and operator. HudBay will also have exclusive marketing rights to sell production to HudBay or third parties on commercial terms.

VIII) If the feasibility study is not completed and all applications for permitting are not submitted on or before the fourth anniversary of the Agreement, the Company has the right to reacquire HudBay's 51% joint venture interest by reimbursing HudBay 50% of its total expenditures in respect of the Project incurred from the execution of the Agreement. If the Project is not brought into commercial production within four years from the grant of mining permits, the Company may reacquire HudBay's 65% joint venture interest by reimbursing HudBay 50% of its total Project expenditures incurred after execution of the Agreement. Notwithstanding the Company exercising the foregoing right, HudBay shall retain the marketing rights and the product rights as provided for in the Agreement. In addition, if the Company exercises this right after HudBay earns a 51% interest in the Project, then HudBay shall have its participating interest converted to a 1% NSR.

During 2009, in connection with securing the Agreement with HudBay, fees of $305,000 were paid in cash, and 300,000 stock options were issued valued at $60,600 using the Black Scholes option pricing model (see note 5).

On August 31, 2010, pursuant to the agreement, HudBay acquired a 51% interest in the Project. HudBay will act as operator of the joint venture with authority and discretion as to the exploration and potential development of the Project and will have exclusive rights to purchase and market the minerals produced from the property. Although called a joint venture in the agreement, management has determined that a joint venture by accounting standards does not exist. IAS 31 requires that the ventures have joint control over the strategic financial and operating decisions of the venture. In this agreement the Company does not have joint control.

5. Mineral property costs and commitments: (con't)

a) Back Forty Project (Con't)

HudBay Option and Joint Venture Agreement (Con't)

The Company maintains cash deposits in the amount of $136,068 (2010-$128,207), pursuant to escrow agreements. The amounts are being held as security for the fulfillment of obligations in accordance with certain agreements pursuant to the Back Forty Project. During the period, the deposits accrued $1,500 (2010-$1,500).

Future Back Forty Project Commitments

Estimated lease, option and property acquisition costs related to the Back Forty Project in each of the next five years are as follows:

2012 - $1,575,741, **2013** - $1,244,581, **2014** - $1,527,195, **2015** - $1,557,852

b) Michigan Gold Property

On October 21, 2010, the Company entered into an option agreement with Minerals Processing Corporation ("MPC") (a related party) to earn a 100% interest in certain surface and mineral rights located in Marquette County, Michigan.

In order for the Company to earn a 100% interest in this property, the Company commitments must be fulfilled:

Due Date		Cash Payment		Shares (see below)		Exploration Expenditures
October 21, 2010	$	25,000	fulfilled	100,000	$	-
October 21, 2011		25,000		100,000		150,000
October 21, 2012		25,000		100,000		200,000
October 21, 2013		25,000		100,000		300,000
October 21, 2014		25,000		100,000		400,000
	$	125,000		500,000	$	1,050,000

On each stock payment, MPC may elect to receive $50,000 in lieu of 100,000 common shares of the Company.

In addition, to the above noted commitments, in order to complete the 100% acquisition of the property, the Company must purchase the mineral and surface rights owned by the vendor for $1,300 per acre. The property is comprised of 332 acres for surface and mineral land and 1,799 acres of mineral rights.

MPC and the Company have common directors and officers.

A net smelter royalty ranging from 1% to 4% is payable in the event of mineral production on the property.

Future additional Michigan Gold Property Commitments

In addition to the above mentioned commitments, estimated acquisition costs related to the Michigan Gold Property in each of the next five years are as follows:

2012 - $48,400, **2013** - $54,600, **2014** - $60,800, **2015** - $62,000

5. Mineral property costs and commitments: (con't)

c) Reef

The Company entered into a series of agreements with private landholders in Marathon County Wisconsin for the optioning of surface and mineral rights. The agreements are by way of long term 20 year mineral lease or mineral rights option with an option to purchase. Currently there are a total of 4166 acres under the agreements. Under the terms of the option to purchase agreements the Company has 7 years to exercise the option to purchase the surface and mineral rights at a formula based on market value.

Year	Cash Payments Due
2011	44,312
2012	35,312
2013	35,312
2014	35,312

d) Exploration Alliance

On October 15, 2010, the Company formed an exploration alliance with HudBay whereby HudBay will fund exploration conducted by the Company in Michigan and other surrounding areas as required. HudBay has made an initial payment to the Company of $250,000, which the Company is using to seek out exploration targets. The Company will present HudBay with a minimum of five exploration targets, and if HudBay agrees to continue to fund any such target it may fund exploration up to $2,000,000, following which the parties would form a 50/50 joint venture with respect to the project. HudBay would then be able to increase its interest to 65% by funding and completing a feasibility study on any one target and required mine permit applications.

6. Capital assets:

Cost	**Land**	**Buildings**	**Furniture and Fixtures**	**Total**
At January 1, 2011	$ 405,880	$ 458,314	$ 29,446	$ 893,640
Additions	-	-	-	-
Disposals	-	-	-	-
At March 31, 2011	$ 405,880	$ 458,314	$ 29,446	$ 893,640

Accumulated depreciation	**Land**	**Buildings**	**Furniture and Fixtures**	**Furniture and Fixtures**
At January 1, 2011	$ -	$ (88,351)	$ (13,934)	$ (102,285)
Additions	-	-	-	-
Disposals	-	-	-	-
At March 31, 2011	$ -	$ (88,351)	$ (13,934)	$ (102,285)

Net Book Value				
March 31, 2011	**$ 405,880**	**$ 369,963**	**$ 15,512**	**$ 791,355**
December 31, 2010	**$ 405,880**	**$ 291,374**	**$ 99,230**	**$ 796,484**

7. Share capital:

a) Authorized
Unlimited number of common shares

b) Issued
84,996,850 Common shares (2010-82,656,711)

c) Warrants:

There were no warrants issued or outstanding at of March 31, 2011, and 2010.

d) Stock-option and stock-based compensation:

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees, consultants and other service providers of the Company and its subsidiaries in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options to acquire an increased proprietary interest in the Company. Under the Plan, options are non-assignable and may be granted for a term not exceeding five years. The number of common shares that may be reserved for issuance to any one person must not exceed 5% of the outstanding common shares. The exercise price of an option may not be lower than the closing price of the common shares on the TSX, subject to applicable discounts, on the business day immediately proceeding the date the option is granted. The options are non-transferable.

As at March 31, 2011, common share stock options held by directors, officers, employees and consultants are as follows:

Number of options outstanding	Exercise Price	Expiry Date	Number of options exercisable
1,200,000	0.30	May 10, 2011	1,200,000
495,000	0.70	May 14, 2011	500,000
100,000	1.00	June 8, 2011	100,000
1,275,000	2.15	February 8, 2012	1,275,000
1,337,068	0.15	March 2, 2014	1,337,068
843,125	0.25	November 10, 2014	463,125
1,750,000	0.90	February 2, 2016	1,750,000
7,000,193			6,625,193

The fair value of each option was estimated on the date of grant. Under Black-Scholes the options vested during the quarter ended March 31, 2011 have been valued at $1,363,681 (2010 - $27,998l), and expensed to loss, using the following assumptions at the measurement date:

	2011	2010
Risk-free interest rate	**2.62%**	2.71%
Expected life	**5 years**	5 years
Price volatility (based on 2 years historical trend)	**85%**	137%
Share price	**.98**	.25
Dividend yield	**Nil**	Nil

7. Share capital: (con't)

A summary of the status of the Company's stock option plan as of March 31, 2011 and 2010, and changes during the periods are presented below:

	2011			2010		
	Options		Weighted average exercise price	exercise Options		Weighted average price
Balance outstanding at beginning of the period	**5,363,818**	**$**	**0.70**	7,705,000	$	0.73
Exercised	**(113,625)**		**0.29**	(886,182)		0.21
Expired	**-**		**-**	(1,455,000)		0.97
Granted	**1,750,000**		**0.90**	-		-
Balance outstanding at end of the period	**7,000,193**	**$**	**0.76**	5,363,818	$	0.70

8. Related party transactions:

For the quarter ended March 31, 2011 management fees amounting to $17,039 (2010 - $9,006) were charged by a company controlled by the CFO and a director of the Company.

During the quarter ended March 31 2011, the President and CEO, and related individuals received remuneration consisting of management fees and salaries. Total remuneration for the period ending March 31, 2011 was $125,192 (2010-$60,000). Accounts payable includes $Nil (2010-$Nil) owing to these related parties at March 31, 2011.

A total of US$58,942 (2010-US $90,030) was charged in the operations by a geological consulting company of which the President and CEO and another director are major shareholders. A management fee calculated on a percentage of wages payable was included in the amount charged by the geological consulting company to the Company. As at March 31, 2011, accounts payable includes $3,082 (2010-$Nil) owing to this related party.

During the quarter, the Company was charged Directors' fees totaling $11,789 (2010 - $18,013) by non-executive directors. Accounts payable includes $9,000 (2010 - $Nil) owing to these related parties.

During the quarter, the Company was charged legal fees totaling $26,555 (2010-$2,202) by a law firm whose partner is an officer of the Company. As at March 31, 2011 accounts payable includes $2,878 (2010-$764) due to this related party.

Rental expenditures in the amount of $3,651 (2010-$3,458) were charged by a Company with common directors. As of March 31, 2011, accounts payable includes $3,651 (2010-$Nil) owing to this related party.

See notes 5 and for additional related party information.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Commitments:

Future minimum warehouse lease payments under a non-cancelable lease are as follows:

2011	US $	48,000
2012	US $	48,000
2013	US $	32,000

10. Changes in non-cash working capital:

	Three Month's March 31, **2011**	2010
Accounts receivable	**$ (873,172)**	$ (286,975)
Prepaid expenses	**8,532**	9,011
Deposits	**(1,540)**	(8,743)
Accounts payable and accrued liabilities	**102,897**	92,501
	$ (748,314)	$ (194,206)

11. Capital management:

The Company considers its capital to include components of shareholders' equity.

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

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 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.

The Company's investment policy is to invest excess cash in low risk, highly liquid, short-term interest bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its current capital resources will be sufficient to carry out its exploration plans, operation plans and operations through its current operating period.

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 period ended March 31, 2011.

12. Financial instruments:

Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of these instruments.

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

Credit risk

The Company's credit risk is primarily attributable to short-term investments and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and money market funds holding Banker's Acceptances, which have been invested with or purchased from a company controlled by a Canadian Chartered bank, from which management believes the risk of loss to be remote. Other credit risk primarily consists of GST receivable. Management believes that the credit risk concentration with respect to receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had cash of $1,426,783 (2010 - $1,421,142) to settle accounts payable and accrued liabilities of $154,976 (2010 - $196,905). The ability of the Company to continue to purse its exploration activities is dependant on its ability to secure additional equity or other financing. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash and cash equivalents bearing fixed interest rates and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company is exposed to currency risk arising from fluctuations in foreign exchange rates. The Company raises funds from equity financing primarily in Canadian dollars and pays for a significant amount of expenditures relating to its mineral property interests in U.S. dollars.

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

13. Financial instruments: (con't)

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

i) The Corporation is exposed to foreign currency risk on fluctuations of financial instruments related to cash, receivables, and accounts payable and accrued liabilities that are denominated predominantly in Canadian Dollars. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net loss by approximately $20,000 (2010 - $13,000).

ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them.

As of March 31, 2011 the Company is not a producer of minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations

13. Comparative Figures:

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.