Condensed Interim Financial Statements of

VIKING GOLD EXPLORATION INC.

March 31, 2011

Auditors' Involvement

In accordance with National Instrument 51-102, Part 4, sub-section 4.3(3)(a), notice is hereby given that the accompanying condensed interim financial statements of the Company for the three-month periods ended March 31, 2011 and March 31, 2010 have not been reviewed by the Company's auditors in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by the Company's auditors.

VIKING GOLD EXPLORATION INC.

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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010
(Unaudited – expressed in Canadian dollars)

	Notes	March 31, 2011	December 31, 2010 (Note 16)	January 1, 2010 (Note 16)
ASSETS				
Non-current assets				
Exploration and evaluation assets	3	$ 3,542,112	$ 3,611,604	$ 3,128,041
Equipment	4	10,311	11,061	14,080
Investment	5	1,250	1,250	1,250
		3,553,673	3,623,915	3,143,371
Current assets				
Amounts receivable and prepaid expenses	6	37,123	44,045	14,328
Cash and cash equivalents		1,030,604	1,099,517	171,496
		1,067,727	1,143,562	185,824
Total Assets		$ 4,621,400	$ 4,767,477	$ 3,329,195
EQUITY AND LIABILITIES				
Equity				
Share capital	7	$ 6,993,584	$ 6,923,669	$ 5,313,645
Reserve – equity-settled employee benefit reserve		382,543	398,175	290,904
Deficit		(3,165,464)	(3,050,328)	(2,654,631)
		4,210,663	4,271,516	2,949,918
Non-current liabilities				
Deferred tax liability	8	324,000	363,382	302,510
Current liabilities				
Liability for flow-through share premium	8	35,667	35,667	3,893
Trade and other payables	9	51,070	96,912	72,874
		86,737	132,579	76,767
Total Equity and Liabilities		$ 4,621,400	$ 4,767,477	$ 3,329,195

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 11)

The Board of Directors approved these condensed interim financial statements on June 24, 2011.

They are signed on the Company's behalf by:

/s/Mark Edwards
Director

/s/John Hansuld
Director

See accompanying notes to the condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(Unaudited – expressed in Canadian dollars)

	Notes	2011	2010 (Note 16)
Revenue		$ -	$ -
Expenses			
Management fees	10	38,095	17,775
Share-based compensation	10	-	111,000
Professional and regulatory fees		27,327	10,495
Office and administration		19,813	13,796
Depreciation		750	1,000
Investigation of new properties		1,000	-
		86,985	154,066
Operating loss		(86,985)	(154,066)
Other expense			
Write-down of exploration and evaluation assets	3d	(72,000)	-
Loss before income taxes		(158,985)	(154,066)
Deferred tax (recovery)		(39,382)	85,675
Net loss and comprehensive loss, attributable to common shareholders		$ (119,603)	$ (239,741)
Basic and diluted loss per common share		$ (0.00)	$ (0.00)
Weighted-average number of common shares			
Basic		61,028,647	50,478,319
Diluted	7f	61,028,647	50,478,319

See accompanying notes to the condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(Unaudited – expressed in Canadian dollars)

	2011	2010 (Note 16)
Operating activities		
Net loss	$ (119,603)	$ (239,741)
Adjusted for		
Share-based compensation	-	111,000
Depreciation	750	1,000
Deferred tax (recovery)	(39,382)	85,675
Write-down of exploration and evaluation assets	72,000	-
	(86,235)	(42,066)
Changes in non-cash working capital items		
Decrease (increase) in amounts receivable and prepaid expenses	6,922	(21,307)
(Decrease) in trade and other payables	(3,142)	(5,159)
Net cash used in operating activities	(82,455)	(68,532)
Investing activities		
Purchase of equipment	-	(426)
Exploration and evaluation expenditures	(2,508)	(110,270)
Net cash used in investing activities	(2,508)	(110,696)
Financing activities		
Issuance of private placement units	-	700,000
Issue costs of private placement units	(42,700)	(41,403)
Exercise of warrants	40,000	-
Exercise of options	18,750	-
Net cash provided by financing activities	16,050	658,597
Net (decrease) increase in cash and cash equivalents	(68,913)	479,369
Cash and cash equivalents, beginning of year	1,099,517	171,496
Cash and cash equivalents, end of year	$ 1,030,604	$ 650,865
As at March 31, cash and cash equivalents is comprised of:		
Cash	$ 95,604	$ 650,865
GIC bearing interest at 0.9%, cashable at any time without penalty	935,000	-
	$ 1,030,604	$ 650,865

See accompanying notes to the condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010 AND THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

(Unaudited – expressed in Canadian dollars)

	Notes	# of Issued and fully paid common shares	Share capital	Equity-settled employee benefit reserve	Deficit	Total equity
Balance – January 1, 2010		40,523,370	$ 5,313,645	$ 290,904	$ (2,654,631)	$ 2,949,918
Proceeds from private placements						
Non-flow-through shares	7c	8,150,000	520,000	-	-	520,000
Flow-through shares	7c	11,833,332	1,150,000	-	-	1,150,000
Premium paid by investors for flow-through shares	7c	-	(35,667)	-	-	(35,667)
Issue costs	7c	-	(106,679)	-	-	(106,679)
Issue costs – deferred tax		-	29,500	-	-	29,500
Other warrants issued	7d	-	(22,000)	-	22,000	-
Exercise of warrants	7d	200,000	40,000	-	-	40,000
Exercise of options	7e	150,000	20,500	-	-	20,500
Value of options allocated to share capital on exercise	7e	-	14,370	(14,370)	-	-
Comprehensive loss for year		-	-	-	(617,056)	(617,056)
Share-based compensation	7e, 10	-	-	321,000	-	321,000
Options expired	7e	-	-	(199,359)	199,359	-
Net change for year		20,333,332	1,610,024	107,271	(395,697)	1,321,598
Balance – December 31, 2010		60,856,702	6,923,669	398,175	(3,050,328)	4,271,516
Exercise of warrants	7d	200,000	40,000	-	-	40,000
Exercise of options	7e	125,000	18,750	-	-	18,750
Value of options transferred on exercise	7e	-	11,165	(11,165)	-	-
Comprehensive loss for period		-	-	-	(119,603)	(119,603)
Options expired	7e	-	-	(4,467)	4,467	-
Net change for period		325,000	69,915	(15,632)	(115,136)	(60,853)
Balance – March 31, 2011		61,181,702	$ 6,993,584	$ 382,543	$ (3,165,464)	$ 4,210,663
Balance – January 1, 2010		40,523,370	$ 5,313,645	$ 290,904	$ (2,654,631)	$ 2,949,918
Proceeds from private placements						
Non-flow-through shares	7c	4,400,000	220,000	-	-	220,000
Flow-through shares	7c	9,600,000	480,000	-	-	480,000
Issue costs	7c	-	(41,403)	-	-	(41,403)
Issue costs – deferred tax		-	10,500	-	-	10,500
Comprehensive loss for period		-	-	-	(239,741)	(239,741)
Share-based compensation	7e, 10	-	-	111,000	-	111,000
Options expired	7e	-	-	(86,693)	86,693	-
Net change for period		14,000,000	669,097	24,307	(153,048)	540,356
Balance – March 31, 2010		54,523,370	$ 5,982,742	$ 315,211	$ (2,807,679)	$ 3,490,274

See accompanying notes to the condensed interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

On February 13, 2004, Copper Hill Corporation filed Articles of Amendment under the laws of the Province of Ontario changing its name to Viking Gold Exploration Inc. (hereafter the "Company"). Shortly thereafter, the Company consolidated its outstanding common shares on a 4:1 basis and adopted "VGC" as its new trading symbol on the TSX Venture Exchange (TSX-V).

The Company has not generated any operating revenue since its reorganization and is considered to be an exploration stage mining company. It is devoting all of its efforts to raising capital and exploring and developing its mineral property interests which presently are all situated in Canada. The Company is the ultimate parent and currently has no subsidiaries, though it has two joint venture interests.

The address of the Company's registered office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3.

These condensed interim financial statements (or "these financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

As at March 31, 2011, the Company had working capital of $980,990, which amount included $937,000 of funds set aside to satisfy its flow-through expenditure obligations. The excess working capital of $43,990, plus $117,200 of additional funds received from warrant and share option exercises after March 31, 2011, is sufficient to enable the Company to fund its current activities. However, long-term continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management believes that sufficient working capital will be obtained from external financing to meet the Company's current and future liabilities and commitments as they become due, though there is a significant risk that additional financing may not be available on a timely basis or on terms acceptable to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These condensed interim financial statements are prepared in accordance with IAS 34, "Interim Financial Reporting" using accounting policies that comply with International Financial Reporting Standards ("IFRS").

The Company's transition date from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is January 1, 2010, with a corresponding IFRS adoption date of January 1, 2011. Accordingly, the preparation of these condensed interim financial statements has resulted in changes to the accounting policies as compared with the Company's most recent annual Canadian GAAP financial statements prepared as at December 31, 2010 and for the year then ended. The accounting policies set out below are consistently applied to all periods presented in these financial statements. They were also applied in preparing an opening IFRS statement of financial position as at the IFRS adoption date, as is required by IFRS 1, "First Time Adoption of International Financial Reporting Standards."

The impact of the transition from Canadian GAAP to IFRS is explained in Note 16.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim financial statements are prepared using the accrual basis of accounting except for cash flow information. The Company uses the Canadian dollar for both its functional (i.e. measurement) and presentation currencies.

Continued…

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Use of Judgments, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The estimates and underlying assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. Accounting estimates are reviewed on an ongoing basis and revisions are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant items in these financial statements that involve the use of estimates include the valuation of exploration and evaluation assets, share-based compensation, decommissioning, restoration and similar obligations, and the valuation of deferred income tax assets.

d) Financial Instruments

Financial instruments consist of financial assets and liabilities and are initially measured at fair value. The accounting policies for financial instruments are described below and the composition of the period-end financial instruments and related risks are disclosed in Note 13.

Financial Assets

The Company classifies each financial asset into one of four categories depending on the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Assets in this category are derivatives or other assets classified as held for trading (i.e. acquired or incurred principally for the purpose of selling or repurchasing in the near term) or designated as FVTPL upon initial recognition. After initial recognition, such assets are measured at fair value with changes therein being recognized in profit or loss. The Company has no derivative financial instruments. The Company's cash equivalents, which consist of guaranteed investment certificates (GIC's) cashable at any time, are classified as held for trading.

(ii) Available For Sale

Assets in this category are non-derivative financial assets that are either designated as available for sale or do not fit into one of the other categories. After initial recognition, available-for-sale assets are measured at fair value with changes therein (excluding those attributable to impairment) being recognized directly in other comprehensive income (loss). The Company has no available-for-sale financial assets.

(iii) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. For loans and receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss. The Company has cash and sundry receivables, which are designated under loans and receivables.

(iv) Held to Maturity

Assets in this category are financial assets with known payments and a fixed maturity date. In addition, the Company has the positive intention and ability to hold the financial asset to maturity, other than those initially designated as held for trading, available for sale, or loans and receivables as explained above. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. The Company has no held-to-maturity financial assets.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unquoted Equity Instruments
Unquoted equity instruments, the fair value of which cannot be reliably measured, are carried at cost less estimated impairment losses. Impairment losses for these assets may not be reversed. The Company has an investment (see Note 5), which is an unquoted equity instrument.

Financial Liabilities
The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

(i) Financial Liabilities at FVTPL
Liabilities in this category are derivatives or liabilities classified as held for trading or designated as FVTPL upon initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has no held-for-trading financial liabilities.

(ii) Other Financial Liabilities
Liabilities in this category are non-derivative financial liabilities that are not classified as held for trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has trade and other payables, which are classified as other financial liabilities. The Company's liability for flow-through share premium is considered to be a deferred credit and not a financial liability.

Transaction Costs
For FVTPL financial assets and liabilities, transaction costs on initial recognition and thereafter are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate – i.e. amortized through profit or loss over the term of the related instrument.

Fair Value Hierarchy
The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly (e.g. broker quotes); and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

Financial assets and liabilities are recognized on the statement of financial position when the Company has become party to the contractual provision of the instruments.

e) Mineral Properties
The Company's accounting policies for mineral property interests are as follows:

Pre-exploration
Prospecting and other pre-exploration expenditures incurred before the Company has the legal right to explore a mineral property are charged to profit or loss as incurred.

Exploration and Evaluation ("E&E) Assets
Acquisition costs and deferred exploration expenditures are capitalized to intangible assets. Acquisition costs are the costs of acquiring legal rights to explore a mineral property. Deferred exploration expenditures are exploration and evaluation expenditures incurred after the Company has secured legal rights to explore.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Mineral Properties

Exploration and Evaluation ("E&E") Assets (Continued)

Acquisition costs include cash consideration paid and the fair market value of shares issued by the Company. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Deferred exploration expenditures include such items as drilling and camps, transportation, technical studies, assays, consulting fees and property-specific general and administrative expenses. Amounts recovered and administrative fees earned from exploration partners are applied as a reduction of the cost of the related mineral property interest.

The Company assesses its individual exploration and evaluation properties for impairment when facts and circumstances indicate that the carrying amount may not be recoverable. The expiry of rights to explore, the cessation of planned exploration activities, and the indication of mineral reserves that are insufficient to recover the capitalized costs are important factors the Company considers in identifying impairment. When an impairment situation is identified, a write-down of the related intangible asset is charged to profit or loss.

Development and Production Assets

When the technical feasibility and commercial viability of extraction of an exploration property are determined, the related intangible assets are transferred to property, plant and equipment. Development costs incurred thereafter to bring an actual mine into production are capitalized to property, plant and equipment.

Once commercial production has commenced, the net costs of the applicable mineral property are charged to profit or loss using the unit-of-production method based on estimated proven and probable recoverable reserves. Production costs for the period are allocated to inventory and profit or loss as appropriate. The Company's accounting policy, which covers impairment of mineral property interests under development and in production, is described in Note 2g, Impairment.

f) Equipment

Items of equipment are recorded at cost less accumulated depreciation and impairment losses. The Company recognizes, in the carrying amount of an item of equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are charged to profit or loss as incurred.

Depreciation of equipment is provided on a declining-balance basis over the estimated useful lives at the following annual rates – vehicles 30% (using a 5.0 year life); field and office equipment 20% (using a 7.5 year life).

g) Impairment

The carrying amounts of the Company's non-current assets, except exploration and evaluation assets which are tested for impairment consistent with the policy disclosed in Note 2e, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is charged to profit or loss whenever the carrying amount of an asset (or its cash-generating unit) exceeds its recoverable amount. An asset's recoverable amount is the greater of its fair value less costs to sell and its value-in-use (calculated as the present value of expected future cash flows). Impairment losses are charged to profit or loss as incurred but may be reversed (other than for goodwill) if there has been a change in the estimates used to determine the recoverable amount.

Continued…

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Decommissioning, Restoration and Similar Obligations

Obligations to perform, or fund, site decommissioning, restoration or other rehabilitative work arise when a disturbance to a mineral property is caused by exploration, development or production. The costs associated with these obligations are capitalized to asset carrying value and accrued as liabilities as incurred, using a current pre-tax risk-free interest rate and based on management's assumptions and best estimates. Capitalized costs are charged to profit or loss over the economic life of the related asset using the unit-of-production method of amortization. The related liability is adjusted each period for changes in the current pre-tax risk-free interest rate, and the amount and timing of the underlying cash flows needed to settle the obligation. The increase in provisions for decommissioning, restoration and similar obligations due to the passage of time, is charged to profit or loss as a finance cost.

The Company is not aware of any existing material decommissioning, restoration or similar obligations, as the disturbance to mineral properties through exploration to March 31, 2011 is minimal.

i) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. The Company does not invest in any asset-backed deposits or investments. The Company has no banking arrangements for overdrafts or borrowings.

j) Income Taxes

Income tax expense (recovery) included in profit or loss is the sum of current and deferred tax as explained below.

Current Tax

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, as at the statement of financial position date. Current tax expense (recovery) included in profit or loss reflects the current tax for the reporting period, plus adjustments to the current tax of prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred Tax

Under the balance sheet liability method, deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using tax rates enacted, or substantively enacted, as at the statement of financial position date. The carrying amounts of individual deferred tax assets are reviewed at each statement of financial position date but are only recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The deferred tax expense (recovery) included in profit or loss reflects the net change in deferred tax assets and liabilities, less deferred tax recorded directly in other comprehensive income (loss) or equity, less adjustments for investor premiums as further explained in Note 2l, Flow-through Shares.

Continued…

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Share Capital and Warrants

The Company's common shares are classified as equity and may be issued on either a flow-through or non-flow-through basis. Certain unique aspects of flow-through shares are discussed in greater detail in Note 2l.

The Company periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Company, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (or bifurcation) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

Transaction costs directly attributable to the issuance of units (such as legal, finders' and regulatory fees) are recognized as a decrease in share capital net of related income tax effects. Other warrants (e.g. broker warrants issued in a private placement or extra warrants issued in an acquisition of mineral property interests), are also included in transaction costs at their estimated issue date fair value as determined using the Black-Scholes option-pricing model, without income tax effect. An offsetting credit is recorded in equity as a reduction of deficit.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

The Company makes full and relevant disclosure of outstanding investor and other warrants in its financial statements, so that readers can assess the impact of potential future warrant exercises on the Company's cash flows and diluted share calculations.

l) Flow-through Shares

The Company finances its exploration activities through the issuance of flow-through common shares. These shares transfer the tax deductibility of resource expenditures to investors. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the accounting policy described below.

At the time of issuing flow-through shares, the Company allocates the proceeds of issuance to share capital and the sale of tax benefits. The allocation to tax benefits is recorded as a liability and is based on the estimated premium, if any, an investor pays for the common shares over the value of the shares issued based on the quoted price.

As qualifying exploration expenditures are made in each reporting period, the Company capitalizes these costs to intangible assets as explained in Note 2e. If the Company intends to formally renounce these expenditures to investors under an existing flow-through agreement (whether using the "General Rule" or "Look-back Rule" as permitted under Canadian income tax regulations), it earmarks them as "effectively renounced" as at the end of the reporting period, and records a related deferred tax expense/liability net of a proportionate amount of any related share issue premium. At the end of each reporting period, the Company discloses its outstanding flow-through expenditure commitment (see Note 11a).

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Share-based Payments
The Company's accounting policies for share-based payments are outlined below.

Employees
The term "employees" as used in these financial statements includes all officers, directors and others, including persons providing services that are similar to those provided by employees (e.g. consultants).

Equity-settled Transactions
An equity-settled transaction occurs when the Company enters into an agreement to acquire goods or services in exchange for its shares or other equity instruments. Such transactions are recorded at the fair value of the goods or services received.

When shares or other securities are issued to compensate key employees, the fair value is determined using the market value of the securities issued. When employees purchase shares or other securities on the same terms as non-employee investors, such transactions are not treated as share-based payments. Instead, see Note 2k, Share Capital and Warrants, and Note 2l, Flow-through Shares.

Stock options are granted to key employees as performance incentives. The fair value of options granted is determined using the Black-Scholes pricing model. This amount is recognized as a compensation expense in profit or loss at time of vesting with offsetting credits recorded to an Equity-settled Employee Benefit Reserve. Since the Company grants options that vest entirely at the grant date, no adjustments to compensation expense for forfeitures or graded vesting are required. When options are exercised, a transfer is made from the reserve to share capital and added to the proceeds of issuance. When stock options expire, a transfer is made from the reserve to retained earnings (deficit). Accordingly, the balance of the reserve at each reporting date reflects the Company's unexpired/unexercised options.

The Company's stock option plan is described in Note 7e, Share Capital – Stock Options; details of compensation expense for options granted in the period are described in Note 10, Related Party Transactions. The Company's accounting policies for share-based payments made to acquire mineral property interests or to compensate brokers are discussed in Notes 2e and 2k.

Cash-settled Transactions
A cash-settled transaction occurs when the Company enters into an agreement in which it incurs a liability linked to the Company's share price. Such transactions are recorded at the grant date but are subsequently re-measured to fair value in each period, until the liability is settled. The Company has not entered into any cash-settled transactions.

n) Earnings (Loss) Per Share
Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated in a similar manner, but with adjustments to give full effect to all dilutive potential common shares that were outstanding during the period. Anti-dilutive effects of potential conversions of securities are ignored for this calculation. When there is a loss from continuing operations, options and warrants are considered to be anti-dilutive.

o) Joint Ventures
A portion of the Company's activities is conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Once the parties have earned their respective interests and undertake to conduct further acquisition, exploration or development through a joint venture, which is an arrangement of joint control, the Company accounts for its respective interests using proportionate consolidation. Under this method of accounting, the Company's share of assets, liabilities, revenue and expenses of joint venture interests are grouped with similar items in the Company's financial statements. The Company's joint venture interests are discussed in Note 3.

Continued…

(Unaudited – expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) New IFRS Standards Not Yet Adopted

The Company has not yet adopted certain new IFRS standards, amendments and interpretations to existing standards, which have been published but are only effective for its accounting periods beginning after January 1, 2011. These include:

New IFRS standards	Description	Effective date (annual periods beginning on or after)
• Amendments to IFRS 7 – Disclosures – Financial Instruments	The amendments to this standard will allow users of financial statements to improve their understanding and disclosures of transfer transactions of financial assets.	July 1, 2011
• Amendments to IAS 12 – Income Taxes	The amendments to this standard require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount through use or sale.	January 1, 2012
• IFRS 9 – Financial Instruments	The standard replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value. Also requires a single impairment method to be used.	January 1, 2013
• IFRS 10 – Consolidated Financial Statements	The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	January 1, 2013
• IFRS 11 – Joint Arrangements	The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.	January 1, 2013
• IFRS 12 – Disclosure of Interests in Other Entities	The standard sets out disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.	January 1, 2013
• IFRS 13 – Fair Value Measurement	The standard sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.	January 1, 2013

Management is currently assessing the impact of adopting these proposed new standards on the Company's financial reporting.

Continued…

(Unaudited – expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS

The Company has six active mineral property interests that comprise its "Morris Lake Project" – a block of contiguous claims and leases situated approximately 73 kilometres north of Yellowknife, Northwest Territories, as follows:

Properties	Notes	Mineral Tenure	# of Claims/ Leases
Morris Lake Project, NT			
Viking Yellowknife	3a	Leases (Joint Venture)	3
Max Lake	3b	Leases	2
ML Properties	3c	Claims	5
Peregrine	3d	Optioned Claims	5
Maguire Lake	3e	Claims	3
LM Claims	3f	Claims	3
			21

A continuity of the Company's exploration and evaluation assets for the year ended December 31, 2010 and the three months ended March 31, 2011 follows:

Properties	Balance, December 31, 2009	Expenditures for year 2010	Balance, December 31, 2010	Expenditures for 3-mth period in 2011	Write-downs for 3-mth period in 2011	Balance, March 31, 2011
Morris Lake Project, NT						
Acquisition expenditures						
Viking Yellowknife	$ 123,500	$ -	$ 123,500	$ -	$ -	$ 123,500
Max Lake	29,700	-	29,700	-	-	29,700
ML Properties	8,359	-	8,359	-	-	8,359
Peregrine	-	-	-	-	-	-
Maguire Lake	10,967	-	10,967	-	-	10,967
LM Claims	-	8,277	8,277	-	-	8,277
	172,526	8,277	180,803	-	-	180,803
Deferred exploration expenditures						
Viking Yellowknife	1,840,393	875	1,841,268	-	-	1,841,268
Max Lake	510,826	1,843	512,669	-	-	512,669
ML Properties	104,634	128	104,762	-	-	104,762
Peregrine	498,942	472,440	971,382	2,508	(72,000)	901,890
Maguire Lake	720	-	720	-	-	720
LM Claims	-	-	-	-	-	-
	2,955,515	475,286	3,430,801	2,508	(72,000)	3,361,309
Total expenditures						
Viking Yellowknife	1,963,893	875	1,964,768	-	-	1,964,768
Max Lake	540,526	1,843	542,369	-	-	542,369
ML Properties	112,993	128	113,121	-	-	113,121
Peregrine	498,942	472,440	971,382	2,508	(72,000)	901,890
Maguire Lake	11,687	-	11,687	-	-	11,687
LM Claims	-	8,277	8,277	-	-	8,277
	$ 3,128,041	$ 483,563	$ 3,611,604	$ 2,508	$ (72,000)	$ 3,542,112

Information concerning each of the individual properties comprising the Morris Lake Project follows:

Continued…

3. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Viking Yellowknife

The Company owns a 60% interest in the Viking Yellowknife Joint Venture, an unincorporated entity formed on January 1, 2008 to conduct future exploration activities on three mining leases that comprise the Viking Yellowknife property. Viking Yellowknife Gold Mines Limited, a 78.8%- owned subsidiary of Lakota Resources Inc., owns the remaining 40% interest in the joint venture.

Total expenditures of $1,597,819 incurred prior to January 1, 2008, on this formerly optioned property, were 100% attributable to the Company. Expenditures incurred thereafter are attributable to the joint venture partners in their proportionate interests.

b) Max Lake

Pursuant to an arm's length option agreement with Aur Resources Inc. dated September 15, 2004, the Company earned a 100% interest in two mining leases located in the Northwest Territories (the "Max Lake Gold Property"), subject to a 2% net smelter return ("NSR"). The Company has the right to repurchase 50% of the NSR for $1,000,000. These leases expire in May 2018.

c) ML Properties

This group of contiguous properties is comprised of five claims staked by the Company, which are all in good standing as a result of receiving government approval of the Company's Limnic Survey Report in January 2011. This report was filed in May 2009 to attest to the completion of assessment work. Expenditures of approximately $3,500 will be required over the next three years in order to keep these claims in good standing.

d) Peregrine

The Company has an agreement with Peregrine Diamonds Ltd. ("Peregrine") with respect to certain lands held by Peregrine. The property consists of five claims.

Under the original agreement, the Company had a four-year right to explore for minerals other than diamonds, subject to completing an airborne geophysical survey in 2006 (completed) and maintaining the property in good standing under the Mining Act (NWT). If the Company completed $1 million of exploration work by September 9, 2011 (modified from April 21, 2010 by way of an Amending Agreement dated April 9, 2009), it would earn a 60% joint venture interest with Peregrine owning the other 40%. The Amending Agreement contains a dilution formula in the event either joint venture partner fails to fund approved programs, and a conversion clause requiring an automatic conversion to a 2% net smelter royalty should a partner's joint venture interest fall below 15%. The Amending Agreement also acknowledges that BHP Billiton currently holds a 2% NSR, which may be repurchased for fair value as determined by a third party valuator acceptable to the parties.

As of May 31, 2010, the Company believed it had satisfied its earn-in expenditure commitment (with the permitted inclusion of a calculated allowance for overhead) though this was not confirmed by Peregrine until March 2011. The Company now holds a 60% joint venture interest and may, at any time, submit a joint exploration program for approval by Peregrine, as previously explained.

The Peregrine claims are presently all in good standing as a result of receiving government approval of the Company's Limnic Survey Report, as previously explained in Note 4c). In February 2011, the Company fulfilled additional reporting obligations to the government and to Peregrine, with the filing of a comprehensive technical report and supporting cost analysis, covering the years 2009 and 2010.

In March 2011, the joint venture's ability to explore the Peregrine claims was interrupted by the expiry of a land use permit issued by the Mackenzie Valley Land and Water Board. Continued exploration of these claims is subject to the joint venture securing a new land use permit.

Continued…

(Unaudited – expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

d) Peregrine (Continued)

In addition, the joint venture has the right to explore the properties covered by the five Peregrine mineral claims until November 7, 2012, at which time the individual claims must be brought to lease or they will expire and the joint venture will lose its right to continue exploration. The process of bringing one or more of the Peregrine claims to lease would require a land survey to be performed by the joint venture at an estimated average cost of $60,000 per claim. The Company's management estimates that of the five Peregrine claims, only two are worthy of being brought to lease. Accordingly, the Company has written down (to nil) its $72,000 carrying value of the three Peregrine claims that would not likely be brought to lease by the joint venture. The $901,890 remaining carrying value of the other two Peregrine claims as at March 31, 2011 is 100% attributable to the Company.

e) Maguire Lake

This group of three contiguous claims lies to the north of, and adjoins, the Peregrine property described above. The Company staked these claims in April 2009. Parts of these claims fall within a one-kilometre area of influence defined by the original Peregrine Option agreement. The next reporting date for assessment credits on these claims is in May 2011, by which time a minimum of $4.00 per acre (approximately $18,000 of total exploration expenditures) should have been incurred by the Company. Although only $720 of exploration work has been performed on these claims to date, the Company anticipates that excess assessment credits from two adjacent Peregrine claims will be available to cover the Maguire Lake requirements. The Company's continued exploration of these claims is also subject to obtaining a new land use permit.

f) LM Claims

In May 2010, the Company staked three claims on new lands adjacent to ML Properties, Max Lake and Peregrine at a cost of $8,277. Parts of these claims fall within the one-kilometre area of influence of the original Peregrine Option agreement.

g) Joint Ventures

The Company accounts for its 60% interest in the Viking Yellowknife joint venture, as described in Note 3a, using the proportionate consolidation method of accounting. The following amounts are included in the financial statements and represents the Company's proportionate share of the combined assets, liabilities, revenues, expenses and cash flows of the joint venture:

Condensed interim statements of financial position	March 31, 2011	December 31, 2010	January 1, 2010
Exploration and evaluation assets	$ 385,478	$ 385,478	$ 384,499

Condensed interim statements of cash flows	Three months ended March 31, 2011	Year ended December 31, 2010	Three months ended March 31, 2010
Cash (used in) investing activities			
Exploration and evaluation expenditures	$ -	$ (979)	$ -

The Viking Yellowknife joint venture has not generated any revenue or expenses since inception. Amounts receivable and prepaid expenses as at March 31, 2011 includes $8,511 (December 31, 2010 – $8,511, January 1, 2010 – $7,755) due from Viking Yellowknife (see Note 6). This amount is unsecured, non-interest bearing and due on demand.

The Company will prospectively account for its 60% interest in the joint venture with Peregrine (see Note 3d) using the proportionate consolidation method of accounting, when the joint venture partners agree to move forward with a new exploration program.

Continued…

(Unaudited – expressed in Canadian dollars)

4. EQUIPMENT

A continuity of the Company's equipment for the year ended December 31, 2010 and the three months ended March 31, 2011 follows. There were no disposals of equipment in the periods presented.

Year ended December 31, 2010	Field equipment	Office equipment	All-terrain vehicle	Total
Cost				
As at January 1, 2010	$ 13,203	$ 300	$ 19,021	$ 32,524
Additions for year	-	426	-	426
As at December 31, 2010	13,203	726	19,021	32,950
Accumulated Depreciation				
As at January 1, 2010	4,753	108	13,583	18,444
Depreciation for year	1,690	124	1,631	3,445
As at December 31, 2010	6,443	232	15,214	21,889
Net Book Value				
As at January 1, 2010	$ 8,450	$ 192	$ 5,438	$ 14,080
As at December 31, 2010	$ 6,760	$ 494	$ 3,808	$ 11,061

Three months ended March 31, 2011	Field equipment	Office equipment	All-terrain vehicle	Total
Cost				
As at January 1, 2011	$ 13,203	$ 726	$ 19,021	$ 32,524
Additions for period	-	-	-	-
As at March 31, 2011	13,203	726	19,021	32,950
Accumulated Depreciation				
As at January 1, 2011	6,443	232	15,214	21,889
Depreciation for period	425	38	287	750
As at March 31, 2011	6,868	270	15,501	22,639
Net Book Value				
As at January 1, 2011	$ 6,760	$ 494	$ 3,808	$ 11,061
As at March 31, 2011	$ 6,335	$ 456	$ 3,520	$ 10,311

5. INVESTMENT

	March 31, 2011	December 31, 2010	January 1, 2010
Investment in Copper Hill Resources Inc. ("CHRI") - 10% interest, at cost	$ 1,250	$ 1,250	$ 1,250

CHRI is a privately owned mineral exploration company that owns a 100% interest in the Powderhorn Lake and Turk's Gut properties located in Newfoundland and Labrador, Canada. Prior to 2006, CHRI was a wholly owned subsidiary of the Company.

Continued…

(Unaudited – expressed in Canadian dollars)

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2011	December 31, 2010	January 1, 2010
Sundry receivables	$ 9,726	$ 30,697	$ 1,508
Due from joint venture partner (Note 3g)	8,511	8,511	7,755
Prepaid expenses	18,886	4,837	5,065
	$ 37,123	$ 44,045	$ 14,328

7. SHARE CAPITAL

a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of voting common shares without nominal or par value.

b) Issued Share Capital

As at March 31, 2011, the Company's issued share capital is 61,777,702 (December 31, 2010 – 60,856,702, March 31, 2010 – 54,523,370 and January 1, 2010 – 40,523,370) common shares with a stated value of $6,993,584 (December 31, 2010 - $6,923,669, March 31, 2010 – $5,982,742 and January 1, 2010 – $5.313.645).

A continuity of the Company's share capital for the year ended December 31, 2010 and the three months ended March 31, 2011 and 2010 is disclosed in the condensed interim statements of changes in equity.

c) Non-Brokered Private Placements

During the year ended December 31, 2010, non-brokered private placements of units consisting of common shares and warrants, were as follows:

Issue date	# of units issued	Unit price	Gross proceeds	# of shares issued	# of warrants issued	Exercise price of warrants (term)
Flow-through:						
January 27, 2010	9,600,000	$ 0.05	$ 480,000	9,600,000	9,600,000	$ 0.20 (3-year)
December 30, 2010	2,233,332	0.30	670,000	2,233,332	1,116,666	$ 0.50 (1-year)
	11,833,332		1,150,000	11,833,332	10,716,666	
Non-flow-through:						
January 27, 2010	4,400,000	0.05	220,000	4,400,000	4,400,000	$ 0.20 (3-year)
November 2, 2010	3,750,000	0.08	300,000	3,750,000	3,750,000	$ 0.15 (2-year)
	8,150,000		520,000	8,150,000	8,150,000	
Totals	19,983,332		$ 1,670,000	19,983,332	18,866,666	

In 2010, 170,000 units were acquired by the Company's officers and directors for gross proceeds of $29,000. Issue costs charged to share capital in 2010 were $106,679.

The January 27, 2010 issuance of flow-through shares contained no identifiable premium paid by investors. The December 30, 2010 issuance of flow-through shares contained a $35,667 premium paid by investors.

The units issued pursuant to the private placements were subject to a 4-month restricted period. There were no private placements during the three months ended March 31, 2011.

Continued…

(Unaudited – expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

d) Warrants

A continuity of the Company's outstanding warrants for the year ended December 31, 2010 follows:

Expiry date	Term in years	Exercise price	January 1, 2010	Issued	Exercised	Expired	December 31, 2010
March 8, 2008	2	$0.35	1,050,000	-	-	(1,050,000)	-
September 9, 2010	2	$0.25	1,218,000	-	-	(1,218,000)	-
December 30, 2011	1	$0.50	-	1,116,666	-	-	1,116,666
December 30, 2011	1	$0.30	-	142,333	-	-	142,333
June 30, 2012	3	$0.20	4,091,500	-	-	-	4,091,500
November 2, 2012	2	$0.15	-	3,750,000	-	-	3,750,000
November 2, 2012	2	$0.08	-	110,000	-	-	110,000
December 30, 2012	3	$0.20	3,400,000	-	(200,000)	-	3,200,000
January 27, 2013	3	$0.20	-	14,000,000	-	-	14,000,000
Totals			9,759,000	19,118,999	(200,000)	(2,268,000)	26,410,499
Weighted-average exercise price			$0.22	$0.21	$ 0.20	$0.20	$0.21

A continuity of the Company's outstanding warrants for the three months ended March 31, 2011 follows:

Expiry date	Term in years	Exercise price	January 1, 2011	Issued	Exercised	Expired	March 31, 2011
December 30, 2011	1	$0.50	1,116,666	-	-	-	1,116,666
December 30, 2011	1	$0.30	142,333	-	-	-	142,333
June 30, 2012	3	$0.20	4,091,500	-	-	-	4,091,500
November 2, 2012	2	$0.15	3,750,000	-	-	-	3,750,000
November 2, 2012	2	$0.08	110,000	-	-	-	110,000
December 30, 2012	3	$0.20	3,200,000	-	(200,000)	-	3,000,000
January 27, 2013	3	$0.20	14,000,000	-	-	-	14,000,000
Totals			26,410,499	-	(200,000)	-	26,210,499
Weighted-average exercise price			$0.21	$ -	$0.20	$ -	$0.21

All warrants reflected in the schedules above are investor warrants, except as noted below.

Other warrants of 110,000 and 142,333 were issued to brokers on November 2, 2010 and December 30, 2010, respectively, and assigned an aggregate total issue date fair value of $22,000 ($0.09 per warrant issued) using the Black-Scholes pricing model. Weighted-average Black-Scholes assumptions used for valuing these other warrants were as follows: expected dividend yield – 0%; expected volatility – 160%; risk-free interest rate – 1.95%; expected life – 1.4 years.

The Company received proceeds of $40,000 from the exercise of 200,000 investor warrants at $0.20 per share on December 2, 2010. The Company also received proceeds of $40,000 from the exercise of 200,000 investor warrants at $0.20 per share on February 2, 2011. The 400,000 warrants were due to expire on December 30, 2012.

The Company has the right to accelerate the expiry of the 14,000,000 investor warrants issued on January 27, 2010 if the Company's stock trades over $0.30 for 30 consecutive days. The Company has agreed that it will not exercise this right prior to October 7, 2011.

Continued…

(Unaudited – expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

d) Warrants (Continued)

The accounting effects of the various warrant transactions described above, are reflected in the condensed interim statements of changes in equity. Warrant transactions occurring after March 31, 2011 are disclosed in Note 15a.

e) Stock Options

Under the Company's stock option plan, options may be granted to employees for up to 10% of the issued and outstanding common shares. The exercise price of the options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. The maximum exercise period after the grant of the option is 5 years.

A continuity of the Company's outstanding and exercisable stock options for the year ended December 31, 2010 follows:

Expiry date	Exercise price	January 1, 2010	Granted	Exercised	Expired	December 31, 2010
March 11, 2010	$0.20	370,000	-	-	(370,000)	-
March 3, 2011	$0.15	375,000	-	-	(200,000)	175,000
May 5, 2011	$0.16	50,000	-	-	(50,000)	-
June 19, 2011	$0.15	100,000	-	(50,000)	-	50,000
January 26, 2012	$0.13	900,000	-	(100,000)	(550,000)	250,000
January 8, 2013	$0.135	50,000	-	-	-	50,000
April 9, 2013	$0.16	850,000	-	-	(300,000)	550,000
September 12, 2013	$0.115	100,000	-	-	-	100,000
February 4, 2015	$0.11	-	1,200,000	-	(300,000)	900,000
October 6, 2015	$0.125	-	1,200,000	-	-	1,200,000
November 15, 2015	$0.17	-	700,000	-	-	700,000
Totals		2,795,000	3,100,000	(150,000)	(1,770,000)	3,975,000
Weighted-average exercise price		$0.18	$0.13	$ 0.14	$0.19	$0.14

A continuity of the Company's outstanding and exercisable stock options for the three months ended March 31, 2011 follows:

Expiry date	Exercise price	January 1, 2011	Granted	Exercised	Expired	March 31, 2011
March 3, 2011	$0.15	175,000	-	(125,000)	(50,000)	-
June 19, 2011	$0.15	50,000	-	-	-	50,000
January 26, 2012	$0.13	250,000	-	-	-	250,000
January 8, 2013	$0.135	50,000	-	-	-	50,000
April 9, 2013	$0.16	550,000	-	-	-	550,000
September 12, 2013	$0.115	100,000	-	-	-	100,000
February 4, 2015	$0.11	900,000	-	-	-	900,000
October 6, 2015	$0.125	1,200,000	-	-	-	1,200,000
November 15, 2015	$0.17	700,000	-	-	-	700,000
Totals		3,975,000	-	(125,000)	(50,000)	3,800,000
Weighted-average exercise price		$0.14	$ -	$0.15	$0.15	$0.14

Continued…

(Unaudited – expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

e) Stock Options (Continued)
All of the options reported above have a 5-year term and vested at their respective grant dates.

On December 10, 2010, the Company received $20,500 from the exercise of 150,000 options by a director. The grant date fair value of these options was $14,370.

During the year ended December 31, 2010, 1,770,000 options expired unexercised, of which 1,400,000 options expired early due to the optionee's departure from the Company. The total grant date fair value of the 1,770,000 expired options was $199,359.

On February 25, 2011, the Company received $18,750 from the exercise of 125,000 options by a director. The grant date fair value of these options was $11,165.

On March 2, 2011, 50,000 options expired unexercised. The grant date fair value of these options was $4,467.

The 3,800,000 options outstanding and exercisable as at March 31, 2011 have a weighted-average remaining contractual life of 3.4 years, and represent 6.2% of the Company's outstanding common shares.

Share-based compensation expense of $321,000 was recorded for the year ended December 31, 2010 based on the estimated fair value of 3,100,000 options granted, as determined using the Black-Scholes option-pricing model. The assumptions used and the valuation results were as follows:

	February 4, 2010 Grant	October 7, 2010 Grant	November 16, 2010 Grant	Totals
Assumptions used				
# of options granted	1,200,000	1,200,000	700,000	3,100,000
Expected dividend yield	0%	0%	0%	
Expected volatility	122%	149%	130%	
Risk-free interest rate	2.5%	1.9%	1.9%	
Expected life in years	5.0	5.0	5.0	
Exercise price	$0.11	$0.125	$0.17	
Valuation results				
Grant date fair value/option	$0.09	$0.09	$0.15	$0.10
Compensation expense	$111,000	$108,000	$102,000	$321,000

Share-based compensation expense for the three months ended March 31, 2011 was Nil (March 31, 2010 – $111,000).

The accounting effects of the various stock option transactions described above, are reflected in the condensed interim statements of changes in equity. Stock option transactions occurring after March 31, 2011 are disclosed in Note 15b.

f) Diluted Loss Per Share
Loss per share is calculated using the basic and diluted weighted-average number of common shares outstanding during the three months ended March 31, 2011, which was 61,028,647 (2010 – 50,478,319). The determination of the weighted-average number of shares outstanding for the calculation of diluted loss per share does not include the potential effect of 26,210,499 (2010 – 22,709,500) outstanding warrants and 3,800,000 (2010 – 3,625,000) outstanding options, as they are anti-dilutive.

Continued…

(Unaudited – expressed in Canadian dollars)

8. INCOME TAXES

The Company's tax position is confirmed at the end of each fiscal year when it prepares and files its corporate tax returns. For interim financial reporting, the Company estimates an average income tax rate for the full financial year and applies that to the interim loss before income taxes (after eliminating permanent differences such as non-deductible share-based compensation). Additional adjustments are then made for the interim tax effects of flow-through shares.

The deferred income tax (recovery) expense for the three months ended March 31, 2011 and 2010 is comprised of the following amounts:

	2011	2010
Deferred tax (recovery) based on application of estimated average tax rate, as explained above	$ (40,000)	$ (13,000)
Additional adjustments		
Deferred tax expense related to effective renunciation of flow-through expenditures incurred	618	102,568
Adjustment for premium paid by investors on flow-through shares	-	(3,893)
Net income tax (recovery) expense	$ (39,382)	$ 85,675

A continuity of the deferred tax (liability) for the three months ended March 31, 2011 and 2010 follows:

	2011	2010
Balance – January 1	$ (363,382)	$ (302,510)
Deferred tax reduction in condensed interim statement of changes in equity		
Tax benefit of issue expenses	-	10,500
Deferred tax in condensed interim statement of loss and comprehensive loss		
Net income tax recovery (expense) – see above	39,382	(85,675)
Adjustment for premium paid by investors on flow-through shares	-	(3,893)
Net change for period	39,382	(79,068)
Balance – March 31	$ (324,000)	$ (381,578)

No current tax is recorded in these condensed interim financial statements for the periods presented due to the Company's taxable loss position. The Company's tax carry forward balances, consisting of available operating and capital loss-carry forwards, resource expenditure tax pools, and share issue costs, were reported in its December 31, 2010 Canadian GAAP financial statements and are not affected by its conversion to IFRS.

A deferred income tax expense/liability adjustment of $235,000 will be recorded by the Company in 2011, on a pro-rata basis, as the remaining December 31, 2010 flow-through expenditure commitment of $940,000 is extinguished. The deferred income tax expense will be reduced by the remaining flow-through share premium of $35,667 (see Note 7c) on a pro-rata basis as the last $670,000 of flow-through expenditure commitment is extinguished. As at March 31, 2011, $618 of the $235,000 deferred income tax adjustment has been recorded.

Continued…

(Unaudited – expressed in Canadian dollars)

9. TRADE AND OTHER PAYABLES

	March 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 5,969	$ 13,212	$ 9,786
Trade payable – related parties (Note 10)	3,101	7,000	29,974
Finders' fees payable	-	42,700	-
Accrued expenses	42,000	34,000	33,114
	$ 51,070	$ 96,912	$ 72,874

10. RELATED PARTY TRANSACTIONS

At present, the Company considers its related parties to consist of: i) members of the Company's key management personnel (e.g. officers and directors), their close family members, and companies controlled or significantly influenced by such individuals; and ii) joint ventures and related partners.

Related party transactions with joint ventures and related partners are disclosed in Note 3g. Details of transactions with other related parties for the three months ended March 31, 2011 and 2010 are as follows:

	2011	2010
Condensed interim statements of financial position		
Evaluation and exploration assets		
Geology fees for three months ended March 31 – officer, capitalized	$ -	$ 23,000
Condensed interim statements of loss and comprehensive loss		
Management fees – officers	$ 38,095	$ 17,775
Share-based compensation		
Options granted to employees, vested		
Officers	$ -	$ 50,871
Non-executive directors	-	55,501
Others	-	4,628
Total (see Note 7e)	$ -	$ 111,000

The Company's officers receive fees pursuant to fee-for-service arrangements with the Company, in lieu of salaries. The Company's board of directors approves these fees and the share-based compensation. Common shares and warrants purchased by employees during the year, on the same terms as other investors, are described in Note 7c.

Trade payables includes amounts owed to officers of $3,101 as at March 31, 2011 (December 31, 2010 – $7,000, January 1, 2010 – $29,974). These related party liabilities are unsecured, non-interest bearing and due within 30 days.

Continued…

11. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

As at March 31, 2011, the Company is committed to incur prior to January 1, 2012 and on a best-efforts basis, approximately $937,000 in qualifying Canadian exploration expenditures pursuant to private placements for which flow-through proceeds had been received and renounced to investors with an effective date of December 31, 2010. The Company has agreed to indemnify the subscribers of its flow-through shares for any tax-related amounts that become payable by them, if the Company fails to meet it expenditure commitments.

b) Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

12. CAPITAL MANAGEMENT

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

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. The Company is not subject to externally imposed capital requirements.

Continued…

(Unaudited – expressed in Canadian dollars)

13. FINANCIAL RISK FACTORS

The Company's financial instruments consist of financial assets and liabilities as outlined below and as further explained in Note 2d.

	March 31, 2011	December 31, 2010	January 1, 2010
Financial assets			
Held for trading			
Cash equivalents – GIC's bearing interest at 0.9%, cashable at any time without penalty	$ 935,000	$ 500,000	$ -
Loans and receivables			
Cash	95,604	599,517	171,496
Amounts receivable (Note 6)	18,237	39,208	9,263
	113,841	638,725	180,759
Unquoted equity instrument – investment (Note 5)	1,250	1,250	1,250
	$ 1,050,091	$ 1,139,975	$ 182,009
Financial liabilities			
Other financial liabilities			
Trade and other payables (Note 9)	$ 51,070	$ 96,912	$ 72,874

As at March 31, 2011, the carrying values and fair values of the Company's financial instruments are approximately the same. In addition, the Company's financial instruments that are carried at fair value consist of cash equivalents and are classified as "Level 2" within the fair value hierarchy.

Risk exposures and the impact on its financial instruments are summarized below.

Credit risk
The Company's financial assets are exposed to some credit risk. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates of $935,000 included in March 31, 2011 cash and cash equivalents (December 31, 2010 – $500,000) are invested with reputable financial institutions, from which management believes the risk of loss to be remote. The Company does not use derivatives to manage credit risk.

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 has a cash and cash equivalents balance of $1,034,604 (December 31, 2010 – $1,099,517) to settle trade and other payables of $51,070 (December 31, 2010 – $96,912). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company is also committed to spending $937,000 (see Note 11a) on mineral exploration expenditures by December 31, 2011.

Market risk
The Company's market risk has three components – interest rate risk, foreign currency risk and price risk.

(i) Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

Continued…

13. FINANCIAL RISK FACTORS (Continued)

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and all purchases are transacted in Canadian dollars. The Company has no foreign operations and thus has no foreign exchange risk derived from either currency conversions or from holding foreign currencies. The Company does not speculate in the foreign currency market nor does it have any need to acquire foreign currency hedges.

(iii) Price risk

The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action.

Sensitivity Analysis

Management believes that sensitivity analysis on the Company's financial instruments is presently unnecessary, since any changes in interest rates and commodity prices are unlikely to have a material effect on the Company's financial instruments.

14. SEGMENTED INFORMATION

The Company's operations comprise a single operating segment engaged in the acquisition, exploration and development of mineral properties in Canada.

15. SUBSEQUENT EVENTS

a) Warrants Exercised

On April 19 and 21, 2011, the Company issued a total of 346,000 common shares to investors upon the exercise of 346,000 warrants at a price of $0.20 per share, for total proceeds of $69,200. The warrants were due to expire on January 27, 2013 (see Note 7d).

b) Stock Options Exercised and Granted

On April 25, 2011, the Company issued 250,000 common shares to an employee upon the exercise of 250,000 stock options at a price of $0.11 per share, for total proceeds of $27,500. These options were due to expire on February 4, 2015 (see Note 7e).

On May 17, 2011, the Company granted an aggregate total of 300,000 stock options to three officers. These options, which vested at the grant date, are exercisable at $0.24 each and have a five-year term.

On June 8, 2011, the Company issued 150,000 common shares to an director upon the exercise of 150,000 stock options (50,000 at a price of $0.15 per share and 100,000 at a price of $0.13 per share), for total proceeds of $20,500. These options were due to expire on June 19, 2011 January 26, 2012, respectively (see Note 7e).

Continued…

15. SUBSEQUENT EVENTS (Continued)

c) Venton Lake Project Acquisition

On April 12, 2011, the Company signed a Letter Agreement in which it is granted an option to earn a 100% undivided interest in 13 mining claims located near Thunder Bay, Ontario known as the "Venton Lake Project." The agreement provides that the Company (as Optionee) will earn a 100% interest in the property by making an initial $75,000 cash payment followed by three additional annual cash payments of $75,000 each from the "Effective Date" (of the transaction) which is defined as the date the TSX-V approves the transaction plus 10 days. Each respective cash payment is also to be accompanied by the issuance of common shares of the Company to the Optionor, as follows – 150,000 shares (initial), 50,000 shares (after the first year), 50,000 shares (after the second year) and 100,000 shares (after the third year), for a total of 350,000 shares.

Upon the exercise of the option, the Optionor is to retain a 2.5% NSR on output from the properties following the commencement of commercial production. For the period commencing on the date that is 60 months following the Effective Date and ending on the commencement of commercial production, the Company is required to pay an advance minimum royalty of $15,000 per year to the Optionor within 30 days of the start of each year, which aggregate amounts shall be deducted from the subsequent 2.5% NSR payments. The Company may buy back up one-fifth of the 2.5% NSR at a price of $500,000, for a period of 20 years from the Effective Date. The Company may abandon the option granted to it by giving 30 days notice prior to abandonment, provided that the mineral rights have been in good standing for at least the six months following the date of abandonment.

The TSX-V approved the Venton Lake Project transaction on April 26, 2011. The transaction is subject to formal closing at which time the Company will release the consideration owing.

d) Acquisition of Additional Mineral Property Interests

On May 17, 2011, the Company signed a Property Sale Agreement with Freewest Resources Canada Inc. ("Freewest"), a wholly owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF), in which it agreed to acquire a 70% interest in the Verneuil property ("Verneuil") and a 100% undivided interest of the Larose property ("Larose"), in exchange for a combined share-based payment of 1,000,000 common shares and a 0.5% NSR on each property.

Verneuil is comprised of 44 claims in Verneuil Township in the Abitibi region of Quebec. The 30% interest in Verneuil is held by Golden Tag Resources Ltd. Larose is comprised of 16 claims in Moss Township in northwestern Ontario. Verneuil is subject to an existing 1% NSR and Larose to an existing 3% NSR. The NSR's described herein apply to all minerals in perpetuity.

On June 7, 2011, the Company signed a Letter Agreement with other parties in which it agreed to acquire a 100% undivided interest in 10 mining claims located immediately east of Verneuil in exchange for cash of $20,000, a share-based payment of 200,000 common shares and a 2% NSR in perpetuity. The Company may re-purchase half of the 2% NSR for $1,000,000 at any time.

On June 13, 2011, the Company signed a Letter Agreement with other parties in which it agreed to acquire a 100% undivided interest in 19 mining claims located immediately west of Verneuil in exchange for cash of $30,000, a share-based payment of 300,000 common shares and 150,000 warrants (exercisable at a price of $0.30 for 2 years), and a 2% NSR in perpetuity. The estimated fair value of the other warrants issued will be treated as a transaction cost for the common shares issued. The Company may re-purchase half of the 2% NSR for $1,000,000 at any time.

The TSX-V approved the Freewest transaction on May 27, 2011 and the two Verneuil claims transactions on June 21, 2011. All three transactions are subject to their respective formal closings, at which times, the Company will release the related consideration owing.

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16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The significant accounting policies presented in Note 2 have been applied in preparing the condensed interim financial statements for the three months ended March 31, 2011, the comparative information presented in these condensed interim financial statements for the year ended December 31, 2010, and in the preparation of a condensed interim opening IFRS statement of financial position as at January 1, 2010, the Company's IFRS transition date.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting, Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance, cash flows and changes in equity is set out in the following reconciliation tables and the notes that accompany the tables.

IFRS Transition Exceptions and Elections
IFRS 1 identifies certain exceptions to retrospective application of some aspects of other IFRS's. This includes:

- Non-controlling Interests (IAS 27)

In accordance with IFRS 1, the Company has also elected to apply the following exemption to full retrospective application of IFRS:

- Business Combinations (IFRS 3)

The Company has applied IFRS 2, Share-based Payments, on a retrospective basis as further explained in Note 16a(ii).

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS Reconciliations

Below is a reconciliation of the Company's statement of financial position from Canadian GAAP to IFRS as at the January 1, 2010 IFRS transition date.

Viking Gold Exploration Inc. IFRS Statement of Financial Position Reconciliation As at January 1, 2010 See Note 16a(i)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
ASSETS					
Non-current assets					
Exploration and evaluation assets	$ 3,128,041	$ -	$ -	$ -	$ 3,128,041
Equipment	14,080	-	-	-	14,080
Investment	1,250	-	-	-	1,250
	3,143,371	-	-	-	3,143,371
Current assets					
Amounts receivable and prepaid expenses	14,328	-	-	-	14,328
Cash and cash equivalents	171,496	-	-	-	171,496
	185,824	-	-	-	185,824
Total Assets	$ 3,329,195	$ -	$ -	$ -	$ 3,329,195
EQUITY AND LIABILITIES					
Equity					
Share capital	$ 3,820,173	$ -	$ 693,001	$ 800,471	$ 5,313,645
Warrants	152,917	-	(152,917)	-	-
Contributed surplus	1,025,787	(485,703)	(540,084)	-	-
Equity-settled employee benefit reserve	-	290,904	-	-	290,904
Deficit	(1,998,756)	194,799	-	(850,674)	(2,654,631)
	3,000,121	-	-	(50,203)	2,949,918
Non-current liabilities					
Deferred tax liability	256,200	-	-	46,310	302,510
Current liabilities					
Liability for flow-through share prem.	-	-	-	3,893	3,893
Accounts payable and accrued liabilities	72,874	-	-	-	72,874
	72,874	-	-	3,893	76,767
Total Equity and Liabilities	$ 3,329,195	$ -	$ -	$ -	$ 3,329,195

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS Reconciliations (Continued)
Below is a reconciliation of the Company's statement of financial position from Canadian GAAP to IFRS as at December 31, 2010.

Viking Gold Exploration Inc. IFRS Statement of Financial Position Reconciliation As at December 31, 2010 See Note 16a(i)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
ASSETS					
Non-current assets					
Exploration and evaluation assets	$ 3,611,604	$ -	$ -	$ -	$ 3,611,604
Equipment	11,061	-	-	-	11,061
Investment	1,250	-	-	-	1,250
	3,623,915	-	-	-	3,623,915
Current assets					
Amounts receivable and prepaid expenses	44,045	-	-	-	44,045
Cash and cash equivalents	1,099,517	-	-	-	1,099,517
	1,143,562	-	-	-	1,143,562
Total Assets	$ 4,767,477	$ -	$ -	$ -	$ 4,767,477
EQUITY AND LIABILITIES					
Equity					
Share capital	$ 4,942,706	$ -	$ 1,103,409	$ 877,554	$ 6,923,669
Warrants	545,465	-	(545,465)	-	-
Contributed surplus	1,372,277	(792,333)	(579,944)	-	-
Equity-settled employee benefit reserve	-	398,175	-	-	398,175
Deficit	(2,500,883)	394,158	22,000	(965,603)	(3,050,328)
	4,359,565	-	-	(88,049)	4,271,516
Non-current liabilities					
Deferred tax liability	311,000	-	-	52,382	363,382
Current liabilities					
Liability for flow-through share prem.	-	-	-	35,667	35,667
Accounts payable and accrued liabilities	96,912	-	-	-	96,912
	96,912	-	-	35,667	132,579
Total Equity and Liabilities	$ 4,767,477	$ -	$ -	$ -	$ 4,767,477

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS Reconciliations (Continued)
Below is a reconciliation of the Company's statement of financial position from Canadian GAAP to IFRS as at March 31, 2010.

Viking Gold Exploration Inc. IFRS Statement of Financial Position Reconciliation As at March 31, 2010 See Note 16a(i)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
ASSETS					
Non-current assets					
Exploration and evaluation assets	$ 3,538,311	$ -	$ -	$ -	$ 3,538,311
Equipment	13,506	-	-	-	13,506
Investment	1,250	-	-	-	1,250
	3,553,067	-	-	-	3,553,067
Current assets					
Amounts receivable and prepaid expenses	35,635	-	-	-	35,635
Cash and cash equivalents	650,865	-	-	-	650,865
	686,500	-	-	-	686,500
Total Assets	$ 4,239,567	$ -	$ -	$ -	$ 4,239,567
EQUITY AND LIABILITIES					
Equity					
Share capital	$ 4,215,112	$ -	$ 854,409	$ 913,221	$ 5,982,742
Warrants	301,704	-	(301,704)	-	-
Contributed surplus	1,149,408	(596,703)	(552,705)	-	-
Equity-settled employee benefit reserve	-	315,211	-	-	315,211
Deficit	(2,138,822)	281,492	-	(949,349)	(2,807,679)
	3,526,402	-	-	(36,128)	3,490,274
Non-current liabilities					
Deferred tax liability	345,450	-	-	36,128	381,578
Current liabilities					
Liability for flow-through share prem.	-	-	-	-	-
Accounts payable and accrued liabilities	367,715	-	-	-	367,715
	367,715	-	-	-	367,715
Total Equity and Liabilities	$ 4,239,567	$ -	$ -	$ -	$ 4,239,567

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS Reconciliations (Continued)

Below are reconciliations of the Company's statements of loss and comprehensive loss from Canadian GAAP to IFRS for the year ended December 31, 2010 and also for the three months ended March 31, 2010.

Viking Gold Exploration Inc. IFRS Statement of Loss and Comprehensive Loss Reconciliation For the Year Ended December 31, 2010 (See Note 16b)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
Revenue	$ -	$ -	$ -	$ -	$ -
Expenses					
Management fees	83,120	-	-	-	47,649
Share-based compensation	321,000	-	-	-	-
Professional and regulatory fees	54,067	-	-	-	38,239
Office and administration	58,052	-	-	-	51,060
Depreciation	3,445	-	-	-	4,490
Investigation of new properties	1,870	-	-	-	1,870
	521,554	-	-	-	521,554
Operating loss	(521,554)	-	-	-	(521,554)
Other expense					
Part XII.6 tax	(9,023)	-	-	-	(9,023)
Loss before income taxes	(530,577)	-	-	-	(530,577)
Deferred tax (recovery)	(28,450)	-	-	114,929	86,479
Net loss and comprehensive loss	$ (502,127)	$ -	$ -	$ 114,929	$ (617,056)
Basic and diluted loss per common share	$ (0.01)				$ (0.01)
Weighted-average number of common shares – basic and diluted	54,190,538				54,190,538

Viking Gold Exploration Inc. IFRS Statement of Loss and Comprehensive Loss Reconciliation For the Three Months Ended March 31, 2010 (See Note 16b)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
Revenue	$ -	$ -	$ -	$ -	$ -
Expenses					
Management fees	17,775	-	-	-	17,775
Share-based compensation	111,000	-	-	-	111,000
Professional and regulatory fees	10,495	-	-	-	10,495
Office and administration	13,796	-	-	-	13,796
Depreciation	1,000	-	-	-	1,000
	154,066	-	-	-	154,066
Operating loss	(154,066)	-	-	-	(154,066)
Other expense	-	-	-	-	-
Loss before income taxes	(154,066)	-	-	-	(154,066)
Deferred tax (recovery)	(13,000)	-	-	98,675	85,675
Net loss and comprehensive loss	$ (141,066)	$ -	$ -	$ (98,675)	$ (239,741)
Basic and diluted loss per common share	$ (0.00)				$ (0.00)
Weighted-average number of common shares – basic and diluted	50,478,319				50,478,319

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS Reconciliations (Continued)
Below is a reconciliation of the Company's statement of changes in equity from Canadian GAAP to IFRS for the year ended December 31, 2010.

Viking Gold Exploration Inc. IFRS Statement of Changes in Equity Reconciliation For the Year Ended December 31, 2010 (See Note 16d)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
Share capital (GAAP/IFRS)					
Balance, January 1, 2010	$ 3,820,173	$ 1,493,472	$ 693,001	$ 800,471	$ 5,313,645
Proceeds of private placements					
Non-flow-through	520,000	-	-	-	520,000
Flow-through	1,150,000	-	-	-	1,150,000
Premium paid by investors for flow-through shares	-	-	-	(35,667)	(35,667)
Fair value of warrants issued	(456,000)	-	456,000	-	-
Issue costs	(83,087)	-	(23,592)	-	(106,679)
Issue costs – deferred tax	23,500	-	6,000	-	29,500
Other warrants issued	(22,000)	-	-	-	(22,000)
Exercise of warrants	42,000	-	(2,000)	-	40,000
Exercise of options	34,870	-	-	-	34,870
Deferred tax - flow-through shares	(86,750)	-	(26,000)	112,750	-
Net change for year	1,122,533	-	410,408	77,083	1,610,024
Balance, December 31, 2010	4,942,706	-	1,103,409	877,554	6,923,669
Warrants (GAAP)					
Balance, January 1, 2010	152,917	-	(152,917)	-	-
Fair value of warrants issued	456,000	-	(456,000)	-	-
Issue costs	(23,592)	-	23,592	-	-
Issue costs – deferred tax	6,000	-	(6,000)	-	-
Other warrants issued	22,000	-	(22,000)	-	-
Exercise of warrants	(2,000)	-	2,000	-	-
Warrants expired	(39,860)	-	39,860	-	-
Deferred tax - flow-through shares	(26,000)	-	26,000	-	-
Net change for year	392,548	-	(392,548)	-	-
Balance, December 31, 2010	545,465	-	(545,465)	-	-
Contributed surplus (GAAP)					
Balance, January 1, 2010	1,025,787	(485,703)	(540,084)	-	-
Stock-based compensation	321,000	(321,000)	-	-	-
Exercise of options	(14,370)	14,370	-	-	-
Warrants expired	39,860	-	(39,860)	-	-
Net change for year	346,490	(306,630)	(39,860)	-	-
Balance, December 31, 2010	1,372,277	(792,333)	(579,944)	-	-
Equity-settled employee benefit reserve (IFRS)					
Balance, January 1, 2010	-	290,904	-	-	290,904
Share-based compensation	-	321,000	-	-	321,000
Exercise of options	-	(14,370)			(14,370)
Options expired	-	(199,359)	-	-	(199,359)
Net change for year	-	107,271	-	-	107,271
Balance, December 31, 2010	-	398,175	-	-	398,175

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(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Viking Gold Exploration Inc. IFRS Statement of Changes in Equity Reconciliation For the Year Ended December 31, 2010 (See Note 16d)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
Continued from previous page…					
Deficit (GAAP/IFRS)					
Balance, January 1, 2010	(1,998,756)	194,799	-	(850,674)	(2,654,631)
Other warrants issued	-	-	22,000	-	22,000
Comprehensive loss for year	(502,127)	-	-	(114,929)	(617,056)
Options expired	-	199,359	-	-	199,359
Net change for year	(502,127)	199,359	22,000	(114,929)	(395,697)
Balance, December 31, 2010	(2,500,883)	394,158	22,000	(965,603)	(3,050,328)
Change in equity for year	1,359,444	-	-	(37,846)	1,321,598
Balance – January 1, 2010	3,000,121	-	-	(50,203)	2,949,918
Balance – December 31, 2010	$ 4,359,565	$ -	$ -	$ (88,049)	$ 4,271,516

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS Reconciliations (Continued)
Below is a reconciliation of the Company's statement of changes in equity from Canadian GAAP to IFRS for the three months ended March 31, 2010.

Viking Gold Exploration Inc. **IFRS Statement of Changes in Equity Reconciliation** **For the Three Months Ended March 31, 2010** **(See Note 16d)**	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
Share capital (GAAP/IFRS)					
Balance, January 1, 2010	$ 3,820,173	$ -	$ 693,001	$ 800,471	$ 5,313,645
Proceeds of private placements					
Non-flow-through	220,000	-	-	-	220,000
Flow-through	480,000	-	-	-	480,000
Premium paid by investors for flow-through shares	-	-	-	-	-
Fair value of warrants issued	(196,000)	-	196,000	-	-
Issue costs	(29,811)	-	(11,592)	-	(41,403)
Issue costs – deferred tax	7,500	-	3,000	-	10,500
Deferred tax - flow-through shares	(86,750)	-	(26,000)	112,750	-
Net change for period	394,939	-	161,408	112,750	669,097
Balance, March 31, 2010	4,215,112	-	854,409	913,221	5,982,742
Warrants (GAAP)					
Balance, January 1, 2010	152,917	-	(152,917)	-	-
Fair value of warrants issued	196,000	-	(196,000)	-	-
Issue costs	(11,592)	-	11,592	-	-
Issue costs – deferred tax	3,000	-	(3,000)	-	-
Warrants expired	(12,621)	-	12,621	-	-
Deferred tax - flow-through shares	(26,000)	-	26,000	-	-
Net change for period	148,787	-	(148,787)	-	-
Balance, March 31, 2010	301,704	-	(301,704)	-	-
Contributed surplus (GAAP)					
Balance, January 1, 2010	1,025,787	(485,703)	(540,084)	-	-
Stock-based compensation	111,000	(111,000)	-	-	-
Warrants expired	12,621	-	(12,621)	-	-
Net change for period	123,621	(111,000)	(12,621)	-	-
Balance, March 31, 2010	1,149,408	(596,703)	(552,705)	-	-
Equity-settled employee benefit reserve (IFRS)					
Balance, January 1, 2010	-	290,904	-	-	290,904
Share-based compensation	-	111,000	-	-	111,000
Options expired	-	(86,693)	-	-	(86,693)
Net change for period	-	24,307	-	-	24,307
Balance, March 31, 2010	-	315,211	-	-	315,211

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(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Viking Gold Exploration Inc. IFRS Statement of Changes in Equity Reconciliation For the Three Months Ended March 31, 2010 (See Note 16d)	Canadian GAAP	IFRS adjustment re stock options (Note 16a(ii))	IFRS adjustment re warrants (Note 16a(iii))	IFRS adjustment re flow-through shares (Note 16a(iv))	IFRS
Continued from previous page…					
Deficit (GAAP/IFRS)					
Balance, January 1, 2010	(1,998,756)	194,799	-	(850,674)	(2,654,631)
Comprehensive loss for period	(141,066)	-	-	(98,675)	(239,741)
Options expired	-	86,693	-	-	86,693
Net change for period	(141,066)	86,693	-	(98,675)	(153,048)
Balance, March 31, 2010	(2,139,822)	281,492	-	(949,349)	(2,807,679)
Change in equity for period	526,281	-	-	14,075	540,356
Balance – January 1, 2010	3,000,121	-	-	(50,203)	2,949,918
Balance – March 31, 2010	$ 3,526,402	$ -	$ -	$ (36,128)	$ 3,490,274

a) Notes to IFRS Statement of Financial Position Reconciliations

(i) Statements of Financial Position/Balance Sheet Format

The Canadian GAAP balance sheets are presented for reconciliation purposes using the IFRS non-current/current format.

(ii) Adjustment – Stock Options

Under Canadian GAAP, the Company valued stock options granted to employees using the Black-Scholes option-pricing model, and then recorded a "stock-based" compensation expense in profit or loss with an offsetting increase in contributed surplus. When options were exercised, the Company reclassified the related net carrying value from contributed surplus to share capital and added the proceeds received. When options expired, no entry was recorded. This accounting policy was consistently applied by the Company during the period January 1, 2002 to December 31, 2010, prior to its conversion to IFRS. Prior to 2002, the Company did not record a stock-based compensation expense when options were granted.

Under its new IFRS accounting policy, which adheres to the recommendations of IFRS 2 ("Share-based Payments" – see Note 2m), the Company similarly records the fair value of options granted using the Black-Scholes option-pricing model, and then records a "share-based" compensation expense in profit or loss with an offsetting increase directly to an Equity-settled Employee Benefit Reserve. When options are exercised, a transfer is made from the reserve to share capital and added to the proceeds received. When stock options expire or are cancelled, a transfer is made from reserve to retained earnings (deficit).

Under IFRS 1, the Company is required to account for its share-based payment transactions (e.g. stock options) that were granted after November 2, 2002 and that have not vested before the Company's January 1, 2010 IFRS transition date (of which there were none). For options granted before November 2, 2002, or granted after November 2, 2002 and vesting before the Company's IFRS transition date, the Company is not required to apply IFRS 2, but may choose to do so only if the fair value of those options granted was previously disclosed publicly and was determined at the grant date in accordance with IFRS 2.

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

a) Notes to IFRS Statement of Financial Position Reconciliations

(ii) Adjustment – Stock Options (Continued)

The Company has optionally elected under IFRS 1 to apply IFRS 2 to options granted in 2002 (which were granted prior to November 2, 2002) as well as those options granted in subsequent years and vesting before the IFRS transition date, on the basis that these options satisfy the necessary inclusion tests. Accordingly, as a December 31, 2010 retrospective IFRS adjustment, the Company has reclassified its $792,233 balance of share-based payments from contributed surplus to reserve (for $398,175 of outstanding, exercisable options) and to deficit (for $394,158 of expired options), as outlined below. Total compensation expense of $806,703 for the years 2002 to 2010 is the same under both Canadian GAAP and IFRS.

During the years 2002 to 2009 inclusive, there were no exercises of the Company's stock options.

Below is a summary of the related cumulative entries recorded under Canadian GAAP and the IFRS retrospective adjustment:

	Cumulative to December 31, 2009	Year ended December 31, 2010	Cumulative to December 31, 2010
Canadian GAAP summary:			
Contributed surplus – value of options granted, recorded as stock-based compensation	$ 485,703	$ 321,000	$ 806,703
Contributed surplus – value of options exercised	-	(14,370)	(14,370)
	$ 485,703	$ 306,630	$ 792,333
IFRS retrospective adjustment:			
Increase in			
Equity-settled employee benefit reserve – share-based compensation	$ 290,904	$ 107,271	$ 398,175
Equity – reduction of deficit	194,799	199,359	394,158
	$ 485,703	$ 306,630	$ 792,333
Decrease in			
Contributed surplus	$ (485,703)	$ (306,630)	$ (792,333)

(iii) Adjustment – Warrants

Under Canadian GAAP, the Company valued warrants issued to investors in private placements using the Black-Scholes option-pricing model, and then allocated an equivalent portion of proceeds received from share capital to warrants, a separate component of equity. The Company also allocated a portion of transaction costs and future taxes for flow-throw renunciations as an offset to the warrants issued. Other warrants were included in transaction costs at their estimated fair value using the Black-Scholes option-pricing model. An offsetting credit for other warrants was recorded in warrants. When investor or other warrants were exercised, the Company reclassified the related net carrying value from warrants to share capital and added that to the proceeds received. When investor or broker warrants expired, the Company reclassified the related net carrying value to contributed surplus.

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

a) Notes to IFRS Statement of Financial Position Reconciliations
(iii) Adjustment – Warrants (Continued)
Under its new IFRS accounting policy (see Note 2k), the Company ignores any separate valuation of warrants issued to investors in private placements and instead records the gross proceeds of issuance of common shares and attached warrants less transaction costs, directly in share capital. Other warrants (e.g. broker warrants issued in a private placement, or extra warrants issued in an acquisition of mineral properties) are included in transaction costs at their estimated fair value using the Black-Scholes option-pricing model. An offsetting credit for other warrants is recorded as a reduction of deficit. When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

Accordingly, as a December 31, 2010 retrospective IFRS adjustment, the Company has reclassified $1,103,409 to share capital and $22,000 to deficit for a total of $1,125,409 – $545,465 from warrants (representing unexpired investor and other warrants) and $579,944 from contributed surplus (representing expired investor warrants) – as outlined below. Prior to 2004, the Company did not issue investor warrants. Prior to 2010, the Company did not issue other warrants.

Below is a summary of the related cumulative entries recorded under Canadian GAAP and the IFRS retrospective adjustment:

	Cumulative to December 31, 2009	Year ended December 31, 2010	Cumulative to December 31, 2010
Canadian GAAP summary:			
Warrants issued	$ 992,141	$ 456,000	$ 1,448,141
Issue costs	(76,530)	(23,592)	(100,122)
Issue costs – tax benefit	-	6,000	6,000
Other warrants issued	-	22,000	22,000
Warrants exercised	(28,410)	(2,000)	(30,410)
Deferred tax effect of flow-through share renunciations, allocated to warrants	(194,200)	(26,000)	(220,200)
Warrants expired	(540,084)	(39,860)	(579,944)
Warrants equity component	$ 152,917	$ 392,548	$ 545,465
IFRS retrospective adjustment:			
Increase (decrease) in share capital			
Proceeds of issuance of shares	$ 963,731	$ 454,000	$ 1,417,731
Issue costs	(76,530)	(23,592)	(100,122)
Issue costs – tax benefit	-	6,000	6,000
Tax effect of flow-through renunciations	(194,200)	(26,000)	(220,200)
	693,001	410,408	1,103,409
Reduction of deficit			
Other warrants issued	-	22,000	22,000
	$ 693,001	$ 432,408	$ 1,125,409
Decrease in			
Warrants	(152,917)	(392,548)	(545,465)
Contributed surplus	(540,084)	(39,860)	(579,944)
	$ (693,001)	$ (432,408)	$ (1,125,409)

The cumulative tax adjustment of $220,200 to December 31, 2010 recognizes that there would have been no separate allocation of future tax effect to warrants under Canadian GAAP, if proceeds of flow-through unit offerings were originally allocated entirely to share capital. The Company's IFRS adjustment for flow-through shares is discussed separately in Note 16a(iv).

Continued…

(Unaudited – expressed in Canadian dollars)

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

a) Notes to IFRS Statement of Financial Position Reconciliations (Continued)
(iv) Adjustment – Flow-through Shares
Under Canadian GAAP, the Company recorded the proceeds received in a unit offering involving flow-through shares to capital stock and warrants and then capitalized related resource expenditures to mineral properties. The Company renounced the tax benefits of the resource expenditures in accordance with income tax legislation, and recorded a future income tax liability in respect of the temporary taxable differences created by the renouncement, as a reduction of share capital and warrants. The Company followed Canadian Accounting Standards Board ("AcSB") Accounting Abstract EIC-146, Flow-through Shares, which recommended that the future tax liability be recorded on the date on which the Company filed its renouncement documents, which typically fell in the calendar year subsequent to the year of flow-through share issuance.

Under its new IFRS accounting policy (see Note 2l), at the time of issuing flow-through shares, the Company allocates the proceeds of issuance to share capital and the sale of tax benefits. The allocation to tax benefits is recorded as a liability and is based on the estimated premium, if any, an investor pays for the flow-through common shares over the value of non-flow-through shares issued based on the quoted price. As qualifying exploration expenditures are made in each reporting period, the Company capitalizes these costs to intangible assets. Further, If the Company intends to formally renounce these expenditures to investors under an existing flow-through agreement (whether using the "General Rule" or "Look-back Rule" as permitted under Canadian income tax regulations), it earmarks them as "effectively renounced" as at the end of the reporting period, and records a related deferred tax expense/liability, net of a proportionate amount of share issue premium.

Accordingly, as a December 31, 2010 retrospective IFRS adjustment, the Company has reclassified $877,554 to share capital, $35,667 to liability for flow-through share premium and $52,382 to deferred income tax liability from deficit (total $965,603), as outlined below. Prior to 2004, the Company did not issue flow-through shares.

	Cumulative to December 31, 2009	Year ended December 31, 2010	Cumulative to December 31, 2010
Canadian GAAP summary:			
Future tax effect of flow-through renouncements			
Reduction of share capital	$ 658,359	$ 86,750	$ 745,109
Reduction of warrants (Note 15a(iii))	194,200	26,000	220,200
Total future taxes recorded	$ 852,559	$ 112,750	$ 965,309
IFRS retrospective adjustment:			
Increase in			
Share capital – flow-through shares	$ 658,359	$ 86,750	$ 745,109
Share capital – warrants (Note 16a(iii))	194,200	26,000	220,200
Share capital – adjustment for flow-through share premium	(52,088)	(35,667)	(87,755)
Share capital – deferred tax adjustments	800,471	77,083	877,554
Liability for flow-through share premium	3,893	31,774	35,667
Deferred income tax liability	46,310	6,072	52,382
	$ 850,674	$ 114,929	$ 965,603
Decrease in equity, charged to deficit			
Cumulative deferred tax expense adjustment for taxable temporary differences	$ (898,869)	$ (118,822)	$ (1,017,691)
Cumulative deferred tax expense adjustment for flow-through share premium	48,195	3,893	52,088
	$ (850,674)	$ (114,929)	$ (965,603)

Continued…

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

b) Notes to IFRS Statement of Loss Reconciliations

(i) Reporting Format

Under Canadian GAAP, the Company prepared a statement of loss, comprehensive loss and deficit. Under IFRS, the Company prepares a statement of loss and comprehensive loss along with a separate statement of changes in equity, as further explained below.

(ii) Net Loss, and Loss Per Share Calculations

The previously disclosed Canadian GAAP weighted-average number of common shares (basic and diluted) for 2010 and prior periods did not change under IFRS. The previously disclosed Canadian GAAP net loss increased under IFRS for 2010 and certain prior periods, due to deferred tax adjustments for flow-through shares, as explained in Note 16a(iv). Using two-decimal rounding, IFRS-calculated loss per share for 2010 and prior periods did not change from those originally reported under Canadian GAAP.

c) IFRS Statement of Cash Flows Reconciliation

An IFRS statement of cash flows reconciliation is not presented for quantitative analysis as the adjustments from Canadian GAAP to IFRS are not significant. Instead, some qualitative description of the adjustments is provided below.

(i) Interest Received/Paid

Under IFRS, interest received and interest paid are disclosed separately in the statement of cash flows when not Nil; interest income is included in investing activities and Part XII.6 tax expense is included under financing activities. These amounts are designated by the Company as non-operating items in the statement of loss and comprehensive loss.

(ii) Deferred Tax

Under IFRS, the statement of cash flows reflects a deferred tax adjustment for flow-through shares (see Note 16a(iv)) in which the net loss and offsetting deferred tax add-back are correspondingly increased. The net effect is that total cash flow used in operating activities is unchanged under IFRS from Canadian GAAP.

d) Notes to IFRS Statement of Changes in Equity Reconciliation

(i) Reporting Format

Although under Canadian GAAP, the Company did not present a statement of changes in equity, a statement of changes in equity reconciliation is nevertheless presented to allow readers to better understand the IFRS adjustments to individual equity components, as described in Note 16a, including the allocation of these adjustments to 2010 and prior years.