Condensed Interim Financial Statements of

VIKING GOLD EXPLORATION INC.

June 30, 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 June 30, 2011 and June 30, 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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VIKING GOLD EXPLORATION INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2011 AND DECEMBER 31, 2010
(Unaudited – expressed in Canadian dollars)

	Notes	June 30, 2011	December 31, 2010 (Note 13)
ASSETS			
Non-current assets			
Exploration and evaluation assets	3	$ 4,046,966	$ 3,611,604
Equipment	4	6,328	11,061
Investment	5	1,250	1,250
		4,054,544	3,623,915
Current assets			
Amounts receivable and prepaid expenses	6	73,846	44,045
Cash and cash equivalents		931,622	1,099,517
		1,005,468	1,143,562
Total Assets		$ 5,060,012	$ 4,767,477
EQUITY AND LIABILITIES			
Equity			
Share capital	7	$ 7,421,272	$ 6,923,669
Reserve – equity-settled employee benefit reserve		407,055	398,175
Deficit		(3,287,536)	(3,050,328)
		4,540,791	4,271,516
Non-current liabilities			
Deferred tax liability	8	318,500	363,382
Current liabilities			
Liability for flow-through share premium	8	35,667	35,667
Trade and other payables	9	165,054	96,912
		200,721	132,579
Total Equity and Liabilities		$ 5,060,012	$ 4,767,477

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

The Board of Directors approved these condensed interim financial statements on August 26, 2011.

They are signed on the Company's behalf by:

/s/Mark Edwards
Director

/s/John Hansuld
Director

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – expressed in Canadian dollars)

	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010 (Note 13)	Six months ended June 30, 2011	Six months ended June 30, 2010 (Note 13)
Revenue		$ -	$ -	$ -	$ -
Expenses					
Management fees	10	31,373	15,973	69,468	33,748
Share-based compensation	10	62,000	-	62,000	111,000
Professional and regulatory fees		31,003	16,415	58,330	26,910
Office and administration		18,283	12,980	38,096	26,776
Depreciation		750	1,000	1,500	2,000
Investigation of new properties		573	-	1,573	-
		143,982	46,368	230,967	200,434
Operating loss		(143,982)	(46,368)	(230,967)	(200,434)
Other income (expense)					
Interest income		2,643	-	2,643	-
Loss on disposal of equipment		(3,233)	-	(3,233)	-
Write-down of exploration and evaluation assets	3d	-	-	(72,000)	-
Loss before income taxes		(144,572)	(46,368)	(303,557)	(200,434)
Deferred tax (recovery)		(5,500)	(1,881)	(44,882)	83,794
Net loss and comprehensive loss, attributable to common shareholders		$ (139,072)	$ (44,487)	$ (258,675)	$ (284,228)
Basic and diluted loss per common share		$ (0.002)	$ (0.001)	$ (0.004)	$ (0.005)
Weighted-average number of common shares					
Basic and diluted	7f	61,780,734	54,523,370	61,408,426	52,434,971

See accompanying notes to the condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – expressed in Canadian dollars)

	Three months ended June 30, 2011	Three months ended June 30, 2010 (Note 13)	Six months ended June 30, 2011	Six months ended June 30, 2010 (Note 13)
Operating activities				
Net loss	$ (139,072)	$ (44,487)	$ (258,675)	$ (284,228)
Adjusted for				
Share-based compensation	62,000	-	62,000	111,000
Depreciation	750	1,000	1,500	2,000
Other expense, net	590	-	72,590	-
Deferred tax (recovery)	(5,500)	(1,881)	(44,882)	83,794
	(81,232)	(45,368)	(167,467)	(87,434)
Changes in non-cash working capital				
Decrease (increase) in amounts receivable and prepaid expenses	(36,723)	8,766	(29,801)	(12,541)
(Decrease) in trade and other payables, net of items (i)(ii) below	(1,016)	(25,052)	(48,858)	(30,211)
Net cash used in operating activities	(118,971)	(61,654)	(246,126)	(130,186)
Investing activities				
Interest income	2,643	-	2,643	-
Purchase of equipment	-	-	-	(426)
Exploration and evaluation expenditures, net of items (i)(ii) below	(99,854)	(352,754)	(100,362)	(463,024)
Net cash used in investing activities	(97,211)	(352,754)	(97,719)	(463,450)
Financing activities				
Issuance of private placement units	-	-	-	700,000
Issue costs of private placement units	-	-	-	(41,403)
Exercise of warrants	69,200	-	109,200	-
Exercise of options	48,000	-	66,750	-
Net cash provided by financing activities	117,200	-	175,950	658,597
Net (decrease) increase in cash and cash equivalents	(98,982)	(414,408)	(167,895)	64,961
Cash and cash equivalents, beginning of period	1,030,604	650,865	1,099,517	171,496
Cash and cash equivalents, end of period	$ 931,622	$ 236,457	$ 931,622	$ 236,457
Additional information:				
(i) Increase (decrease) in accrued E&E expenditures	$ 115,000	$ (300,000)	$ 117,000	$ -
(ii) Value assigned to common shares used to acquire E&E assets	290,000	-	290,000	-

See accompanying notes to the condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 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
Six months ended June 30, 2011:						
Balance – January 1, 2011		60,856,702	$ 6,923,669	$ 398,175	$ (3,050,328)	$ 4,271,516
Shares issued to acquire exploration and evaluation assets	3	1,450,000	290,000	-	-	290,000
Exercise of warrants	7d	546,000	109,200	-	-	109,200
Exercise of options	7e	525,000	66,750	-	-	66,750
Value of options transferred on exercise	7e	-	48,653	(48,653)	-	-
Issue costs – warrants issued to acquire exploration and evaluation assets	7d	-	(17,000)	-	17,000	-
Comprehensive loss for period		-	-	-	(258,675)	(258,675)
Share-based compensation	7e, 10	-	-	62,000	-	62,000
Options expired	7e	-	-	(4,467)	4,467	-
Net change for period		2,521,000	497,603	8,880	(237,208)	269,275
Balance – June 30, 2011		63,377,702	$ 7,421,272	$ 407,055	$ (3,287,536)	$ 4,540,791
Six months ended June 30, 2010:						
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		4,400,000	220,000	-	-	220,000
Flow-through shares		9,600,000	480,000	-	-	480,000
Issue costs		-	(41,403)	-	-	(41,403)
Issue costs – deferred tax	8	-	10,500	-	-	10,500
Comprehensive loss for period		-	-	-	(284,228)	(284,228)
Share-based compensation	7e, 10	-	-	111,000	-	111,000
Options expired	7e	-	-	(95,124)	95,124	-
Net change for period		14,000,000	669,097	15,876	(189,104)	495,869
Balance – June 30, 2010		54,523,370	$ 5,982,742	$ 306,780	$ (2,843,735)	$ 3,445,787

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") and adopting "VGC" as its new trading symbol on the TSX Venture Exchange (TSX-V).

The Company has not generated any operating revenue since its reorganization in 2004 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 three joint venture interests. The address of the Company's head office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3.

These condensed interim financial statements (also referred to as "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 June 30, 2011, the Company had working capital of $804,747 and a flow-through expenditure commitment of $874,000 (see Note 11a). The Company will need to raise additional funds in 2011 in order to finance current operations and meet all its commitments.

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 using accounting policies that comply with International Financial Reporting Standards ("IFRS"), in accordance with IAS 34, ("Interim Financial Reporting") and IFRS 1 ("First Time Adoption of IFRS").

The Company's transition date from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS was January 1, 2010, with a corresponding IFRS adoption date of January 1, 2011. Accordingly, the preparation of the Company's condensed interim financial statements for the three-month period ended March 31, 2011 resulted in certain significant 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 IFRS accounting policies described in detail in the March 31, 2011 condensed interim financial statements have been consistently applied by the Company to all periods presented in these June 30, 2011 financial statements, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS on the Company's reported equity as at June 30, 2010 and on its comprehensive income for the three and six-month periods ended June 30, 2010.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The policies applied in these financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 24, 2011, the date the Board of Directors approved the statements.

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(Unaudited – expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of Preparation (Continued)

Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in a restatement of these interim financial statements, including transition adjustments recognized on changeover to IFRS on January 1, 2010.

These financial statements should be read in conjunction with the Company's Canadian GAAP annual audited financial statements for the year ended December 31, 2010, and the Company's condensed interim financial statements for the three months ended March 31, 2011 in accordance with IFRS applicable to interim financial statements.

b) Use of Judgments, Estimates and Assumptions

The preparation of condensed interim financial statements using accounting policies that comply 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 the condensed interim financial statements that involve the use of estimates include the valuation of exploration and evaluation assets, other warrants and share-based compensation, decommissioning, restoration and similar obligations, and the valuation of deferred income tax assets.

c) 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
• Amendments to IFRS 7 – Disclosures – Transfers of Financial Instruments	The amendments to this standard will allow users of financial statements to improve their understanding and disclosures of transfers 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

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(Unaudited – expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) New IFRS Standards Not Yet Adopted (Continued)

New IFRS standards	Description	Effective date
• 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
• Amendments to IAS 27 – Separate Financial Statements	The standard addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements.	January 1, 2013
• Amendments to IAS 28 – Investments in Associates and Joint Ventures	The standard has been amended to include joint ventures in its scope and to address changes in IFRS 10 to 13 (see above).	January 1, 2013

These new IFRS standards apply to annual periods beginning on or after the stated effective date. Management is currently assessing the impact of adopting these proposed new standards on the Company's financial reporting.

3. EXPLORATION AND EVALUATION ASSETS

The Company has 6 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. During the three-month period ended June 30, 2011, the Company acquired 5 additional mineral property interests, 2 in Ontario and 3 in Quebec as outlined below, bringing the total number of properties to 11.

Properties	Year Acquired	Notes	Mineral Tenure (all 100% unless otherwise stated)	# of Claims/ Leases
Morris Lake Project, NT				
Viking Yellowknife	2003	3a	Leases; 60% joint venture interest	3
Max Lake	2004	3b	Leases	2
ML Properties	2006	3c	Claims	5
Peregrine	2006	3d	Claims; 60% joint venture interest	5
Maguire Lake	2009	3e	Claims	3
LM Claims	2010	3f	Claims	3
				21
Venton Lake, ON	2011	3g	Claims	13
Larose, ON	2011	3h	Claims	16
				29
Verneuil, QC				
Verneuil Central	2011	3h	Claims; 70% joint venture interest	44
Verneuil West	2011	3h	Claims	19
Verneuil East	2011	3h	Claims	10
				73
Total				123

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(Unaudited – expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

A continuity of the Company's exploration and evaluation assets for the six months ended June 30, 2011 follows:

Properties	Balance, January 1, 2011	Expenditures for six months ended June 30, 2011	Write-downs for six months ended June 30, 2011	Balance, June 30, 2011
Acquisition costs				
Morris Lake Project, NT				
Viking Yellowknife	$ 123,500	$ -	$ -	$ 123,500
Max Lake	29,700	-	-	29,700
ML Properties	8,359	-	-	8,359
Peregrine	-	-	-	-
Maguire Lake	10,967	-	-	10,967
LM Claims	8,277	-	-	8,277
	180,803	-	-	180,803
Venton Lake, ON	-	109,622	-	109,622
Larose, ON	-	100,421	-	100,421
Verneuil, QC				
Verneuil Central	-	136,952	-	136,952
Verneuil West	-	93,097	-	93,097
Verneuil East	-	1,962	-	1,962
	180,803	442,054	-	622,857
Deferred exploration expenditures				
Morris Lake Project, NT				
Viking Yellowknife	1,841,268	601	-	1,841,869
Max Lake	512,669	1,843	-	514,512
ML Properties	104,762	-	-	104,762
Peregrine	971,382	4,837	(72,000)	904,219
Maguire Lake	720	-	-	720
LM Claims	-	-	-	-
	3,430,801	7,281	(72,000)	3,366,082
Verneuil, QC				
Verneuil Central	-	58,027	-	58,027
	3,430,801	65,308	(72,000)	3,424,109
Total expenditures				
Morris Lake Project, NT				
Viking Yellowknife	1,964,768	601	-	1,965,369
Max Lake	542,369	1,843	-	544,212
ML Properties	113,121	-	-	113,121
Peregrine	971,382	4,837	(72,000)	904,219
Maguire Lake	11,687	-	-	11,687
LM Claims	8,277	-	-	8,277
	3,611,604	7,281	(72,000)	3,546,885
Venton Lake, ON	-	109,622	-	109,622
Larose, ON	-	100,421	-	100,421
Verneuil, QC				
Verneuil Central	-	194,979	-	194,979
Verneuil West	-	93,097	-	93,097
Verneuil East	-	1,962	-	1,962
	$ 3,611,604	$ 507,362	$ (72,000)	$ 4,046,966

Continued…

(Unaudited – expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

Acquisition costs of $442,054 for the six months ended June 30, 2011 are comprised of:

Properties	# of common shares issued		Common shares issued		Cash payments due to vendors		Legal and other fees		Totals
Venton Lake, ON	150,000	$	30,000	$	75,000	$	4,622	$	109,622
Larose, ON	400,000		80,000		10,000		10,421		100,421
Verneuil, QC									
Verneuil Central	600,000		120,000		-		16,952		136,952
Verneuil West	300,000		60,000		30,000		3,097		93,097
Verneuil East	-		-		-		1,962		1,962
	1,450,000	$	290,000	$	115,000	$	37,054	$	442,054

The values assigned to the common shares issued by the Company for the acquisition of exploration and evaluation assets, were all based on the $0.20 per share closing price on the respective dates of issuance.

Information concerning each of the individual properties follows.

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.

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

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.

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, in March 2011 the Company wrote 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 $904,219 remaining carrying value of the other two Peregrine claims as at June 30, 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 last reporting date for assessment credits on these claims was in May 2011, at 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.

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

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) Venton Lake

On April 12, 2011, the Company signed a Letter Agreement in which it was 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 – completed), 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 will 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 $75,000 cash consideration due for this acquisition is included in accounts payable and accrued liabilities as at June 30, 2011 (see Note 9).

h) Larose and Verneuil Properties

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 Central") and a 100% undivided interest in 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 Central is comprised of 44 claims in Verneuil Township in the Abitibi region of Quebec. The other 30% interest in Verneuil Central is held by Golden Tag Resources Ltd. ("Golden Tag"). Larose is comprised of 16 claims in Moss Township in northwestern Ontario. Verneuil Central 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. The Company has forwarded a joint venture agreement to Golden Tag for execution.

The Company has allocated the consideration paid – 60% to Verneuil Central and 40% to Larose.

On June 7, 2011, the Company signed a Letter Agreement with other parties in which it agreed to acquire "Verneuil East", a 100% undivided interest in 10 mining claims located immediately east of Verneuil Central, 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.

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(Unaudited – expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

h) Larose and Verneuil Properties (Continued)

On June 13, 2011, the Company signed a Letter Agreement with other parties in which it agreed to acquire "Verneuil West", a 100% undivided interest in 19 mining claims located immediately west of Verneuil Central, 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 warrants issued was treated as a transaction cost for the common shares issued (see Note 7d). The Company may re-purchase half of the 2% NSR for $1,000,000 at any time.

The TSX-V approved the Venton Lake transaction on May 27, 2011 and the Verneuil East and West transactions on June 21, 2011. The consideration due for the Verneuil East property acquisition ($20,000 cash and 200,000 common shares) is to be released after June 30, 2011 at which time the payment will be recorded in the Company's books.

i) Joint Ventures

The Company accounts for its 60% interest in Viking Yellowknife and 70% interest in Verneuil Central, as described in Notes 3a and 3h, 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 two joint ventures, net of any administrative fees earned as the operator of the property:

Condensed interim statements of financial position	June 30, 2011	December 31, 2010
Exploration and evaluation assets		
Viking Yellowknife	$ 367,550	$ 366,948
Verneuil Central	58,027	-
	$ 425,577	$ 366,948

Condensed interim statements of cash flows	Six months ended June 30, 2011	Year ended December 31, 2010
Cash (used in) investing activities		
Exploration and evaluation expenditures		
Viking Yellowknife	$ (601)	$ (875)
Verneuil Central	(58,027)	-
	$ (58,628)	$ (875)

The joint ventures have not generated any revenue or expenses since inception. Amounts receivable and prepaid expenses as at June 30, 2011 includes $7,910 (December 31, 2010 – $8,511) due from Viking Yellowknife and $24,868 (December 31, 2010 – Nil) due from Golden Tag. These amounts are 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 six months ended June 30, 2011 follows.

Six months ended June 30, 2011	Field equipment	Office equipment	All-terrain vehicle	Total
Cost				
As at January 1, 2011	$ 13,203	$ 726	$ 19,021	$ 32,950
Additions for period	-	-	-	-
Disposals for period	-	-	(19,021)	(19,021)
As at June 30, 2011	13,203	726	-	13,929
Accumulated Depreciation				
As at January 1, 2011	6,443	232	15,214	21,889
Depreciation for period	850	76	574	1,500
Disposals for period	-	-	(15,788)	(15,788)
As at June 30, 2011	7,293	308	-	7,601
Net Book Value				
As at January 1, 2011	$ 6,760	$ 494	$ 3,807	$ 11,061
As at June 30, 2011	$ 5,910	$ 418	$ -	$ 6,328

5. INVESTMENT

	June 30, 2011	December 31, 2010
Investment in Copper Hill Resources Inc. ("CHRI") - 10% interest, at cost	$ 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.

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	June 30, 2011	December 31, 2010
Sundry receivables	$ 27,305	$ 30,697
Accrued interest	1,700	-
Due from joint venture partners (Note 3i)	32,778	8,511
Prepaid expenses	12,063	4,837
	$ 73,846	$ 44,045

Continued…

(Unaudited – expressed in Canadian dollars)

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 June 30, 2011, the Company's issued share capital is 63,377,702 (December 31, 2010 – 60,856,702, June 30, 2010 – 54,523,370) common shares with a stated value of $7,421,272 (December 31, 2010 - $6,923,669, June 30, 2010 – $5,982,742).

A continuity of the Company's share capital for the six months ended June 30, 2011 and 2010 is disclosed in the condensed interim statements of changes in equity.

c) Non-Brokered Private Placements
There were no private placements during the six months ended June 30, 2011. Details of common shares issued by the Company in 2011, to acquire exploration and evaluation assets, are disclosed in Note 3.

d) Warrants
A continuity of the Company's outstanding warrants for the six months ended June 30, 2011 follows:

Expiry date	Type	Term (years)	Exercise price	January 1, 2011	Issued	Exercised	Expired	June 30, 2011
December 30, 2011	Investor	1	$0.50	1,116,666	-	-	-	1,116,666
December 30, 2011	Broker	1	$0.30	142,333	-	-	-	142,333
June 30, 2012	Investor	3	$0.20	4,091,500	-	-	-	4,091,500
November 2, 2012	Investor	2	$0.15	3,750,000	-	-	-	3,750,000
November 2, 2012	Broker	2	$0.08	110,000	-	-	-	110,000
December 30, 2012	Investor	3	$0.20	3,200,000	-	(200,000)	-	3,000,000
January 27, 2013	Investor	3	$0.20	14,000,000	-	(346,000)	-	13,654,000
June 29, 2013	Other	2	$0.30	-	150,000	-	-	150,000
Totals				26,410,499	150,000	(546,000)	-	26,014,499
Weighted-average exercise price				$0.21	$0.30	$0.20	$ -	$0.21

On June 29, 2011, the Company issued 150,000 other warrants to acquire the Verneuil West mineral property (see Note 3h). The $17,000 value assigned to these warrants was calculated using the Black-Scholes pricing model, and recorded as a transaction cost reducing both share capital and deficit. Weighted-average Black-Scholes assumptions used for valuing these other warrants were as follows: expected dividend yield – 0%; expected volatility – 128%; risk-free interest rate – 1.45%; expected life – 2.0 years.

On February 2, 2011, the Company received proceeds of $40,000 from the exercise of 200,000 investor warrants at $0.20 per share. On April 19 and 21, 2011, the Company also received total proceeds of $69,200 from the exercise of 346,000 investor warrants at $0.20 per share.

The Company has the right to accelerate the expiry of the 13,654,000 outstanding 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.

The accounting effects of the various warrant transactions described above are reflected in the condensed interim statements of changes in equity.

Continued…

(Unaudited – expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

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 six months ended June 30, 2011 follows:

Expiry date	Exercise price	January 1, 2011	Granted	Exercised	Expired	June 30, 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	-	(100,000)	-	150,000
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	-	(250,000)	-	650,000
October 6, 2015	$0.125	1,200,000	-	-	-	1,200,000
November 15, 2015	$0.17	700,000	-	-	-	700,000
May 18, 2016	$0.24	-	300,000	-	-	300,000
Totals		3,975,000	300,000	(525,000)	(50,000)	3,700,000
Weighted-average exercise price		$0.14	$0.24	$0.13	$0.15	$0.15

All of the options reported above have a 5-year term and vested at their respective grant dates.

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.

On April 25, 2011, the Company received $27,500 from the exercise of 250,000 options by a Consultant (who was a former CEO/director of the Company). The grant date fair value of these options was $23,121.

On May 18, 2011, the Company issued a total of 300,000 options to three officers of the Company, one of whom is a director. Share-based compensation of $62,000 was recorded based on the estimated fair value of the 300,000 options granted (i.e. $0.2067 per option), as determined using the Black-Scholes option-pricing model. The assumptions used were as follows: expected dividend yield – 0%; expected volatility – 130%; risk-free interest rate – 2.17%; expected life – 5.0 years.

On June 8, 2011, the Company received $20,500 from the exercise of 150,000 options by a director. The grant date fair value of these options was $14,367.

The accounting effects of the various stock option transactions described above, are reflected in the condensed interim statements of changes in equity. The 3,700,000 options outstanding and exercisable as at June 30, 2011 have a weighted-average remaining contractual life of 3.5 years, and represent 5.8% of the Company's outstanding common shares.

Continued…

(Unaudited – expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

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 June 30, 2011, which was 61,780,734 (2010 – 54,523,370). 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 26,014,499 (2010 – 22,709,500) outstanding warrants and 3,700,000 (2010 – 3,525,000) outstanding options, as they are anti-dilutive.

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 six months ended June 30, 2011 and 2010 is comprised of the following amounts:

	2011	2010
Expected income tax recovery	$ (60,000)	$ (13,000)
Adjustments		
Effective renunciation of flow-through expenditures incurred	15,118	100,687
Premium paid by investors for flow-through shares	-	(3,893)
Income tax (recovery) expense for period	$ (44,882)	$ 83,794

A continuity of the deferred tax (liability) for the six months ended June 30, 2011 and 2010 follows:

	2011	2010
Balance – beginning of period	$ (363,382)	$ (302,510)
Condensed interim statement of changes in equity		
Tax benefit of issue expenses	-	10,500
Condensed interim statement of loss and comprehensive loss		
Income tax recovery (expense) for period	44,882	(83,794)
Premium paid by investors on flow-through shares	-	(3,893)
Net change for period	44,882	(77,187)
Balance – end of period	$ (318,500)	$ (379,697)

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 the conversion to IFRS.

Continued…

(Unaudited – expressed in Canadian dollars)

8. INCOME TAXES (Continued)

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 on a pro-rata basis as the last $670,000 of flow-through expenditure commitment is extinguished. As at June 30, 2011, $15,118 of the $235,000 deferred income tax adjustment has been recorded.

9. TRADE AND OTHER PAYABLES

	June 30, 2011	December 31, 2010
Trade payables	$ 18,710	$ 13,212
Trade payable – related parties (Note 10)	4,898	7,000
Finders' fees payable	-	42,700
Due to vendor – Venton Lake acquisition (Note 3g)	75,000	-
Accrued expenses	66,446	34,000
	$ 165,054	$ 96,912

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; ii) consultants acting as members of the Company's internal advisory committees; and iii) joint ventures and related partners.

Related party transactions with joint ventures and related partners are disclosed in Note 3i. Details of transactions with other related parties for the six months ended June 30, 2011 and 2010 are as follows:

	2011	2010
Condensed interim statements of financial position		
Evaluation and exploration assets		
Geology fees for six months ended June 30 – officer	$ -	$ 23,000
Condensed interim statements of loss and comprehensive loss		
Management fees – officers	$ 69,468	$ 33,748
Share-based compensation		
Options granted to employees, vested		
Officers	$ 62,000	$ 50,871
Non-executive directors	-	55,501
Others	-	4,628
Total (see Note 7e)	$ 62,000	$ 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.

Trade payables (see Note 9) includes amounts owed to officers of $4,898 as at June 30, 2011 (December 31, 2010 – $7,000). These related party liabilities are unsecured, non-interest bearing and due within 30 days.

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11. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

As at June 30, 2011, the Company is committed to incur prior to January 1, 2012 and on a best-efforts basis, approximately $874,000 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. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash (classified as loans and receivables), cash equivalents (classified as financial assets at fair value through profit or loss), amounts receivable (classified as loans and receivables), an investment (classified as an unquoted equity instrument), and accounts payable and accrued liabilities (classified as other financial liabilities).

As at June 30, 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 (i.e. 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).

As at June 30, 2011, cash equivalents are $685,000. The Company has not used any hedging or financial derivatives.

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS reporting standards and Canadian securities regulations require that the Company present in these condensed interim financial statements, the following Canadian GAAP to IFRS reconciliations – an equity reconciliation as at June 30, 2010 and total comprehensive income reconciliations for the three and six months ended June 30, 2010, along with supporting explanations. The Company has chosen to present the necessary reconciliations in a financial statement format with supporting notes, in a manner consistent with the reconciliations presented in its March 31, 2011 condensed interim financial statements.

As there have been no changes to the net cash flows, no reconciliations have been presented for the condensed interim statements of cash flows.

IFRS Transition Exceptions and Elections

IFRS 1 identifies certain exceptions to retrospective application of some aspects of other IFRS's. For the Company, this includes – Non-controlling Interests (IAS 27). In accordance with IFRS 1, the Company has elected to apply the following exemption to full retrospective application of IFRS – Business Combinations (IFRS 3).

The Company has elected to apply IFRS 2, Share-based Payments, on a retrospective basis as further explained in Note 13a(ii).

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(Unaudited – expressed in Canadian dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS Reconciliations
Below is a reconciliation of the Company's statement of financial position (which includes a reconciliation of equity) from Canadian GAAP to IFRS as at June 30, 2010.

Viking Gold Exploration Inc. IFRS Statement of Financial Position Reconciliation As at June 30, 2010 See Note 13a(i)	Canadian GAAP	IFRS adjustment re stock options (Note 13a(ii))	IFRS adjustment re warrants (Note 13a(iii))	IFRS adjustment re flow-through shares (Note 13a(iv))	IFRS
ASSETS					
Non-current assets					
Exploration and evaluation assets	$ 3,591,065	$ -	$ -	$ -	$ 3,591,065
Equipment	12,506	-	-	-	12,506
Investment	1,250	-	-	-	1,250
	3,604,821	-	-	-	3,604,821
Current assets					
Amounts receivable and prepaid expenses	26,869	-	-	-	26,869
Cash and cash equivalents	236,457	-	-	-	236,457
	263,326	-	-	-	263,326
Total Assets	$ 3,868,147	$ -	$ -	$ -	$ 3,868,147
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	-	306,780	-	-	306,780
Deficit	(2,173,190)	289,923	-	(960,468)	(2,843,755)
	3,493,034	-	-	(47,247)	3,445,787
Non-current liabilities					
Deferred tax liability	332,450	-	-	47,247	379,697
Current liabilities					
Liability for flow-through share prem.	-	-	-	-	-
Accounts payable and accrued liabilities	42,663	-	-	-	42,663
	42,663	-	-	-	42,663
Total Equity and Liabilities	$ 3,868,147	$ -	$ -	$ -	$ 3,868,147

Continued…

(Unaudited – expressed in Canadian dollars)

13. 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 three and six months ended June 30, 2010.

Viking Gold Exploration Inc. IFRS Statement of Loss and Comprehensive Loss Reconciliation For the Three Months Ended June 30, 2010	Canadian GAAP	IFRS adjustment re flow-through shares (Note 13a(iv))	IFRS
Revenue	$ -	$ -	$ -
Expenses			
Management fees	15,973	-	15,973
Share-based compensation	-	-	-
Professional and regulatory fees	16,415	-	16,415
Office and administration	12,980	-	12,980
Depreciation	1,000	-	1,000
	46,368	-	46,368
Operating loss	(46,368)	-	(46,368)
Other expense	-	-	-
Loss before income taxes	(46,368)	-	(46,368)
Deferred tax (recovery)	(13,000)	11,119	(1,881)
Net loss and comprehensive loss	$ (33,368)	$ (11,119)	$ (44,487)
Basic and diluted loss per common share	$ (0.001)		$ (0.001)
Weighted-average number of common shares – basic and diluted	54,523,370		54,523,370

Viking Gold Exploration Inc. IFRS Statement of Loss and Comprehensive Loss Reconciliation For the Six Months Ended June 30, 2010	Canadian GAAP	IFRS adjustment re flow-through shares (Note 13a(iv))	IFRS
Revenue	$ -	$ -	$ -
Expenses			
Management fees	33,748	-	33,748
Share-based compensation	111,000	-	111,000
Professional and regulatory fees	26,910	-	26,910
Office and administration	26,776	-	26,776
Depreciation	2,000	-	2,000
	200,434	-	200,434
Operating loss	(200,434)	-	(200,434)
Other expense	-	-	-
Loss before income taxes	(200,434)	-	(200,434)
Deferred tax (recovery)	(26,000)	109,794	(83,794)
Net loss and comprehensive loss	$ (174,434)	$ (109,794)	$ (284,228)
Basic and diluted loss per common share	$ (0.003)		$ (0.005)
Weighted-average number of common shares – basic and diluted	52,434,971		52,434,971

Continued…

(Unaudited – expressed in Canadian dollars)

13. 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 six months ended June 30, 2010.

Viking Gold Exploration Inc. IFRS Statement of Changes in Equity Reconciliation For the Six Months Ended June 30, 2010	Canadian GAAP	IFRS adjustment re stock options (Note 13a(ii))	IFRS adjustment re warrants (Note 13a(iii))	IFRS adjustment re flow-through shares (Note 13a(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
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, June 30, 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, June 30, 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, June 30, 2010	1,149,408	(596,703)	(552,705)	-	-
Equity-settled EB Reserve (IFRS)					
Balance, January 1, 2010	-	290,904	-	-	290,904
Share-based compensation	-	111,000	-	-	111,000
Options expired	-	(95,124)	-	-	(95,124)
Net change for period	-	15,876	-	-	15,876
Balance, June 30, 2010	-	306,780	-	-	306,780
Deficit (GAAP/IFRS)					
Balance, January 1, 2010	(1,998,756)	194,799	-	(850,674)	(2,654,631)
Comprehensive loss for period	(174,434)	-	-	(109,794)	(284,228)
Options expired	-	95,124	-	-	95,124
Net change for period	(174,434)	95,124	-	(109,794)	(189,104)
Balance, June 30, 2010	(2,173,190)	289,923	-	(960,468)	(2,843,735)
Change in equity for period	492,913	-	-	2,956	495,869
Balance – January 1, 2010	3,000,121	-	-	(50,203)	2,949,918
Balance – June 30, 2010	$ 3,493,034	$ -	$ -	$ (47,247)	$ 3,445,787

Continued…

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

a) Notes to IFRS 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. The Company consistently applied this accounting policy 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.

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, the Company has reclassified, as a June 30, 2010 retrospective IFRS adjustment, the $596,703 balance of share-based payments from contributed surplus to reserve (for $306,780 of outstanding options) and to deficit (for $289,923 of expired options).

(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…

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

a) Notes to IFRS Reconciliations (Continued)

(iii) Adjustment – Warrants (Continued)

Under its new IFRS accounting policy, 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 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, the Company has reclassified, as a June 30, 2010 retrospective IFRS adjustment, $854,409 to share capital – $301,704 from warrants (representing unexpired investor and other warrants) and $552,705 from contributed surplus (representing expired investor warrants).

(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, 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, the Company has reclassified, as a June 30, 2010 retrospective IFRS adjustment, $913,221 to share capital and $47,247 to deferred income tax liability, with an offsetting $850,674 increase in the January 1, 2010 deficit and a $109,794 increase in deferred tax expense for the six months ended June 30, 2010.