

Montana Gold Mining Company Inc.

(formerly Gold Reef International, Inc.)

(An Exploration Stage Company)

Interim Consolidated Financial Statements

(Expressed in United States Dollars)

(unaudited)

For the Three Months Period Ended

March 31, 2011

Management's Responsibility for Interim Financial Statements

The accompanying unaudited interim consolidated financial statements of Montana Gold Mining Company Inc. (the "Company" or "Montana") are the responsibility of management.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Edward Ellwood"

(signed)

"Eric Plexman"

(signed)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

Montana Gold Mining Company Inc.
(An Exploration Stage Company)
Interim Consolidated Statement of Financial Position
(Expressed in United States Dollars)
As at
(unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current Assets			
Cash	\$ 94,624	\$ 170,436	\$ 19,060
	94,624	170,436	19,060
Property and equipment (Note 6)	-	-	19,893
Mineral claims and deferred exploration expenditures (Note 7)	161,252	141,752	145,150
Reclamation bonds	83,679	83,679	78,288
	\$ 339,555	\$ 395,867	\$ 262,391

Liabilities

Current Liabilities			
Accounts payable and accrued liabilities (Note 8)	\$ 262,271	\$ 638,720	\$ 340,902
Promissory notes payable (Note 12)	-	196,053	-
	262,271	834,773	340,902
Restoration liabilities (Note 13)	45,501	45,501	40,110
Deposit on sale of mining claims	-	-	66,605
	307,772	880,274	447,617

Shareholders' Equity

Capital stock (Note 9)	6,417,100	5,721,063	5,632,512
Contributed surplus (Note 11)	1,555,916	1,120,704	1,120,704
Deficit	(7,941,233)	(7,326,174)	(6,938,442)
	31,783	(484,407)	(185,226)
	\$ 339,555	\$ 395,867	\$ 262,391

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Subsequent events (Note 18)

Approved by the Board

Edward Ellwood
Director (Signed)

Eric Plexman
Director (Signed)

Montana Gold Mining Company Inc.
(An Exploration Stage Company)
Interim Consolidated Statement of Loss and Comprehensive Loss
(Expressed in United States Dollars)
(unaudited)

Three months ended March 31,	2011	2010
Expenses		
Office and administrative costs	\$ 132,843	\$ 1,526
Professional fees	50,490	8,697
Loss (gain) on foreign exchange	(3,486)	9,959
Stock-based compensation (Note 10)	435,212	-
Amortization	-	995
Net loss and Comprehensive loss	\$ (615,059)	\$ (21,177)

Loss per share

Basic	\$ (0.041)	\$ (0.005)
Diluted	\$ (0.041)	\$ (0.005)

Weighted average number of common shares outstanding

Basic and diluted	15,184,435	4,249,104
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Montana Gold Mining Company Inc.
(An Exploration Stage Company)
Interim Consolidated Statement of Changes in Shareholders' Equity
(Expressed in United States Dollars)
(unaudited)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
Balance, December 31, 2009	4,249,104	\$ 5,632,512	\$ 1,120,704	\$ (6,938,442)	\$ (185,226)
Net loss for the period	-	-	-	(21,177)	(21,177)
Balance, March 31, 2010	4,249,104	5,632,512	1,120,704	(6,959,619)	(206,403)
Shares issued for promissory note payable	1,800,000	88,551	-	-	88,551
Net loss for the period	-	-	-	(366,555)	(366,555)
Balance, December 31, 2010	6,049,104	\$ 5,721,063	\$ 1,120,704	\$ (7,326,174)	\$ (484,407)
Stock-based compensation	-	-	435,212	-	435,212
Net loss for the period	-	-	-	(615,059)	(615,059)
Shares issued for promissory notes payable	5,300,000	266,302	-	-	266,302
Shares issued for Silver Bell St. Lawrence assignment agreement	2,000,000	100,470	-	-	100,470
Shares issued for management and director fees	2,980,000	148,777	-	-	148,777
Shares issued as payment of legal fees	3,390,380	170,434	-	-	170,434
Shares issued	200,000	10,054	-	-	10,054
Balance, March 31, 2011	19,919,484	\$ 6,417,100	\$ 1,555,916	\$ (7,941,233)	\$ 31,783

Montana Gold Mining Company Inc.
(An Exploration Stage Company)
Interim Consolidated Statement of Cash Flows
(Expressed in United States Dollars)
(unaudited)

Three months ended March 31,	2011	2010
Cash (used in) provided by:		
Operating Activities		
Net loss for the period	\$ (615,059)	\$ (21,177)
Adjustments for:		
Amortization	-	995
Foreign exchange on deposit on sale of claims	-	2,261
Stock-based compensation	435,212	-
	(179,847)	(17,921)
Net changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(376,449)	13,464
Promissory notes payable	(196,053)	-
	(752,349)	(4,457)
Investing Activities		
Mineral claims and deferred exploration expenditures	(19,500)	(9,788)
Financing Activities		
Issuance of share capital	696,037	-
Net change in cash	(75,812)	(14,245)
Cash, beginning of period	170,436	19,060
Cash, end of period	\$ 94,624	\$ 4,815

Montana Gold Mining Company Inc.
(An Exploration Stage Company)
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
March 31, 2011
(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company's principal assets are mining claims and deferred exploration expenditures made on properties which are not in commercial production. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves.

The principal address of the Company is 12-152 Albert Street, London, Ontario, N6A 1M1.

Going Concern

As is common with junior mining companies in the exploration stage, continuation of its on-going and planned exploration activities is dependent upon obtaining necessary financing from time to time. During the period ended March 31, 2011, the Company incurred a net loss of \$615,059 and, as of that date, the Company had a deficit of \$7,941,233. Recovery of the carrying value of the mining claims and the related deferred exploration expenditures are dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain necessary financing to continue exploration and development, the ability of the Company to resolve the outstanding litigation (Note 16), the ability of the Company to secure and maintain title and beneficial interest in the properties, entering agreements with others to explore and develop the properties and upon future profitable production or proceeds from disposition of such properties. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate. Realized amounts for the Company's mining properties may vary materially from book amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and accounting policies we adopted in accordance with International Financial Reporting Standards (IFRS).

Our unaudited interim consolidated financial statements for the three months ended March 31, 2011 are our first financial statements prepared in accordance with IFRS and its interpretations adopted by the IASB, including IFRS 1, First-time Adoption of International Financial Reporting Standards. January 1, 2010 is the date of transition to IFRS (Transition Date). Previously, we prepared our consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). GAAP differs in some policies from IFRS. In accordance with the transition rules, we have retroactively applied IFRS to our comparative data for 2010.

These unaudited interim consolidated financial statements should be read in conjunction with our 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP, the IFRS transition disclosures are in Note 5.

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Notes to Interim Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Statement of Compliance (Cont'd)

In Note 5, we present reconciliations and descriptions of the effect of transitioning from GAAP to IFRS on our equity, net loss and comprehensive loss. In Note 5, we have presented selected annual disclosures in accordance with IFRS to supplement our 2010 annual consolidated financial statements prepared in accordance with GAAP.

Basis of Preparation

The financial statements are presented in United States dollars.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments held for trading and financial instruments classified as available-for-sale.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and in preparing an opening IFRS balance sheet at January 1, 2010 for the purpose of transition to IFRS.

Changes in Accounting Policies and Disclosures (IAS 8)

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- Consolidation [replacement for IAS 27 and SIC 12]
- Discontinued Operations [amendment of IFRS 5].
- Earnings per Share [replacement of IAS 3].
- First-time Adoption of IFRS [amendment of IFRS 1].
- Group Cash-settled Share-based Payment Transactions [amendment of IFRS 2].
- Management Commentary.

The following standard has been issued but is not yet effective:

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

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

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures but expects that such impact will not be material.

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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Principles of Consolidation

a) Subsidiaries

All entities, in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, are fully consolidated.

A controlling position is assumed to exist where the Company holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participating rights which would enable it to veto or to block ordinary decisions taken by the Company.

A controlling position also exists where the Company, holding an interest of 50% or less in an entity, possesses control over more than 50% of the voting rights by virtue of an agreement with other investors, power to direct the financial and operational policies of the entity by virtue of a statute or contract, power to appoint or remove from office the majority of the members of the Board of Directors or equivalent management body, or the power to assemble the majority of voting rights at meetings of the Board of Directors or equivalent management body. The Company consolidates special purpose entities which it controls in substance because it has the right to obtain a majority of benefits, or because it retains the majority of residual risks inherent in the special purpose entity or its assets.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Gold Reef of Nevada, Inc.

b) Transactions eliminated on consolidation

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Foreign Currency Translation (IAS 21)

The Company's functional currency and the presentation currency is the United States dollar.

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

A gain (loss) on foreign currency translation of \$3,486 (March 31, 2010 - loss of \$9,959) was realized for the period ended March 31, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

a) Assets owned by the Company

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period. Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and market value and the related debt is recorded in "borrowings and other financial liabilities". These assets are amortized on a straight-line basis over their estimated useful life. Depreciation expenses on assets acquired under such leases are included in depreciation expenses.

Subsequent to initial recognition, the cost model is applied to property and equipment. The Company has elected not to apply the option provided by IFRS 1 regarding the re-measurement, as at January 1, 2010, of its property and equipment at their fair value at that date.

Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

b) Subsequent costs

The Company recognizes in the carrying amount of an item of property and 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 recognized in the income statement as an expense as incurred.

c) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives in the current and comparative periods are as follows:

Motor vehicles	-	20% declining balance basis
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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Mineral Properties and Related Deferred Costs

Exploration and evaluation activities (IFRS 6)

As permitted by IFRS, the Company will continue its policy of deferring exploration and evaluation

All direct expenditures related to the acquisition, exploration and evaluation of specific properties are capitalized as incurred. If a property is brought into production, these expenditures will be amortized against the income generated from the property. If a property is abandoned, sold or impaired, an appropriate charge will be made. Discretionary option payments arising on the acquisition of mining properties are only recognized when paid. Amounts received from other parties to earn an interest in the Company's mining properties are applied as a reduction of the mining property and deferred exploration expenditures, except for administrative reimbursements which are credited to operations.

The amounts shown for mineral claims and related deferred expenditures represent expenditures incurred to date, less amounts expensed and reimbursements, and do not necessarily reflect present or future values of the particular properties. The recoverability of these expenditures is dependent upon discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

(a) Impairment

On a periodic basis, management reviews the carrying values of mining property acquisition and deferred exploration expenditures to assess whether there has been any impairment in value. The Company evaluates at each reporting period whether or not its mining properties are impaired. In the event that management determines the carrying values of any mining property to be permanently impaired, the carrying value will be written down or written off, as appropriate.

(b) Title

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

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(An Exploration Stage Company)
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(Expressed in United States Dollars)
March 31, 2011
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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments (IFRS 7)

Financial instruments at fair value through profit or loss ("FVTPL") are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement. Where the Company has the positive intent and ability to hold reclamation bonds to maturity, they are stated at amortized cost less impairment losses.

Other financial instruments held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss. The fair value of financial instruments classified as FVTPL and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as FVTPL or available-for-sale investments are recognized or derecognized by the Company on the date it commits to purchase or sell the investments respectively. Securities held-to-maturity are recognized or derecognized on the day they are transferred to or by the Company respectively.

Impairment losses for the different financial assets and liabilities are recognized as follows:

FVTPL: An impairment loss on a financial asset or financial liability classified as held for trading is recognized in net income in the period in which it arises.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Held-to-maturity securities: The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). An impairment loss is recognized in net income and through the amortization process. Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Montana Gold Mining Company Inc.
(An Exploration Stage Company)
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
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(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments (IFRS 7) (Cont'd)

The Company's financial instruments measured at fair value on the balance sheet consist of cash, reclamation bonds, accounts payable and accrued liabilities, restoration liabilities and promissory notes payable. Cash is measured at level 1 of the fair value hierarchy. The Company does not have any financial instruments at level 2 or 3 of the fair value hierarchy. The three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Cash and Cash Equivalents (IAS 7)

The "cash and cash equivalents" category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without early redemption feature and bank accounts subject to restrictions, other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Restoration Liabilities

The Company recognizes the fair value of restoration liabilities related to statutory, contractual or legal obligations associated with the retirement of mining claims in the year in which it is incurred when a reasonable estimate of fair value can be made, in which case the carrying amount of the related mining claim is increased by the same amount as the net present value of the restoration liability. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The Company's estimates of such costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures and changes in the net present value.

Impairments (IAS 36)

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In addition, asset impairment tests are subject to the following provisions, pursuant to IAS 36:

- Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the group of assets.
- Value in use is determined based on cash flow projections consistent with the most recent budget and business plan approved by management. The discount rate applied reflects current assessments by the market of the time value of money and the risks specific to the asset or group of assets.
- Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, value attributed in recent transactions and stock market prices), or in the absence of reliable data based on discounted future cash flows.
- If the recoverable amount is less than the carrying amount of an asset or group of assets, an impairment loss is recognized for the difference. In the case of a group of assets, this impairment loss is recorded in priority against goodwill.
- Impairment losses recognized in respect of property and equipment may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognized. Conversely, impairment losses recognized in respect of goodwill cannot be reversed.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Interest-bearing Loans and Other Borrowings

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Provisions (IAS 37)

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Trade and Other Payables

Trade and other payables are stated cost.

Share-based Compensation

The Company maintains stock option incentive plans that grant subscription and purchase options on its common shares to certain senior executives and employees and also to certain employees of equity affiliates. The purpose of these stock option plans is to align management interests with those of shareholders by providing an additional incentive to improve company performance and increase the share price on a long-term basis. The grant of stock option plans represents a benefit given to management, employees and retirees and constitutes additional compensation borne by the Company. This is valued at the fair value of the Company's stock options. The compensation expense is equal to the value of the option at grant date, measured using a Black-Scholes pricing model. This compensation paid is recorded as an employee cost, offset against equity, and recognized over the vesting period of the benefit granted.

The dilutive effect of the stock option plans in the process of vesting for management and employees is reflected in the calculation of the diluted earnings per share.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Consolidated Balance Sheet

Assets and liabilities expected to be realized in, or intended for sale or consumption in, the entity's normal operating cycle, usually equal to 12 months, are recorded as current assets or liabilities.

Consolidated Statement of Cash Flows

The Company prepares its consolidated statement of cash flows using the indirect method.

Montana Gold Mining Company Inc.
(An Exploration Stage Company)
Notes to Interim Consolidated Financial Statements
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3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the measurement of share-based compensation, impairment of property and equipment and mineral properties, provisions and contingencies and deferred income taxes.

4. INCOME (LOSS) PER SHARE

	March 31, 2011	March 31, 2010
Weighted average shares outstanding - basic	15,184,435	4,249,104
Weighted average shares outstanding - diluted	15,184,435	4,249,104
Basic and diluted income (loss) per share	\$ (0.041)	\$ (0.005)

5. TRANSITION TO IFRS

We adopted IFRS on January 1, 2011 and our unaudited interim consolidated financial statements for the three months ended March 31, 2011 are our first interim financial statements prepared in accordance with IFRS, including IFRS 1. In accordance with IFRS 1, we have applied IFRS retroactively to our comparative data as of January 1, 2010, the Transition Date. In preparing these unaudited interim consolidated financial statements, we also applied certain exceptions and exemptions available under IFRS 1 to our conversion from GAAP to IFRS as discussed below.

Estimates

Hindsight was not used to create or revise estimates. The estimates previously made by us under GAAP were not revised for IFRS except where necessary to reflect differences in accounting policies.

Summary of Exceptions and Exemptions

(a) Business combinations

IFRS 1 allows us to apply IFRS 3 (revised), Business Combinations, on a prospective or retrospective basis. We have elected to apply this standard on a prospective basis for all business combinations completed subsequent to the Transition Date.

(b) Fair value or revaluation as deemed cost

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5. TRANSITION TO IFRS (Cont'd)

IFRS 1 allows us measure certain assets of property, plant and equipment at fair value at the Transition Date or revalue amounts previously determined under GAAP. We have elected to use the carrying value as determined under IFRS as our deemed cost as at January 1, 2011.

(c) Share-based payment

IFRS 2 permits the application of IFRS 1 only to equity instruments granted after November 7, 2002 that had not vested by January 1, 2010. As permitted we have applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

(d) Decommissioning liabilities

IFRS 1 would allow the Company to measure decommissioning liabilities as at the transition date in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and recognize directly in deficit the difference between that amount and the carrying amount of those liabilities at the date of transition determined under Canadian GAAP. We have elected to apply this exemption, and accordingly, did not have any difference upon transition.

Reconciliation of GAAP to IFRS

The following tables set forth, for the periods indicated, a reconciliation from GAAP to IFRS, of our equity, net earnings and comprehensive income:

Reconciliation of shareholders' deficiency	January 1, 2010	March 31, 2010	December 31, 2010
Deficiency in accordance with GAAP	\$ (185,226)	\$ (206,403)	\$ (484,407)
IFRS adjustment to equity	-	-	-
Equity in accordance with IFRS	\$ (185,226)	\$ (206,403)	\$ (484,407)

Reconciliation of total comprehensive loss	Three Months ended March 31, 2010	Year ended December 31, 2010
Net loss in accordance with GAAP	\$ (21,177)	\$ (387,732)
IFRS adjustment to total comprehensive loss	-	-
Total comprehensive loss in accordance with IFRS	\$ (21,177)	\$ (387,732)

Transition Adjustments

(a) Stock-based compensation:

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5. TRANSITION TO IFRS (Cont'd)

Under GAAP, each grant was treated as a single arrangement and compensation expense was determined at the time of grant and amortized over the vesting period, generally three years, on a straight-line basis. IFRS requires a separate calculation of compensation expense for awards that vest in instalments. Under IFRS, compensation expense differs from GAAP based on the changing fair values used for each instalment and the timing of recognizing compensation expense. Generally, this results in accelerated expense recognition under IFRS. On the Transition Date, we determined that there was no change in compensation expense in the first quarter because of applying IFRS.

(b) Cash flow

The adoption of IFRS did not significantly affect our cash flows compared to GAAP. There were no changes to overall net cash flows.

6. PROPERTY AND EQUIPMENT

As part of a debt settlement (Note 14), the Company transferred its vehicle with a net book value of \$16,578 to an arm's length consultant. As a result the Company no longer has any equipment.

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7. MINERAL CLAIMS AND DEFERRED EXPLORATION COSTS

	Opening Balance December 31, 2010		Additions	Proceeds from Sale of Mining Claims		Write-offs	Ending Balance March 31, 2011
Silver Bell St. Lawrence Claims, MT ^(b)	\$ 139,512	\$ 19,500	\$ -	\$ -			\$ 159,012
Golden Trail Claims, NV ^(c)	2,240	-	-	-			2,240
	\$ 141,752	\$ 19,500	\$ -	\$ -			\$ 161,252

	Opening Balance December 31, 2009		Additions	Proceeds from Sale of Mining Claims		Write-offs	Ending Balance December 31, 2010
Rimrock Claims, NV ^(a)	145,150	33,993	122,109	57,034			-
Silver Bell St. Lawrence Claims, MT ^(b)	-	139,512	-	-			139,512
Golden Trail Claims, NV ^(c)	-	2,240	-	-			2,240
	\$ 145,150	\$ 175,745	\$ 122,109	\$ 57,034	\$ 141,752		

(a) Rimrock

On August 15, 2010, the Company sold, transferred and assigned 100% unlimited interest in the Rimrock claims and property under sublease with Newmont USA Limited for \$122,109 (CDN \$130,000) plus a 2% net smelter royalty. A deposit of \$66,605 was received in 2009 relating to the sale of these claims. The purchaser is a private corporation whose management is arm's length to the Company. As a result of the sale, the Company wrote down the remaining carrying value of this property in the amount of \$57,034.

As a result of the Company selling its Rimrock claims the Company terminated its sublease agreement with Newmont USA Limited.

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7. MINERAL CLAIMS AND DEFERRED EXPLORATION COSTS (Cont'd)

(b) Silver Bell St. Lawrence

On August 1, 2010 an arm's length party and Silver Bell St. Lawrence LLC ("SBSL") entered into an agreement for the exploration and development of the mineral potential of the Silver Bell St. Lawrence mining claims in Madison County, Montana. SBSL contributed 9 patented lode claims (the "SBSL Claims") while the arm's length party will contribute a work program towards the exploration and development of the property to be funded by the arm's length party or by a corporation that the arm's length party designates, in the amount of \$250,000 (the "Agreement"). All profits and other allocations from the Agreement shall be allocated 51% to the arm's length party and 49% to SBSL. On August 2, 2010, the arm's length party assigned 100% of its interest in the Agreement to the Company. As a result of the assignment by the arm's length party, the Company was required to pay the arm's length party \$100,000 CDN. This payment was made to the arm's length party in the form of shares subsequent to year-end (Note 9(iii)).

The Agreement required a one time payment amount of \$37,500 which was paid to SBSL on August 16, 2010 by the Company. After receipt of this payment, all additional funds will go to the exploration and development of the properties. The work program expenditures in the amount of \$250,000 must be completed by February 28, 2012, otherwise the Company will forfeit their 51% interest in the agreement with SBSL.

To maintain the staked claims, the Company must pay annual maintenance fees to the Department of the Interior (Bureau of Land Management - BLM Nevada State Office) and the local counties in the cumulative approximate amount of \$140 per claim.

(c) Golden Trail

As at March 31, 2011, the Company holds 16 (December 31, 2010 - 16) claims in the Elko County region of Nevada. To maintain the staked claims, the Company must pay annual maintenance fees to the Department of the Interior (Bureau of Land Management - BLM Nevada State Office) and the local counties in the cumulative approximate amount of \$140 per claim. The company wrote off exploration costs associated with these claims in a prior year.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011	December 31, 2010
Accounts payable	\$ 262,271	\$ 638,720

9. CAPITAL STOCK

- (a) Authorized
 Unlimited common shares

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9. CAPITAL STOCK (Cont'd)

Issued and outstanding - common shares

	Number of Shares	Value
Balance, December 31, 2009 ⁽ⁱ⁾	4,249,104	\$ 5,632,512
Shares issued for promissory note payment ⁽ⁱⁱ⁾	1,800,000	88,551
Balance, December 31, 2010	6,049,104	\$ 5,721,063
Shares issued for promissory note payment ⁽ⁱⁱⁱ⁾	3,700,000	185,870
Shares issued per Silver Bell St. Lawrence assignment agreement ⁽ⁱⁱⁱ⁾	2,000,000	100,470
Shares issued for management and director fees ^(iv)	2,980,000	148,777
Shares issued for promissory note payment ^(v)	1,600,000	80,432
Shares issued for legal fee payment ^(v)	3,390,380	170,434
Shares issued ^(vi)	200,000	10,054
Balance, March 31, 2011	19,919,484	\$ 6,417,100

(i) On November 3, 2010 the Company consolidated the issued and outstanding common shares in the capital of the Corporation on a one-for-ten basis, which resulted in each pre-consolidation common share being consolidated into one tenth of one common share.

(ii) On December 20, 2010, the Company issued 1,800,000 common shares at \$0.05CDN each for net proceeds of \$88,551 (\$90,000 CDN). The proceeds were applied as debt settlement for a promissory note issued on September 1, 2010.

(iii) On January 3, 2011, the Company issued 3,700,000 shares with an ascribed value of \$0.05CDN per share to settle promissory notes of \$185,000 CDN and issued 2,000,000 shares with an ascribed value of \$0.05CDN per share as consideration for the Silver Bell St. Lawrence assignment agreement.

(iv) On January 3, 2011, the Company issued 2,980,000 shares with an ascribed value of \$0.05CDN per share to directors of the Company to settle amounts owing for management and director fees of \$149,000 CDN due as of December 31, 2010.

(v) On January 3, 2011, the Company issued 1,600,000 shares with an ascribed value of \$0.05CDN per share to settle promissory notes in the amount of \$80,000 CDN and issued 3,390,380 shares with an ascribed value of \$0.05CDN per share to settle legal fees owing to a former director in the amount of \$169,519 CDN.

(vi) On January 3, 2011, the Company issued 200,000 shares with an ascribed value of \$0.05CDN per share for proceeds of \$10,000 CDN.

10. STOCK OPTIONS AND WARRANTS

(a) Stock Options

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10. STOCK OPTIONS AND WARRANTS (Cont'd)

The Company has a Stock Option Plan (the "Plan") to provide options for the benefit of employees, directors and third parties. The maximum number of shares allocated to and made available to be issued under the Plan shall not exceed 10% of the common shares issued and outstanding (on a non diluted basis) at any time. The exercise price of options granted under the Stock Option Plan will be determined by the directors, but will be at least equal to the closing trading price for the common shares for the last trading day prior to the grant and otherwise the fair market price as determined by the Board of Directors. The term of any option granted shall not exceed five years. The Company will not provide financial assistance to any optionee in connection with the exercise of options.

	March 31, 2011		December 31, 2010	
	Number of Options	Weighted Average Exercise Price (CDN)	Number of Options	Weighted Average Exercise Price (CDN)
Outstanding, beginning of period	20,000	\$7.00	65,000	\$5.45
Granted ⁽ⁱ⁾	1,650,000	\$0.26	-	\$ -
Forfeited	-	\$ -	(45,000)	\$4.76
Outstanding, end of period	1,670,000	\$0.34	20,000	\$7.00
Exercisable, end of period	1,670,000	\$0.34	20,000	\$7.00

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10. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

The Company had the following stock options outstanding at March 31, 2011:

Number of Options	Exercise Price (CDN)	Expiry Date
10,000	\$9.10	January 17, 2012
10,000	\$4.90	November 15, 2012
1,650,000	\$0.26	March 25, 2016
1,670,000		

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

- (i) On March 25, 2011, the Company granted 1,650,000 stock options to directors (1,300,000) and consultants (350,000). These options vest immediately. Each option entitles the holder to purchase one common share at \$0.26 per share at any time on or before March 25, 2016.

The fair value of these stock options of \$435,212 was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.32%
Expected life	5.0 years
Expected volatility	255%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

(b) Warrants

No warrants were outstanding in the prior year, nor are any outstanding in the current period.

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11. CONTRIBUTED SURPLUS

Contributed surplus consists of the fair value of options granted and the value of expired warrants. The following summarizes the change in contributed surplus:

	March 31, 2011	December 31, 2010
Balance, beginning of period	\$ 1,120,704	\$ 1,031,590
Stock-based compensation expense (Note 10)	435,212	-
Warrants expired	-	89,114
Balance, end of period	\$ 1,555,916	\$ 1,120,704

12. PROMISSORY NOTES PAYABLE

The Company received Canadian funds pursuant to the issuance of promissory notes to arm's length individuals.

The following is a list of the promissory notes payable as of March 31, 2011:

Date Issued	Amount (Canadian Dollar)
July 15, 2010	100,000
August 2, 2010	10,000
October 15, 2010	10,000
October 25, 2010	75,000
January 28, 2011	55,000
February 4, 2011	15,000
Total promissory notes	265,000
Settled through the issuance of common shares ⁽ⁱ⁾	(265,000)
Add: foreign exchange	-
Total Promissory Notes in United States Dollars	\$ -

(i) During the period ended March 31, 2011, the Company settled promissory notes payable in the amount of \$265,000 CDN through the issuance of 5,300,000 common shares (Note 9).

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12. PROMISSORY NOTES PAYABLE (Cont'd)

The following is a list of the promissory notes payable as of December 31, 2010:

<u>Date Issued</u>	<u>Amount (Canadian Dollar)</u>
July 15, 2010	\$ 100,000
August 2, 2010	10,000
October 15, 2010	10,000
October 25, 2010	75,000
<hr/>	
Total promissory notes	195,000
Add: foreign exchange	1,053
<hr/>	
Total Promissory Notes in United States Dollars	\$ 196,053

The promissory notes are non-interest bearing, unsecured and are to be repaid on or before the 45th day after the next meeting of the shareholders of the Company.

13. RESTORATION LIABILITIES

As at March 31, 2011, management estimated site restoration costs relating to exploration work to completed to date on the Rimrock property to be \$45,501 (December 31, 2010 - \$40,110) which has been accrued. These costs are estimated by management and approved by the Nevada State Office of the Bureau of Land Management ("BLM"). The Company is required to issue reclamation bonds to cover these estimated restoration costs. The reclamation bonds will be returned to the Company upon the BLM being satisfied with the site restoration.

Included in the reclamation bond balance is a bond in the amount of \$38,178 (2010 - \$38,178) for an exploration program on the Golden Trail property for which the site restoration work has been performed. The amount of this bond may be released in full or in part once the approval of the restoration work has been approved by the BLM. However the Company may be liable for additional amounts if the BLM determines that the site restoration work was deficient and the amount of the bond is not sufficient to cover the cost of the additional work required to fully return the site to its original condition.

14. SETTLEMENT OF DEBT

On November 2, 2010, the Company approved the settlement of amounts owing to an arm's-length third party for geological services and expenses in exchange for the company-owned vehicle. This debt settlement resulted in a loss in the amount of \$6,604 in the year ended December 31, 2010.

During the period ended March 31, 2011, the Company settled accounts payable and accrued liabilities in the amount of \$418,519 CDN through the issuance of 8,370,380 common shares (Note 9).

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15. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

- (a) Included in accounts payable and accrued liabilities is approximately \$56,361 (December 31, 2010 - \$157,345) of amounts owing to directors of the Company for management and director fees.
- (b) Included in office and administrative costs is \$46,064 (December 31, 2010 - \$117,074) relating to amounts paid and accrued to directors of the Company for management fees, \$25,609 (December 31, 2010 - \$65,870) relating to amounts paid and accrued to directors of the Company for director's fees and \$50,585 (December 31, 2010 - \$NIL) relating to amounts paid to a shareholder of the Company for consulting fees.

16. LITIGATION

On February 15, 2010, the Company was named along with former directors of the Company and served with a claim in The District Court, 150th Judicial District, Bexar County, Texas. This lawsuit was subsequently removed to the U.S. District Court for the Western District of Texas, San Antonio Division. The Plaintiff is alleging several past directors of the Company have used trade secrets or confidential information belonging to the Plaintiff for the Company's benefit in violation of laws protecting this type of information. The Plaintiff is claiming monetary damages against all of the named Defendants, which include the Company, of \$30,000,000, and the Company is defending the lawsuit along with all other defendants. Management believes that this is a frivolous claim. The outcome of the above claim is not determinable and therefore, no provision is recorded.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IFRS 7)

Capital Management

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

At March 31, 2011, the Company has working capital deficiency of \$167,647 (December 31, 2010 - \$664,337). Capital stock and warrants total \$6,417,100 (December 31, 2010 - \$5,721,063). There are 1,670,000 options outstanding as at March 31, 2011 (December 31, 2010 - 20,000) with an average exercise price of \$0.34 (December 31, 2010 - \$7.00).

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IFRS 7) (Cont'd)

Capital Management (Cont'd)

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 three months ended March 31, 2011. The Company is not subject to any externally imposed capital requirements.

The Company aims to maintain a capital at level that enables it to meet several objectives, namely:

- Striving for a percentage of long-term debt to total combined long-term debt and shareholders' equity (long-term debt/total capital ratio) of less than 50% and
- Maintaining an investment grade credit rating for its term notes.

In its capital structure, the Company considers its stock option plans for key employees and officers. The Company's stock redemption plan is one of the tools the Company uses to achieve its objectives.

The Company is not subject to any capital requirements imposed by a regulator.

The capital management objectives remain the same as for the previous fiscal year.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

Interest Rate Risk

The Company has no significant exposure to interest rate risk as the Company does not have debt.

Foreign Currency Risk

The Company is exposed to foreign currency risk on monetary assets and liabilities that are denominated in a currency other than the United States dollar. The currency giving rise to this risk is primarily the Canadian dollar.

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17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IFRS 7) (Cont'd)

Credit Risk

The Company has cash of \$94,624 (December 31, 2010 - \$170,436), and no interest bearing debt. The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its accounts payable. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had a cash of \$94,624 (December 31, 2010 - \$170,436) to settle current liabilities of \$262,271 (December 31, 2010 - \$834,773). As a result the Company has liquidity risk and is dependent on raising additional capital to fund operations.

Sensitivity Analysis

In managing currency risks the Company aims to reduce the impact of short-term fluctuations on the earnings. Over the longer-term, however, permanent changes in foreign exchange would have an impact on consolidated earnings.

As at March 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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

The Corporation is exposed to foreign currency risk on fluctuations of financial instruments that are denominated in Canadian dollars related to cash balances, and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net loss and/or comprehensive income by \$4,420.

18. SUBSEQUENT EVENTS

- a) On April 21, 2010, the Company filed a NI 43-101 compliant technical report about the Silver Bell St. Lawrence Group of Mining Claims which recommends a geological exploration program estimated to take approximately three months at an estimated cost of \$137,300. The Company is now planning the initial phase of this program.
- b) The Annual and Special Meeting of Security holders for the Company will be held on June 29, 2011.