ROYAL NICKEL CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2011

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(UNAUDITED)

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim financial statements for Royal Nickel Corporation are the responsibility of the Management. The unaudited condensed interim 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 financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were complete at the balance sheet date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the 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 financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Corporation 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 financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

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

/s/ Tyler Mitchelson	/s/ Fraser Sinclair
Tyler Mitchelson President and Chief Executive Officer	Fraser Sinclair Chief Financial Officer

Toronto, Canada
June 1, 2011

ROYAL NICKEL CORPORATION
Interim Balance Sheets
(Expressed in thousands of Canadian dollars)
(Unaudited)

	March 31, 2011	December 31, 2010 (note 14)	January 1, 2010 (note 14)
Assets			
Current assets			
Cash and cash equivalents (note 1)	**$ 45,617**	$ 47,482	$ 7,619
Short term investments	**-**	-	2,569
Amounts receivable and prepaids	**1,006**	586	152
Tax credits receivable	**3,288**	2,121	3,945
	49,911	50,189	14,285
Non-current assets			
Tax credits receivable	**842**	842	-
Property, plant and equipment (note 3)	**891**	872	836
Intangible assets (note 4)	**171**	171	119
Mineral property interests (note 5)	**40,886**	34,489	24,179
Total assets	**$ 92,701**	$ 86,563	$ 39,419
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	**$ 4,088**	$ 3,068	$ 962
Deferred share units	**1,312**	1,575	-
Restricted share units (note 7)	**887**	1,010	-
Current portion of capital lease obligation	**34**	33	-
	6,321	5,686	962
Non-current liabilities			
Deferred share units	**111**	59	-
Restricted share units (note 7)	**80**	32	-
Capital lease obligation	**15**	24	-
Other liability	**753**	1,176	502
Deferred income tax liability	**3,444**	2,776	1,782
Total liabilities	**10,724**	9,753	3,246
Equity			
Share capital (note 6)	**94,658**	88,600	44,956
Contributed surplus	**22,867**	22,029	10,106
Deficit	**(35,548)**	(33,819)	(18,889)
Total equity	**81,977**	76,810	36,173
Total liabilities and equity	**$ 92,701**	$ 86,563	$ 39,419

The notes to the interim financial statements are an integral part of these financial statements.

ROYAL NICKEL CORPORATION
Interim Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Expenses		
General and administrative (note 9)	**$ 1,463**	$ 1,250
Operating loss	**(1,463)**	(1,250)
Interest income	**142**	11
Liquidity entitlement	**-**	(360)
Loss before income tax	**(1,321)**	(1,599)
Deferred income tax expense (note 13)	**408**	590
Loss and comprehensive loss for the period	**$ (1,729)**	$ (2,189)
Loss per share		
Basic and diluted (note 10)	**$ (0.02)**	$ (0.04)
Weighted average number of common shares	**87,531,751**	60,545,023

The notes to the interim financial statements are an integral part of these financial statements.

ROYAL NICKEL CORPORATION

Interim Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended March 31, 2011		Three months ended March 31, 2010	
Cash flow provided by (used in)				
OPERATING ACTIVITIES				
Loss	$	**(1,729)**	$	(2,189)
Items not involving cash:				
Depreciation and amortization		**28**		23
Deferred income tax expense		**408**		590
Liquidity entitlement		**-**		360
Share based payments (note 9)		**(107)**		412
		(1,400)		(804)
Changes in working capital items:				
Amounts receivable and prepaids		**(420)**		(103)
Accounts payable and accrued liabilities		**(825)**		405
		(2,645)		(502)
INVESTING ACTIVITIES				
Expenditures on mineral property interests		**(5,942)**		(4,625)
Tax credits and mining rights received		**333**		264
Acquisition of intangible assets (note 4)		**(13)**		-
Acquisition of property plant and equipment (note 3)		**(45)**		(4)
		(5,667)		(4,365)
FINANCING ACTIVITIES				
Issuance of shares, net of issue costs		**5,947**		-
Exercise of options and warrants for cash		**508**		-
Principal payments on capital leases		**(8)**		-
		6,447		-
Change in cash and cash equivalents		**(1,865)**		(4,867)
Cash and cash equivalents, beginning of period		**47,482**		7,619
Cash and cash equivalents, end of period	$	**45,617**	$	2,752
Components of cash and cash equivalents are as follows:				
Cash	$	**271**	$	588
Cash equivalents		**45,346**		2,164
	$	**45,617**	$	2,752
SUPPLEMENTAL INFORMATION				
Income taxes paid	$	**-**	$	-
Interest paid	$	**1**	$	-
Share based payments in mineral property interests	$	**100**	$	69
Depreciation of property, plant and equipment in mineral property interests	$	**11**	$	8
Mining property interest included in accounts payable and accrued liabilities	$	**2,977**	$	370

The notes to the interim financial statements are an integral part of these financial statements.

ROYAL NICKEL CORPORATION
Interim Statements of Changes in Equity
(Expressed in thousands of Canadian dollars, except share amounts)
(Unaudited)

	Share Capital			Contributed				
	Number		Amount		Surplus		Deficit		Total Equity
Balance as at January 1, 2010	**60,545,023**	**$**	**44,956**	**$**	**10,106**	**$**	**(18,889)**	**$**	**36,173**
Share issued for liquidity entitlement	180,000		360		-		-		360
Share based payment	-		-		481		-		481
Comprehensive loss for the period	-		-		-		(2,189)		(2,189)
Balance as at March 31, 2010	**60,725,023**	**$**	**45,316**	**$**	**10,587**	**$**	**(21,078)**	**$**	**34,825**
Balance as at January 1, 2011	**84,231,203**	**$**	**88,600**	**$**	**22,029**	**$**	**(33,819)**	**$**	**76,810**
Shares issued for exercise of over-allotment option	2,925,000		6,581		-		-		6,581
Share issue costs of over-allotment option, net of deferred income taxes of $163	-		(391)		(81)		-		(472)
Warrant valuation of over-allotment option	-		(812)		812		-		-
Broker warrant valuation of over-allotment option	-		(121)		121		-		-
Exercise of stock options	600,000		210		-		-		210
Fair value of stock options exercised	-		164		(164)		-		-
Exercise of warrants	850,000		298		-		-		298
Fair value of warrants exercised	-		129		(129)		-		-
Share based payment	-		-		279		-		279
Comprehensive loss for the period	-		-		-		(1,729)		(1,729)
Balance as at March 31, 2011	**88,606,203**	**$**	**94,658**	**$**	**22,867**	**$**	**(35,548)**	**$**	**81,977**

The notes to the interim financial statements are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND LIQUIDITY

Royal Nickel Corporation (the "Corporation" or "RNC") was incorporated on December 13, 2006 under the Canada Business Corporations Act. The Corporation's registered office is located at 220 Bay Street, Suite 1200, Toronto, Canada.

The principal business of the Corporation is the acquisition, exploration and development of mineral property interests. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependent upon completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of mineral property.

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

As at March 31, 2011, the Corporation had a working capital of $43,590, including cash and cash equivalents of $45,617 of which $6,178 is restricted pursuant to flow-through financings, an accumulated deficit of $35,548 and incurred a loss of $1,729 for the three months then ended.

Management of the Corporation believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and development expenditures and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Corporation's ability to continue future operations beyond March 31, 2012 and fund its exploration and development expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including but not limited to, the issuance of new debt or equity instruments. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation.

The Corporation's financial year ends on December 31. The unaudited condensed interim financial statements were authorized by the Board of Directors on June 1, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY

The significant accounting policies used in the preparation of these unaudited condensed interim financial statements are described below.

(a) Basis of preparation and adoption of IFRS

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

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 (note 14) for the purposes of the transition to IFRS, as required by first time adoption of International Financial Reporting Standards ("IFRS 1").

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at June 1, 2011, the date the Board of Directors approved these interim financial statements for issue. Any subsequent changes to IFRS that are issued and effective as at December 31, 2011 could result in a restatement of these interim financial statements, including the transition adjustments recognized on conversion to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Notes 3, 4 and 14 disclose IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements and is considered material in understanding the interim consolidated financial statements.

(b) Basis of measurement

These unaudited condensed interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(c) Financial Instruments

Financial assets:

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of comprehensive loss. Gains and losses arising from changes in fair value are presented in the statements of comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Corporation's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of comprehensive loss and are included in other gains and losses.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities and capital lease obligation. Accounts payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Accounts payables and accrued liabilities are measured at amortized cost using the effective interest method. Capital lease obligation are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(c) Financial Instruments (continued)

The Corporation's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash and cash equivalents	Loans and receivables
Accounts receivable	Loans and receivables

Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Other financial liabilities
Capital lease obligation	Other financial liabilities

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.

(iii) Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(d) Property, plant and equipment

Property, plant and equipment (“PPE”) are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the statements of comprehensive loss during the period in which they are incurred.

Depreciation is recognized based on the cost of an item of PPE, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Land	nil	none
Building	5%	Declining balance
Building under capital lease	30%	Declining balance
Vehicles	30%	Declining balance
Furniture and equipment	20%	Declining balance
Computer equipment	30%	Declining balance

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of comprehensive loss.

Where an item of PPE consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(e) Identifiable intangible assets

The Corporation’s intangible assets include computer software with finite useful lives. These assets are capitalized and amortized at a 30% declining balance basis in the statements of comprehensive loss.

(f) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statements of comprehensive loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(g) Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

(h) Mineral property interest

The Corporation is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all proceeds received for farm-out arrangements or recovery of costs against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling.

The Corporation recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Upon transfer of "Exploration costs" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines". At such time as commercial production commences, these costs will be charged to operations on a unit of production method based on proven and probable reserves.

All capitalized exploration expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of the statement of comprehensive loss. The aggregate costs related to abandoned mineral claims are charged to the statement of comprehensive loss at the time of any abandonment or when it has been determined that there is evidence of an impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(i) Flow-through shares

The Corporation finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares or the amount recognized in common shares and the amount the investors pay for the shares (the "premium") is recognized as an other liability which is reversed as a deferred tax recovery when eligible expenditures have been made.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and highly liquid investments, including high interest savings accounts with daily distribution of interest, having maturity dates of three months or less from the date of purchase, which are readily convertible to known amounts of cash.

(k) Provisions

A provision is recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. 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.

(l) Share based payment transactions

Stock options:

The fair value of share options granted to employees is recognized as an expense, or capitalized to mineral property interest over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Deferred share units and restricted share units:

A liability for deferred share units and restricted share units is measured at fair value on the grant date and is subsequently adjusted at each financial position reporting date for changes in fair value. The liability is recognized over the vesting period, with a corresponding charge to share based payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(m) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The following temporary differences are not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected annual earnings.

(n) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Corporation also records a corresponding asset amount which is amortized over the remaining service life of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(o) Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation 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, compensation warrants, options, deferred and restricted share units outstanding that may add to the total number of common shares.

(p) Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

(q) Refundable tax credits for mining exploration expenses

The Corporation is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec. The credit is accounted for against the exploration expenses incurred.

(r) Segment disclosures

The Corporation currently operates in a single segment - the acquisition, exploration and development of mineral properties. All of the Corporation's activities are conducted in Quebec, Canada.

(s) Significant judgments in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the financial statements include:

1. Impairment of non-financial assets

The Corporation's fair value measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The fair values are based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Corporation's fair value estimates are based on numerous assumptions. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Corporation's financial position and result of operations. Assets are reviewed for an indication of impairment at each balance sheet date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in nickel prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(s) Significant judgments in applying accounting policies and key sources of estimation uncertainty (continued)

2. Recognition of deferred income tax assets and the measurement of income tax expense

Periodically, we evaluate the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if we believe that it is probable that some portion of the deferred tax assets will fail to be realized, the Corporation records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

3. Valuation of share based payments

The Corporation records all share based payments using the fair value method. The Corporation uses the Black-Scholes model to determine the fair value of stock options, warrants and broker warrants and a binominal model for compensation options. The main factor affecting the estimates of the fair value of stock options, warrants, broker warrants and compensation options is the stock price expected volatility used. The Corporation currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Corporation taking into consideration the expected life of the options.

4. The estimated useful lives and residual values of property, plant and equipment and the measurement of depreciation expense

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Corporation's property, plant and equipment in the future.

5. Cash and cash equivalents

The Corporation holds investments in highly liquid money market investment funds (i.e. high interest savings funds). The determination of whether a money market fund qualifies as a cash equivalent requires significant judgment. In determining whether such investments qualify as cash equivalents, the Corporation considers the following criteria: whether all investments held by the fund qualify individually as cash equivalents, the fund's management and investment policies, and any position papers issued by the associated financial institution or others

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET ADOPTED, JUDGMENTS AND ESTIMATION UNCERTAINTY (Continued)

(t) New accounting standards not yet adopted

The IASB issued the following standards which are relevant but have not yet been adopted by the Corporation: IFRS 9, Financial instruments, IFRS 10, Consolidated Financial Statement, IFRS 13, Fair Value Measurement and amended IAS 27, Separate Financial Statements. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 - Financial instruments - classification and measurement

IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt it early.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 13 - Fair Value Measurement

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

(Expressed in thousands of Canadian dollars, except share and per share amounts)

3. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles	Furniture and equipment	Computer equipment	Total
At January 1, 2010 [1]						
Cost	$ 102	$ 614	$ 154	$ 184	$ 59	**$ 1,113**
Accumulated depreciation	-	(107)	(81)	(62)	(27)	**(277)**
Net book amount	**$ 102**	**$ 507**	**$ 73**	**$ 122**	**$ 32**	**$ 836**
Year ended December 31, 2010 [1]						
Opening net book amount	$ 102	$ 507	$ 73	$ 122	$ 32	**$ 836**
Additions	-	88	-	9	30	**127**
Depreciation for the year	-	(32)	(22)	(25)	(12)	**(91)**
Closing net book amount	**$ 102**	**$ 563**	**$ 51**	**$ 106**	**$ 50**	**$ 872**
At December 31, 2010 [1]						
Cost	$ 102	$ 702	$ 154	$ 193	$ 89	**$ 1,240**
Accumulated depreciation	-	(139)	(103)	(87)	(39)	**(368)**
Net book amount	**$ 102**	**$ 563**	**$ 51**	**$ 106**	**$ 50**	**$ 872**
Period ended March 31, 2011 [1]						
Opening net book amount	$ 102	$ 563	$ 51	$ 106	$ 50	**$ 872**
Additions	-	-	8	24	13	**45**
Depreciation for the period	-	(12)	(4)	(6)	(4)	**(26)**
Closing net book amount	**$ 102**	**$ 551**	**$ 55**	**$ 124**	**$ 59**	**$ 891**
At March 31, 2011 [1]						
Cost	$ 102	$ 702	$ 162	$ 217	$ 102	**$ 1,285**
Accumulated depreciation	-	(151)	(107)	(93)	(43)	**(394)**
Net book amount	**$ 102**	**$ 551**	**$ 55**	**$ 124**	**$ 59**	**$ 891**

[1] The table includes a reclassification of $102 from buildings to land as at March 31, 2011, December 31, 2010 and January 1, 2010 to conform to the presentation adopted in the current year.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

4. INTANGIBLE ASSETS

	Computer Software
At January 1, 2010	
Cost	$ 219
Accumulated amortization	(100)
Net book amount	**$ 119**
Year ended December 31, 2010	
Opening net book amount	$ 119
Additions	103
Amortization for the year	(51)
Closing net book amount	**$ 171**
At December 31, 2010	
Cost	$ 322
Accumulated amortization	(151)
Net book amount	**$ 171**
Period ended March 31, 2011	
Opening net book amount	$ 171
Additions	13
Amortization for the period	(13)
Closing net book amount	**$ 171**
At March 31, 2011	
Cost	$ 335
Accumulated amortization	(164)
Net book amount	**$ 171**

(Expressed in thousands of Canadian dollars, except share and per share amounts)

5. MINERAL PROPERTY INTERESTS

	Dumont	Jefmar	Marbridge	Total
Balance January 1, 2010	**$ 22,653**	**$ 469**	**$ 1,057**	**$ 24,179**
Depreciation	8	-	-	8
Assays and analysis	83	-	-	83
Drilling	894	-	-	894
Engineering	171	-	-	171
Environmental	25	-	-	25
Site activities and metallurgical testing	1,488	-	9	1,497
Advances for metallurgical testing, net	1,832	-	-	1,832
Travel and accommodation	24	-	-	24
Share based payment	69	-	-	69
Quebec refundable tax credits	(41)	-	-	(41)
Balance March 31, 2010	**$ 27,206**	**$ 469**	**$ 1,066**	**$ 28,741**
Balance December 31, 2010	**$ 32,935**	**$ 469**	**$ 1,085**	**$ 34,489**
Property acquisition costs	25	-	-	25
Depreciation	11	-	-	11
Drilling	3,734	-	-	3,734
Engineering	130	-	-	130
Environmental	188	-	-	188
Geological	308	-	-	308
Site activities and metallurgical testing	1,680	-	-	1,680
Advances for metallurgical testing, net	1,722	-	-	1,722
Share based payment	100	-	-	100
Quebec refundable tax credits	(1,501)	-	-	(1,501)
Balance March 31, 2011	**$ 39,332**	**$ 469**	**$ 1,085**	**$ 40,886**

(Expressed in thousands of Canadian dollars, except share and per share amounts)

6. SHARE CAPITAL

On January 13, 2011, pursuant to the underwriting agreement dated December 9, 2010, the Corporation issued 2,925,000 Units (the "Units") at a price of $2.25 per Unit for gross proceeds of $6,581. Each Unit consisting of one common share and one-half of one common share purchase warrant, pursuant to the exercise of the Over-Allotment Option by an syndicate of underwriters. Each whole warrant entitles the holder to acquire one common share at a price of $3.00 until December 15, 2012. The fair value of the 1,462,500 warrants issued was estimated at $731 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield 0%; expected volatility 75%; risk free rate of return 1.77% and expected maturity of two years.

The Corporation granted the underwriters non transferable warrants to purchase such number of common shares equal to 6% of the aggregate number of securities sold pursuant to the Over-Allotment Option at a price of $2.25 per common shares, for a period of 18 months from the date of closing. The fair value of the 175,500 warrants was estimated at $121 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield 0%, expected volatility 60%, risk free rate of return 1.67% and an expected maturity of 1.5 years.

7. SHARE PURCHASE OPTION AND RESTRICTED SHARE UNIT PLANS

On March 29, 2011, the Corporation granted an aggregate of 100,000 stock options to an employee of the Corporation at an exercise price of $1.97 for a period of ten years. Vesting of these options is 33.33% immediately, 33.33% on the first anniversary, and 33.34% on the second anniversary. The fair value of these options was estimated at $138 using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield 0%; expected volatility 80%; expected forfeiture rate 3%; risk free rate of return 2.74% and expected maturity of six years.

The following table reflects the continuity of stock options for the period ended March 31, 2011:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2010	8,297,583	$ 1.78
Granted	100,000	1.97
Exercised	(600,000)	0.35
Forfeited	(11,333)	2.39
Balance, March 31, 2011	**7,786,250**	**$ 1.89**

(Expressed in thousands of Canadian dollars, except share and per share amounts)

7. SHARE PURCHASE OPTION AND RESTRICTED SHARE UNIT PLANS (Continued)

Share purchase options

As at March 31, 2011, the Corporation had the following stock options outstanding:

Options Granted	Exercise Price	Options Vested and Exercisable	Remaining Contractual Life (Years)	Expiry Date
525,000	$2.50	525,000	0.53	October 9, 2011
99,999	2.50	99,999	1.02	April 6, 2012
8,334	2.00	8,334	1.02	April 6, 2012
700,000	0.35	700,000	5.92	March 2, 2017
150,000	0.35	150,000	5.94	March 8, 2017
250,000	0.35	250,000	5.98	March 22, 2017
25,000	0.35	25,000	5.98	March 26, 2017
150,000	0.35	150,000	6.03	April 10, 2017
200,000	1.00	200,000	6.28	July 9, 2017
300,000	1.00	300,000	6.38	August 15, 2017
25,000	1.00	25,000	6.41	August 27, 2017
915,000	2.50	915,000	6.71	December 14, 2017
20,000	2.50	20,000	6.76	January 2, 2018
15,000	2.50	15,000	6.78	January 11, 2018
10,000	2.50	10,000	7.10	May 8, 2018
525,000	2.50	525,000	7.24	June 27, 2018
250,000	2.50	250,000	7.30	July 17, 2018
250,000	2.50	250,000	7.63	November 17, 2018
971,667	2.50	971,667	7.79	January 15, 2019
920,000	2.00	613,333	8.46	September 17, 2019
651,583	2.00	399,255	8.53	October 9, 2019
25,000	2.00	16,667	8.70	December 11, 2019
15,000	2.00	10,000	8.83	January 28, 2020
150,000	2.00	150,000	9.02	April 6, 2020
100,000	2.00	33,333	9.05	April 19, 2020
75,000	2.00	25,000	9.17	June 1, 2020
150,000	2.00	50,000	9.36	August 9, 2020
180,000	2.00	60,000	9.55	October 18, 2020
29,667	2.15	10,332	9.70	December 10, 2020
100,000	1.97	33,333	9.99	March 29, 2021
7,786,250	**$1.89**	**6,791,253**	**6.92**	

The weighted average exercise price of options vested and exercisable is $1.88.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

7. SHARE PURCHASE OPTION AND RESTRICTED SHARE UNIT PLANS (Continued)

Restricted share units

In March 2011, the Corporation granted 50,000 restricted share units to an employee at a notional value of $1.97 per share, of which 33.33% vested immediately and 33.33% on the first anniversary and 33.34% on the second anniversary.

The following table reflects the continuity of restricted share units for the period ended March 31, 2011:

	Number of Restricted Share Units
Balance, December 31, 2010	802,000
Granted	50,000
Balance, March 31, 2011	**852,000**

As at March 31, 2011, 370,667 restricted share units are vested.

8. WARRANTS AND COMPENSATION WARRANTS

The following table reflects the continuity of warrants for the period ended March 31, 2011:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2010	15,793,627	$ 2.38
Issued pursuant to initial public offering over-allotment	1,462,500	3.00
Issued as payments of agent fees pursuant to initial public offering over-allotment	175,500	2.25
Exercised	(850,000)	0.35
Balance, March 31, 2011	**16,581,627**	**$ 2.53**

(Expressed in thousands of Canadian dollars, except share and per share amounts)

8. WARRANTS AND COMPENSATION WARRANTS (Continued)

As at March 31, 2011, the following warrants and compensation warrants were outstanding.

Compensation Warrants	Warrants	Exercise Price	Expiry Date
-	253,750	1.00	May 31, 2011
113,959	-	2.25	December 3, 2011
-	712,239	3.00	December 3, 2011
49,777	-	2.25	December 22, 2011
-	333,611	3.00	December 22, 2011
-	650,000	0.35	January 19, 2012
-	1,345,500 [1]	2.25	June 15, 2012
-	177,777	3.00	June 16, 2012
35,555	-	2.25	June 16, 2012
-	500,000	1.00	July 4, 2012
-	1,300,000	0.35	July 19, 2012
-	26,250	3.00	August 20, 2012
-	70,000	2.50	December 14, 2012
-	11,212,500	3.00	December 15, 2012
199,291	**16,581,627**		

[1] Broker warrants issued pursuant to the initial public offering underwriting agreement

9. GENERAL AND ADMINISTRATIVE EXPENSES

Expense by nature:	**Three months ended March 31, 2011**	**2010**
Salaries and benefits (see details below)	**$ 586**	$ 869
Professional fees	**155**	29
Consulting fees	**114**	97
Public company expenses	**71**	-
Office and general	**261**	92
Conference and travel	**51**	59
Investor relations	**147**	81
Business development	**50**	-
Depreciation and amortization	**28**	23
	$ 1,463	$ 1,250

(Expressed in thousands of Canadian dollars, except share and per share amounts)

9. GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

Salaries and benefits:	Three months ended March 31, 2011	2010
Salaries, benefits and wages	**$ 693**	$ 457
Share based payments [(1)]	**(107)**	412
	$ 586	$ 869

(1) Includes the mark-to-market adjustment for deferred share units and restricted share units of $(270) for the three months ended March 31, 2011 ($nil for the three months ended March 31, 2010).

10. LOSS PER SHARE

	Three months ended March 31, 2011	2010
Loss available to common shareholders	**$ (1,729)**	$ (2,189)
Weighted average number of common shares	**87,531,751**	60,545,023
Loss per share - basic and diluted	**$ (0.02)**	$ (0.04)

The effect of potential issuances of shares under stock options, warrants, compensation warrants, deferred share units and restricted share units would be anti-dilutive for the three months March 31, 2011 and 2010, and accordingly, basic and diluted loss per share are the same.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

11. RELATED PARTY TRANSACTIONS

Remuneration of key management (includes the Corporation's directors and executive team)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Management salaries and benefits	**$ 473**	$ 131
Directors fees	**136**	69
Share based payments - Management [1]	**(1)**	148
Share based payments - Directors [1]	**(136)**	201
	$ 472	549
Administrative and general expenses:		
Consulting fees to director and officer	**$ 44**	$ 50

[1] Inclusive of mark-to-market adjustment of $(270).

These transactions are in the normal course of operations and all of the transactions are measured at the exchange amount of consideration established and agreed to by the parties.

12. COMMITMENTS

In 2011, the Corporation entered into a sub-lease agreement and a head lease agreement that obligates the Corporation for aggregate rental payments of $1,641 for the next five years and $116 beyond the next five years.

13. INCOME TAX

The Corporation recognized income tax benefits on non-capital losses and financing costs to the extent that they offset deferred tax liabilities in connection with the incurrence of flow-through share expenditures in the interim period.

Additional deferred tax liabilities relating to Quebec Mining Duty were recognized as a result of additional exploration expenditures incurred in the interim period. In addition, the Corporation recorded a resource credit on the eligible exploration expenditures incurred in the interim period.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. CONVERSION TO IFRS

The effect of the Corporation's transition to IFRS, described in note 2, is summarized in this note as follows:

(i) Impact on balance sheet
(ii) Reconciliation of equity, balance sheets and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes
(iii) Adjustments to the statement of cash flows
(iv) Additional IFRS information for the year ended December 31, 2010.

(i) Impact on balance sheet

	January 1, 2010	March 31, 2010	December 31, 2010
Adjustment to share capital	$ 862	$ 1,977	$ 625
Adjustment to mineral property interest	$ (219)	$ (272)	$ (691)
Adjustment to other liability	$ 502	$ 270	$ 1,176
Adjustment to deferred income tax liability	$ 1,572	$ 1,440	$ 2,593
Adjustment to deficit	$ (3,155)	$ (3,959)	$ (5,085)

(ii) Reconciliation of equity, balance sheets and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes

Reconciliation of equity:

	January 1, 2010	March 31, 2010	December 31, 2010
Equity as reported under Canadian GAAP	$ 38,466	$ 36,807	$ 81,270
Accounting for flow-through shares	(543)	329	(1,684)
Accounting for Quebec mining duties	(1,750)	(2,311)	(2,776)
Equity as reported under IFRS	$ 36,173	$ 34,825	$ 76,810

(Expressed in thousands of Canadian dollars,except share and share amounts)

14. CONVERSION TO IFRS (Continued)

(ii) Reconciliation of equity, balance sheets and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

Reconciliation of Interim Balance Sheet:

		January 1, 2010			March 31, 2010			December 31, 2010		
	Ref.	Canadian GAAP (1)	IFRS Adjustment	IFRS	Canadian GAAP (1)	IFRS Adjustment	IFRS	Canadian GAAP (1)	IFRS Adjustment	IFRS
Assets										
Current assets										
Cash and cash equivalents		$ 7,619	$ -	$ 7,619	$ 2,752	$ -	$ 2,752	$ 47,482	$ -	$ 47,482
Short term investments		2,569	-	2,569	2,569	-	2,569	-	-	-
Amounts receivable and prepaids		152	-	152	3,937	-	3,937	586	-	586
Tax credits receivable		3,945	-	3,945	-	-	-	2,121	-	2,121
		14,285	-	14,285	9,258	-	9,258	50,189	-	50,189
Non-current assets										
Tax credits receivable		-	-	-	-	-	-	842	-	842
Property, plant and equipment		836	-	836	818	-	818	872	-	872
Intangible assets		119	-	119	111	-	111	171	-	171
Mineral property interests	*d*	24,398	(219)	24,179	29,012	(272)	28,740	35,180	(691)	34,489
Total assets		$ 39,638	$ (219)	$ 39,419	$ 39,199	$ (272)	$ 38,927	$ 87,254	$ (691)	$ 86,563
Liabilities and equity										
Current liabilities										
Accounts payable and accrued liabilities		$ 962	$ -	$ 962	$ 1,227	$ -	$ 1,227	$ 3,068	$ -	$ 3,068
Deferred share units		-	-	-	-	-	-	1,575	-	1,575
Restricted share units		-	-	-	-	-	-	1,010	-	1,010
Current portion of capital lease obligation		-	-	-	-	-	-	33	-	33
		962	-	962	1,227	-	1,227	5,686	-	5,686
Non-current liabilities										
Deferred share units		-	-	-	-	-	-	59	-	59
Restricted share units		-	-	-	-	-	-	32	-	32
Capital lease obligation		-	-	-	-	-	-	24	-	24
Other liability	*a*	-	502	502	-	270	270	-	1,176	1,176
Deferred income tax liability	*a,b,d*	210	1,572	1,782	1,165	1,440	2,605	183	2,593	2,776
Total liabilities		1,172	2,074	3,246	2,392	1,710	4,102	5,984	3,769	9,753
Equity										
Share capital	*a,c*	44,094	862	44,956	43,340	1,977	45,317	87,975	625	88,600
Contributed surplus		10,106	-	10,106	10,587	-	10,587	22,029	-	22,029
Deficit	*a,b,c*	(15,734)	(3,155)	(18,889)	(17,120)	(3,959)	(21,079)	(28,734)	(5,085)	(33,819)
Total equity		38,466	(2,293)	36,173	36,807	(1,982)	34,825	81,270	(4,460)	76,810
Total liabilities and equity		$ 39,638	$ (219)	$ 39,419	$ 39,199	$ (272)	$ 38,927	$ 87,254	$ (691)	$ 86,563

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. CONVERSION TO IFRS (Continued)

(ii) Reconciliation of equity, balance sheets and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

(1) The reconciliation includes the following reclassification of comparative figures to conform to the presentation adopted for the current period:

- Deferred share units of $59 have been reclassified to long term liabilities for the year ended December 31, 2010.
- Restricted share units of $32 have been reclassified to long term liabilities for the year ended December 31, 2010.
- Intangible assets have been reclassified from property, plant and equipment of $171 as at December 31, 2010, $111 as at March 31, 2010 and $119 as at January 1, 2010.

Reconciliation of statements of comprehensive loss:

	Ref.	Three months ended March 31, 2010			Year ended December 31, 2010		
		Canadian GAAP	**IFRS Adjustment**	**IFRS**	**Canadian GAAP**	**IFRS Adjustment**	**IFRS**
Expenses							
General and administrative		$ 1,250	$ -	$ 1,250	$ 12,392	$ -	$ 12,392
Operating loss		(1,250)	-	(1,250)	(12,392)	-	(12,392)
Interest income		11	-	11	26	-	26
Liquidity entitlement		(360)	-	(360)	(1,320)	-	(1,320)
Loss before income tax		(1,599)	-	(1,599)	(13,686)	-	(13,686)
Deferred income tax expense (recovery)	*a,b*	(213)	803	590	(686)	1,929	1,243
Loss and comprehensive loss		$ (1,386)	$ (803)	$ (2,189)	$ (13,000)	$ (1,929)	$ (14,929)
Loss per share- basic and diluted		$ (0.02)	$ (0.01)	$ (0.04)	$ (0.21)	$ (0.03)	$ (0.24)
Weighted average number of common shares		60,545,023		60,545,023	62,275,569		62,275,569

Certain amounts on the unaudited interim statements of comprehensive loss have been reclassified to conform to the presentation adopted under IFRS.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. CONVERSION TO IFRS (Continued)

(ii) Reconciliation of equity, balance sheets and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

Explanatory notes

As a result of the adjustments related to differences between Canadian GAAP and IFRS identified in points a) to d) below, mineral property interests, other liability, deferred income tax liability, share capital, deficit and the deferred income tax expense (recovery) have been adjusted to give effect to adjustments as follows:

Mineral property interests

Reference	January 1, 2010	March 31, 2010	December 31, 2010
d)	$ (219)	$ (272)	$ (691)
	$ (219)	$ (272)	$ (691)

Other liability

Reference	January 1, 2010	March 31, 2010	December 31, 2010
a)	$ 502	$ 270	$ 1,176
	$ 502	$ 270	$ 1,176

Deferred income tax liability

Reference	January 1, 2010	March 31, 2010	December 31, 2010
a)	$ 41	$ (599)	$ 507
b)	1,750	2,311	2,777
d)	(219)	(272)	(691)
	$ 1,572	$ 1,440	$ 2,593

Share capital

Reference	January 1, 2010	March 31, 2010	December 31, 2010
a)	$ 411	$ 1,525	$ 173
c)	451	452	452
	$ 862	$ 1,977	$ 625

Deferred income tax expense (recovery)

Reference	Three months ended March 31, 2010	Year ended December 31, 2010
a)	$ 242	$ 903
b)	561	1,026
Impact on net loss	$ 803	$ 1,929

Deficit

Reference	January 1, 2010	March 31, 2010	December 31, 2010
Net income impact (per above)	$ -	$ (803)	$ (1,929)
a)	(954)	(954)	(954)
b)	(1,750)	(1,750)	(1,750)
c)	(451)	(452)	(452)
	$ (3,155)	$ (3,959)	$ (5,085)

14. CONVERSION TO IFRS (Continued)

(ii) Reconciliation of equity, balance sheets and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

Explanatory notes (continued)

a) Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a future tax liability is recognized as a cost of issuing the shares (a reduction in share capital). Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue or based on the share price of the last private placement of non-flow-through common shares. The difference between the amount recognized in common shares and the amount the investors pays for the shares ("premium") is recognized as an other liability which is reversed into earnings as deferred tax recovery when eligible expenditures have been made. The tax effect resulting from the renunciation is recorded - when eligible expenditures have been made - as a deferred tax expense into statement of comprehensive loss.

b) Under Canadian GAAP, no deferred tax liability ("DTL") was recorded for Quebec Mining Duties ("QMD") because regardless of the expected manner of recovery, the tax basis of the mineral property interests for QMD purposes is the higher of two amounts, which equal to the carrying amount.

Under IFRS, the tax basis of the assets will be determined based on the expected manner of recovery of the assets. In most situations, and particularly in the situation of the Corporation, there is evidence that the mining assets would be recovered through use. Accordingly, the tax basis of the mining property for QMD is not its carrying amount but the amount as per the QMD returns, which is $nil at the time of conversion. Such DTL is recorded as a deferred tax expense in the statement of comprehensive loss.

c) In accordance with Canadian GAAP, future income taxes are recognized in net income, unless specific rules as specified in paragraph 63 of the CICA 3465 - Income Taxes apply. Any subsequent variations of future tax occurring without variation of temporary differences in future period are recognized in the income statement.

Under IFRS, deferred income taxes expense or recovery should be allocated to the statement of comprehensive loss or elsewhere in the financial statements, such as other comprehensive income or in equity, depending where the initial recognition of the temporary difference occurred. This method is known as "backward tracing". Unlike Canadian GAAP, changes in tax balances that arose in a different period should not be recognized by default in the statement of comprehensive loss.

d) Under Canadian GAAP, future income taxes on the acquisition of an asset in a transaction that is not a business combination and that arise from the difference between the carrying amounts of the assets acquired and their tax basis should be recognized.

Under IFRS, deferred taxes resulting from such transaction are not recorded.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. CONVERSION TO IFRS (Continued)

(iii) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Corporation.

(iv) Additional IFRS information for the year ended December 31, 2010

Additional information for the year ended December 31, 2010 is provided below which conform with current period's presentation.

a) Mineral property interests

	Dumont	Jefmar	Marbridge	Total
Balance January 1, 2010	**$ 22,653**	**$ 469**	**$ 1,057**	**$ 24,179**
Property acquisition costs	678	-	10	688
Depreciation	32	-	-	32
Assays and analysis	321	-	-	321
Drilling	1,704	-	-	1,704
Engineering	930	-	-	930
Environmental	48	-	-	48
Site activities and metallurgical testing	6,666	-	18	6,684
Advances for metallurgical testing, net	317	-	-	317
Travel and accommodation	64	-	-	64
Share based payment	1,388	-	-	1,388
Quebec refundable tax credits	(1,866)	-	-	(1,866)
Balance December 31, 2010	**$ 32,935**	**$ 469**	**$ 1,085**	**$ 34,489**

b) Remuneration of key management (includes the Corporation's directors and executive team).

	Year ended December 31, 2010
Management salaries and benefits	$ 1,098
Directors fees	386
Share based payments - Management	4,510
Share based payments - Directors	3,455
	$ 9,449
Administrative and general expenses	
Consulting fees to a director	$ 184

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. CONVERSION TO IFRS (Continued)

(iv) Additional IFRS information for the year ended December 31, 2010 (continued)

c) Expense by nature

	Year ended December 31, 2010
Salaries and benefits (see details below)	$ 10,042
Professional fees	679
Consulting fees	332
Public company expenses	8
Office and general	628
Conference and travel	181
Investor relations	242
Business development	170
Depreciation and amortization	110
	$ 12,392

Salaries and benefits

Salaries, bonuses and employee benefits	$ 1,971
Share based payments	8,071
	$ 10,042

d) Tax expense

	2010
Tax expense applicable to:	
Current	$ -
	$ -
Deferred	
Income taxes - origination and reversal of temporary difference	$ 188
Mining taxes - origination and reversal of temporary differences	995
Relating to change in tax rates / imposition of new taxes	390
Relating to unrecognized temporary differences	348
Relating to amortization of flow-through share premium	(678)
	$ 1,243
Tax expense	**$ 1,243**

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. CONVERSION TO IFRS (Continued)

(iv) Additional IFRS information for the year ended December 31, 2010 (continued)

e) Reconciliation to statutory tax rate

A reconciliation between tax expense and the product of accounting loss multiplied by the Corporation's domestic tax rate for the year ended 31 December 2010 is as follows:

		2010
Statutory tax rate		**29.34%**
Tax expense at statutory rate	$	(4,016)
Expenses not deductible for tax purposes		2,761
Tax effect of renounced flow-through share expenditures incurred		1,468
Tax effect of amortization of flow-through share premiums		(678)
Tax effect of Quebec mining duties		995
Impact of change in deferred tax rate		390
Unrecognized temporary differences		348
Others		(25)
Tax expense	**$**	**1,243**
Tax expense applicable to:		
Current taxes	$	-
Deferred taxes		1,243
Tax expense	**$**	**1,243**

f) Income tax effect of temporary differences

The tax benefits of the following temporary deductible differences have been recognized in the financial statements at December 31, 2010:

		Balance Sheet as at December 31, 2010		**Statement of Comprehensive loss for the year ended December 31, 2010**
Deferred income tax assets (liabilities)				
Loss carry forwards	**$**	**2,676**	$	(1,029)
Capital assets		**81**		(18)
Financing costs		**1,105**		364
Donations		**4**		(1)
Capital lease		**15**		(15)
Quebec mining duties		**(2,776)**		994
Mineral property interests		**(3,881)**		948
	$	**(2,776)**	$	1,243

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. CONVERSION TO IFRS (Continued)

(iv) Additional IFRS information for the year ended December 31, 2010 (continued)

f) Income tax effect of temporary differences (continued)

The tax benefits of the following unused tax losses have not been recognized in the financial statements at December 31, 2010:

	Balance Sheet as at December 31, 2010
Deferred income tax assets	
Net operating losses	1,227
Net Deferred income tax assets	**$ 1,227**

15. SUBSEQUENT EVENT

The Corporation announced on May 4, 2011, that its board of directors has approved the adoption of a shareholder rights plan (the "Rights Plan") designed to encourage the fair and equal treatment of shareholders in connection with any takeover bid for the outstanding securities of the Corporation.

The Rights Plan is intended to provide the Corporation's board with adequate time to assess a takeover bid, to consider alternatives to a takeover bid as a means of maximizing shareholder value, to allow competing bids to emerge, and to provide the Corporation's shareholders with adequate time to properly assess a takeover bid without undue pressure. The Corporation's board is not currently aware of any pending or threatened takeover bid for the Corporation. The Rights Plan is similar to those adopted by other Canadian companies.