

LAKOTA RESOURCES INC.

Condensed Consolidated Interim Financial Statements March 31, 2011

(Unaudited)

Management's Comments on the Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Lakota Resources Inc. as at and for the three months ended March 31, 2011 and 2010 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

LAKOTA RESOURCES INC.**Condensed Consolidated Interim Statement of Financial Position (Unaudited)**

Expressed in Canadian Dollars

March 31, 2011

	Mar. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Assets		(Note 17)	(Note 17)
Current assets			
Cash and cash equivalents	\$ 87,861	\$ 3,364	\$ 30,309
Goods and services tax receivable	50,256	38,539	30,289
Accounts receivable	4,897	7,255	23,096
Prepaid expenses	-	-	20,655
Total current assets	143,014	49,158	104,349
Non-current assets			
Equipment (Note 5)	1,294	1,294	11,611
Exploration and evaluation assets (Note 6)	941,175	941,175	941,175
Total non-current assets	942,469	942,469	952,786
Total assets	\$1,085,483	\$991,627	\$1,057,135
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities (Note 7)	\$1,554,729	\$1,495,693	\$1,185,520
Loans payable (Note 8)	1,286,042	1,086,042	798,344
Due to related parties (Note 16)	60,000	60,000	10,000
Total current and total liabilities	2,900,771	2,641,735	1,993,864
Shareholders' equity			
Share capital (Note 9(a))	17,745,691	17,745,691	17,745,691
Contributed Surplus (Note 9(b))	2,911,445	2,911,445	2,911,445
Accumulated other comprehensive income/loss	-	-	-
Deficit	(22,472,424)	(22,307,244)	(21,593,865)
Total shareholder's equity	(1,815,288)	(1,650,108)	(936,729)
Total equity and liabilities	\$1,085,483	\$991,627	\$1,057,135

Approved on behalf of the Board of Directors:

*(signed)"Paul Conroy"*Paul Conroy
Director*(signed)"Derek Batorowski"*Derek Batorowski
Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LAKOTA RESOURCES INC.
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss (Unaudited)
Expressed in Canadian Dollars
For the three months ended March 31, 2011

	Mar. 31, 2011	Mar. 31, 2010 (Note 17)
Expenses		
Management fees	\$ 5,600	\$ -
Consulting fees	15,133	26,204
Professional fees	96,293	44,652
Office overhead and corporate services	39,721	23,580
Salaries and wages	8,140	-
Travel	4,123	2,387
Exploration expenditures	368	3,701
Current taxes	28,652	-
Loss on foreign exchange	10,198	12,715
	208,228	113,239
Other income		
Option payments	(43,048)	(30,628)
Loss for the period	165,180	82,611
Other comprehensive loss	-	-
Total comprehensive loss for the period	165,180	82,611
Loss per common share basic and diluted (Note 12)	\$ 0.00	\$ 0.00

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LAKOTA RESOURCES INC.
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
Expressed in Canadian Dollars
For the three months ended March 31, 2011

	Share Capital		Other Reserves	Accumulated other comprehensive loss	Deficit	Total
	# of Shares	Amount				
Balance, January 1, 2010	59,249,966	\$17,745,691	\$2,911,445	-	\$(21,593,865)	\$(936,729)
Loss for the period	-	-	-	-	(82,611)	(82,611)
Balance, March 31, 2010	59,249,966	17,745,691	2,911,445	-	(21,676,476)	(1,019,340)
Loss for the period	-	-	-	-	(630,768)	(630,768)
Balance, December 31, 2010	59,249,966	17,745,691	2,911,445	-	(22,307,244)	(1,650,108)
Loss for the period	-	-	-	-	(165,180)	(165,180)
Balance, March 31, 2011	59,249,966	\$17,745,691	\$2,911,445	-	\$(22,472,424)	\$(1,815,288)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LAKOTA RESOURCES INC.
Condensed Consolidated Interim Statement of Cash Flows (Unaudited)
Expressed in Canadian Dollars
For the three months ended March 31, 2011

	Mar. 31, 2011	Mar. 31, 2010 (Note 17)
Cash flows from operating activities		
Operating activities:		
Loss for the period	\$ (165,180)	\$ (82,611)
Adjustments to reconcile loss to net cash used in operating activities:		
Changes in non-cash working capital balances:		
Accounts receivable	2,358	(3,687)
Prepaid expenses	(11,717)	-
Accounts payable and accrued liabilities	59,036	21,960
Total cash inflows (outflows) from operating activities	(115,503)	(64,338)
Cash flows from financing activities:		
Proceeds of loan from investor	200,000	100,000
Total cash inflows (outflows) from financing activities	200,000	100,000
Total increase (decrease) in cash and cash equivalents during the period	84,497	35,662
Cash and cash equivalents, beginning of the period	3,364	30,309
Cash and cash equivalents, end of the period	\$ 87,861	\$ 65,971

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

1. CORPORATE INFORMATION

Lakota Resources Inc. (the “**Company**” or “**Lakota**”) is a public company incorporated under the laws of the Province of Ontario, Canada, since March 3, 1937. The Company’s shares are currently not listed on any stock exchanges. The Company is in the exploration stage and is engaged principally in the acquisition and development of mineral properties in Tanzania. The Company’s head office and principal business address is Suite 330, 808 4 Ave. SW, Calgary, Alberta, T2P 3E8

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company for the year-ending December 31 ,2011 will be prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“**pre-changeover Canadian GAAP**”). These unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these unaudited condensed consolidated interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These unaudited condensed interim financial statements should be read in conjunction with the Company's 2010 audited annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company provided in note 18.

The condensed interim financial statements were authorized for issue by the Board of Directors on June 28, 2011.

b) Basis of measurement

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

2. BASIS OF PREPARATION – continued

c) Going concern of operations

These consolidated financial statements have been prepared on the basis of a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable level of operation. These consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The Company failed to file its annual audited financial statements for the year ended December 31, 2008, and on May 19, 2009, the Ontario Securities Commissions imposed a cease trade order, subsequently, British Columbia Securities Commission and Alberta Securities Commission issued their cease trade orders. As a result of the cease trade orders the Company has not been able to issue any shares since then. All three cease trade orders were revoked as at June 10, 2011. Management is currently working on securing new sources of financing, including recapitalization of the Company's share capital in order to proceed with its exploration plans.

As of March 31, 2011, there was uncertainty that the Company will continue as a going concern without obtaining additional financial resources. The Company incurred a net loss of \$165,180 for the period ended March 31, 2011 (2010 - \$82,611) and had a working capital deficiency at March 31, 2011 of \$2,757,757 (2010 - \$1,972,126). The Company will continue to rely on related party advances for working capital in order to maintain existing operations, and until it is able to issue equity for the exploration and development activity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year-ending December 31, 2011 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Basis of consolidation

The consolidated interim financial statements incorporate the assets, liabilities and results of all entities controlled by the Company. The effects of all transactions between entities in the consolidated group are eliminated in full. The consolidated financial statements include the accounts of the Company and its 78.8% owned subsidiary, Viking Yellowknife Gold Mines Ltd. and its 100% owned Tanzanian subsidiaries Lakota Resources (T) Limited and Lakota Mining Company Limited.

The Company and Lakota Resources (T) Limited jointly hold 100% interest in the following Tanzanian companies; Reapa Business Associates Limited, Parama & Company Limited, Bemuda Limited, Kiganga and Associates Gold Mining Company Ltd., Mineral Industry Promotion & Consulting Company Limited, Ikina Reefs Limited, and Mwamba Resources Limited.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Company and Lakota Resources (T) Limited jointly hold a 50% interest in Jope Business Associates Limited, with the other 50% interest being controlled by a Tanzanian national.

b) Presentation currency and foreign currency translation

The condensed consolidated interim financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries.

Foreign currency transactions are translated into the functional currency of each entity within the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of foreign currency denominated monetary items at reporting period end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates in effect at the time of the transaction (and are not retranslated at reporting period ends). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash held on deposit with a Canadian Chartered Bank and a Tanzanian bank.

d) Mineral exploration and evaluation assets

Costs incurred prior to acquiring the legal right to explore an area of interest are expensed as incurred.

Exploration and evaluation assets are intangible assets. Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential mineral resources, and include costs such as exploratory drilling, sample testing, activities in relation to the evaluation of technical feasibility and commercial viability of extracting a mineral resource, and general and administrative costs directly relating to the support of exploration and evaluation activities. Exploration and evaluation expenditure for an area of interest is carried forward as an asset provided that one of the following conditions is met. The carrying amount of such costs is expected to be lower than the recoverable amount through successful exploration and development of the area of interest or alternatively, by its sale; or, exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or are planned for the future.

Purchased exploration and evaluation assets are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. They are subsequently stated at cost less accumulated impairment. Exploration and evaluation assets are not amortized.

Once the work completed to date on an area of interest is sufficient such that National Instrument 43-101 reserves have been estimated or a feasibility study completed, capitalized expenditure is transferred to mine development assets or capital work in progress.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Although the Company has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

e) Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to expense the cost of property and equipment, less their estimated residual value, using the straight-line method over a four year period.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

f) Interest income

Interest income is recorded on an accrual basis using the effective interest method.

g) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

h) Rehabilitation provision ("asset retirement obligation" or "ARO")

The Company recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests (exploration and evaluation assets) and plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for rehabilitation is recognized at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at March 31, 2011, December 31, 2010 and January 1, 2010, the Company did not have any asset retirement obligations.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

i) Environmental protection practices

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest.

The Company believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

j) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

i) Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- available-for-sale financial assets

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets has been impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Loans and receivables comprise cash and cash equivalents, goods and services tax receivable, and accounts receivable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

The Company currently does not have any financial assets in this category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to-maturity if the Company has the intention and ability to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined for example by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

The Company currently does not have any financial assets in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively relate to an event occurring after the impairment loss was recognized.

The Company currently does not have any financial assets in this category.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**ii) Financial liabilities**

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities measured at amortized cost include accounts payables and accrued liabilities. The Company currently does not have any financial liabilities held for trading or designated at fair value through profit or loss.

k) Impairment of Assets**i) Financial assets**

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

ii) Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

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.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

LAKOTA RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**m) Share-based payments****i) Share-based payment transactions**

The Company grants stock options to acquire common shares to directors, officers and employees (“equity-settled transactions”). The board of directors determines the specific grant terms within the limits set by the Company’s stock option plan. The Company’s share-based payment plan does not feature any option for a cash settlement. The stock options are measured by reference to the fair value determined using a Black-Scholes valuation model, further details of which are given in note 10.

The fair value of the stock options is recognized as an expense in the statements of earnings and an increase to contributed surplus in the statements of changes in equity over the period in which the performance and/or service conditions are fulfilled. The total stock option expense is adjusted to reflect the number of awards that will ultimately vest based on management's best estimate.

ii) Equity-settled transactions

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments to non-employees are measured at the fair value of the goods or services received.

Upon exercise of stock options, the proceeds received are allocated to share capital along with any value previously recorded in share option reserve relating to those options.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

LAKOTA RESOURCES INC.

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For the three months ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**n) Flow-through shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in note 8.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

o) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

p) Earnings/loss per share

The Company presents basic and diluted earnings/loss per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted.

q) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and Tanzania, as at March 31, 2011, December 31, 2010 and January 1, 2010.

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For the three months ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

r) Standards, amendments and interpretations not yet effective

At the date of authorization of these unaudited condensed consolidated interim financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

i) IFRS 9, Financial Instruments

IFRS 9 was issued in November 2009 and reflects the first phase of the IASB's work on the replacement of IAS 39 Financial Instruments, Recognition and Measurement. The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements, but does not anticipate that the adoption of the standard will have a significant impact.

ii) IFRS 10, Consolidated Financial Statements

IFRS 10 was issued in May 2011 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation - Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

iii) IFRS 11, Joint Arrangements

IFRS 11 was issued in May 2011 and is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

iv) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 was issued in May 2011 and is new comprehensive standard that specifies disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance-sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**v) IFRS 13, Fair Value Measurement**

IFRS 13 was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value, and specifying certain disclosure requirements about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's unaudited condensed consolidated interim financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available. The carrying value of these assets is detailed in Note 6.

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued**e) Contingencies**

Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

d) Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted to directors, officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

5. EQUIPMENT

Cost	Vehicles	Office equipment	Total
Balance, January 1, 2010	\$ 111,293	\$ 69,990	\$ 181,283
Additions	8,153	-	8,153
Balance, December 31, 2010	\$ 119,446	\$ 69,990	\$ 189,436
Additions	-	-	-
Balance, March 31, 2011	\$ 119,446	\$ 69,990	\$ 189,436

Accumulated amortization	Vehicles	Office equipment	Total
Balance, January 1, 2010	\$ 100,557	\$ 69,115	\$ 169,672
Additions	17,595	875	18,470
Balance, December 31, 2010	\$ 118,152	\$ 69,990	\$ 188,142
Additions	-	-	-
Balance, March 31, 2011	\$ 118,152	\$ 69,990	\$ 188,142

Carrying amounts	Vehicles	Office equipment	Total
At January 1, 2010	\$ 10,736	\$ 875	\$ 11,611
At December 31, 2010	1,294	-	1,294
At March 31, 2011	1,294	-	1,294

6. EXPLORATION AND EVALUATION ASSETS

The Company's carrying values of its mineral properties was \$941,175 as of January 1, 2010, December 31, 2010 and March 31, 2011.

Of the Company's mineral interests, all but the Tembo property were written down to a nominal amount of \$1 in 2008. Management based this decision on the fact that once the Company's cease trade order is revoked and it is properly financed, it will conduct exploration primarily on the Tembo property. The Tembo property is the only project where the Company currently maintains an operational presence, albeit minimal.

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities include the following components:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade payables	\$ 1,323,240	\$ 1,260,693	\$ 1,185,520
Accrued liabilities	231,489	235,000	-
Total accounts payable and accrued liabilities	\$ 1,554,729	\$ 1,495,693	\$ 1,185,520

8. LOANS PAYABLE

The loans payable represent monies advanced to the Company by BEC International Corp. ("BEC"), a related party, in order to allow Lakota to complete proposal proceedings pursuant to the Bankruptcy and Insolvency Act (Canada), and to allow the Company to continue its operations. The Company successfully completed restructuring proceedings under the BIA on October 8, 2009. The loans are non-interest bearing, with no specific terms of repayment and are secured by a general assignment of the Company's assets.

9. SHARE CAPITAL**a) Authorized shares**

The Company is authorized to issue an unlimited number of common and preferred shares, issuable in series. No Preferred shares have been issued since the Company's inception.

The Company had 59,249,966 common shares outstanding on January 1, 2010, December 31, 2010 and March 31, 2011.

b) Contributed surplus

The Company's balance in contributed surplus was \$2,911,445 on January 1, 2010, December 31, 2010 and March 31, 2011.

10. SHARE-BASED PAYMENTS**a) Stock option plan**

The Company had 100,000 common stock purchase options outstanding on March 31, 2011. The Company has not granted any options during the period ended March 31, 2011 or the years ended December 31, 2011 and 2010.

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10. SHARE-BASED PAYMENTS - continued

The following table reflects the continuity of stock options.

	Number of stock options	Weighted average exercise price (\$)
Balance, January 1, 2010	400,000	0.25
Balance, December 31, 2010	400,000	0.25
Expired	(300,000)	0.24
Balance, March 31, 2011	100,000	0.25

Details of the stock options outstanding at March 31, 2011 are as follows:

Number of options	Exercise price (\$)	Number of Exercisable options	Weighted average remaining life (in years)	Fair value of exercisable options (\$)	Expiry date
37,500	0.42	37,500	.44	7,875	September 7, 2011
62,500	0.21	62,500	2.21	7,500	June 16, 2013
100,000	0.25	100,000		15,375	

11. SEGMENTAL REPORTING

The Company currently operates in one operating segment, the exploration of mineral properties in Tanzania. Management of the Company makes decisions about allocating resources based on the one operating segment. A geographic summary identifiable assets by country is as follows:

	March 31, 2011		
	Canada	Tanzania	Consolidated
Current assets	\$ 132,764	\$ 10,250	\$ 143,014
Mineral properties	1	941,174	941,175
Capital assets	-	1,294	1,294
	December 31, 2010		
	Canada	Tanzania	Consolidated
Current assets	\$ 49,234	\$ (76)	\$ 49,158
Mineral properties	1	941,174	941,175
Capital assets	-	1,294	1,294
	January 1, 2010		
	Canada	Tanzania	Consolidated
Current assets	\$ 84,974	\$ 19,375	\$ 104,349
Mineral properties	1	941,174	941,175
Capital assets	-	11,611	11,611

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12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period is based on 59,249,966 weighted average number of common shares, basic and diluted outstanding as of March 31, 2011, and 2010.

13. FINANCIAL INSTRUMENTS**a) Categories of financial assets and liabilities**

The Company's financial assets and liabilities are categorized as follows:

Account	Category	Mar. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Cash and cash equivalents	Loans and receivables	\$ 87,861	\$ 3,364	\$ 30,309
Goods and services tax receivable	Loans and receivables	50,256	38,539	30,289
Accounts receivable	Loans and receivables	4,897	7,255	23,096
Accounts payable and accrued liabilities	Other financial liabilities	1,554,729	1,495,693	1,185,520
Loans payable	Other financial liabilities	1,286,042	1,086,042	798,344
Due to related parties	Other financial liabilities	60,000	60,000	10,000

The recorded amounts for cash and cash equivalents, goods and service tax receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. Income earned on the Company's cash and cash equivalents has been disclosed in the condensed interim statement of comprehensive loss/income.

b) Fair Value Measurements

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of the Company's financial instruments recognized and measured at amortized cost approximates their fair value.

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- ii) Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company had no financial instruments that are carried and measured at fair value at March 31, 2011, December 31, 2010, and January 1, 2010.

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14. CAPITAL MANAGEMENT

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended March 31, 2011.

The Company manages capital in proportion to risk and manages the mineral properties and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on related party advances for working capital, to support its ongoing exploration and development activities and ongoing working capital commitments.

The Company will continue to rely on related party advances for working capital, until such time as it is able to raise capital through common shares offerings.

15. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, Goods and Services Tax receivable, and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash, which is on deposit with reputable financial institutions, from which management believes the risk of loss to be minimal. Goods and service tax receivable consist of Goods and Services Tax due from the Federal Government of Canada and accrued interest. Goods and services tax receivable, and accounts receivable are in good standing as of March 31, 2011. \$55,153 represents the maximum credit exposure.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had cash and cash equivalents of \$87,861 (2010 - \$65,971) to settle current liabilities of \$2,900,771 (2010 - \$2,115,824). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. See Note 2, Basis of preparation, regarding the going concern issues. Once the Company receives revocation of the cease trade order, it intends to complete equity financing and debt for common share exchange in order to reduce its current liquidity shortfall.

c) Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

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15. FINANCIAL INSTRUMENT RISKS - continued

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no interest-bearing outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

(ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars and US dollars. The Company funds major exploration expenses in Tanzania and maintains a US dollar bank account in Tanzania. The Company does not manage its foreign currency risk.

(iii) Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

16. RELATED PARTY TRANSACTIONS

a) Related party expenses

The Company's related parties include directors and officers and companies which have directors in common. Transactions made with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Management and professional fees of \$25,150 (2010 - \$Nil) were incurred by directors and officers of the Company for the period ended March 31, 2011. As at March 31, 2011, \$289,413 (2010 - \$Nil) remains in accounts payable and accrued liabilities as payable to companies controlled by the Company's directors and officers.

During the period ended March 31, 2011, the Company received advances of \$200,000 (2010 - \$100,000) from BEC. The advances are non-interest bearing, with no specific terms of repayment.

As at March 31, 2011, the Company is indebted to a director of the Company's Tanzanian subsidiary in respect to outstanding mineral property acquisition costs of \$85,000 (2010 - \$85,000).

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16. RELATED PARTY TRANSACTIONS - continued**b) Key management personnel compensation**

Key management of the Group are directors and officers of the Company and their remuneration includes the following:

	Period ended March 31, 2011	Period ended March 31, 2010
Short-term benefits (1)	\$ 25,150	\$ -
Total remuneration	\$ 25,150	\$ -

(1) Short-term benefits include consulting fees.

17. POST-REPORTING DATE EVENTS

Subsequent to March 31, 2011, the cease trade orders previously issued against the Company have all been revoked by the Ontario, British Columbia and Alberta Securities Commissions.

18. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year-ending December 31, 2011 will be the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian generally accepted accounting principles ("pre-changeover Canadian GAAP").

a) Mandatory exceptions*Estimates*

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

b) Optional exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

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18. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

Cumulative translation differences

IFRS 1 permits cumulative translation differences to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, The effects of changes in foreign exchange rates, from the date a subsidiary or equity method investee was formed or acquired. The Company elected to reset all cumulative translation differences to zero to opening retained earnings at its transition date.

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

c) Reconciliations of pre-changeover Canadian GAAP Equity and Comprehensive Income to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The transition from Canadian GAAP to IFRS had no effect on the equity, comprehensive income and reported cash flows of the amounts previously reported by the Company in accordance with Canadian GAAP at January 1, 2010 and December 31, 2010.

There are no differences between Canadian GAAP and IFRS in any of the account balances at January 1, 2010 and December 31, 2010, therefore the Company did not present a reconciliation of Canadian GAAP and IFRS differences.