

Northern Abitibi Mining Corp.
Interim Unaudited Consolidated Financial Statements
March 31, 2011

In accordance with national instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated balance sheet as at March 31, 2011 nor the unaudited interim consolidated statements of net and comprehensive earnings (loss) and deficit and cash flows for the three and six month periods ended March 31, 2011 and March 31, 2010.

Northern Abitibi Mining Corp.

Interim Consolidated Balance Sheets

	March 31, 2011	September 30, 2010
	(Unaudited)	
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 565,018	\$ 880,620
Accounts receivable	8,307	99,469
Due from related parties (Note 12)	-	2,107
Government grants receivable	-	100,000
Prepaid expenses	10,968	21,856
Short-term investments (Note 4)	<u>156,750</u>	<u>54,000</u>
	741,043	1,158,052
Exploration advances	10,000	25,000
Mineral properties and equipment (Note 5)	<u>2,930,042</u>	<u>2,664,994</u>
	<u>\$ 3,681,085</u>	<u>\$ 3,848,046</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 12,358	\$ 210,137
Due to related parties (Note 12)	<u>23,425</u>	<u>35,841</u>
	35,783	245,978
Asset retirement obligation (Note 6)	<u>45,100</u>	<u>43,300</u>
	<u>80,883</u>	<u>289,278</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	12,419,424	12,780,424
Warrants (Note 7)	635,934	743,577
Contributed Surplus (Note 7)	1,022,143	914,500
Deficit	(10,490,549)	(10,887,733)
Accumulated other comprehensive income (Note 10)	<u>13,250</u>	<u>8,000</u>
	<u>3,600,202</u>	<u>3,558,768</u>
	<u>\$ 3,681,085</u>	<u>\$ 3,848,046</u>

Nature and continuance of operations (Note 1)

Commitments (Note 14)

Approved by the Board

"Shane Ebert" Director

"Lesley Hayes" Director

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.

Interim Consolidated Statements of Net and Comprehensive Earnings (Loss) and Deficit (Unaudited – prepared by management)

	Three Months Ended March 31		Six Months Ended March 31	
	2011	2010	2011	2010
Expenses				
General and administrative (Note 9)	\$ 55,225	\$ 109,344	\$ 101,634	\$ 151,911
Reporting to shareholders	9,174	13,429	13,570	17,884
Professional fees	3,553	2,845	6,632	6,970
Stock exchange and transfer agent fees	2,869	2,810	6,087	4,957
Amortization of capital assets	2,337	1,562	4,526	3,125
Accretion of asset retirement obligation (Note 6)	-	-	1,800	2,925
	<u>(73,158)</u>	<u>(129,990)</u>	<u>(134,249)</u>	<u>(187,772)</u>
Other Income (Expense)				
Interest and other	800	448	2,308	640
Abandonments and mineral property write-down	(4,375)	(671,668)	(4,375)	(671,668)
Gain on sale of mineral property	172,500	-	172,500	-
	<u>168,925</u>	<u>(671,220)</u>	<u>170,433</u>	<u>(671,028)</u>
Earnings (Loss) before income taxes	95,767	(801,210)	36,184	(858,800)
Future income tax recovery (Note 7)	361,000	75,000	361,000	75,000
Net Earnings (Loss)	456,767	(726,210)	397,184	(783,800)
Unrealized gain(loss) on available for sale investments	(40,750)	-	5,250	-
Comprehensive Earnings (Loss)	\$ 416,017	\$ (726,210)	\$ 402,434	\$ (783,800)
Earnings (loss) per share				
Basic and diluted	\$ 0.01	\$ (0.01)	\$ 0.01	\$ (0.01)
Weighted Average Number of Shares Outstanding				
Basic	76,107,915	68,078,207	76,107,915	65,153,830
Diluted (Note 8)	76,822,740	68,078,207	76,652,178	65,153,830
Deficit, beginning of period	\$(10,947,316)	\$(10,114,162)	\$(10,887,733)	\$(10,056,572)
Net earnings (loss)	456,767	(726,210)	397,184	(783,800)
Deficit, end of period	\$(10,490,549)	\$(10,840,372)	\$(10,490,549)	\$(10,840,372)

See accompanying notes to the financial statements

Northern Abitibi Mining Corp.

Interim Consolidated Statements of Cash Flows

(Unaudited – prepared by management)

	Three months ended March 31		Six months ended March 31	
	2011	2010	2011	2010
Increase (decrease) in cash and cash equivalents:				
Operating activities				
Interest received	\$ 800	\$ 448	\$ 2,308	\$ 640
Cash operating expenses	(77,988)	(63,278)	(136,213)	(140,801)
	<u>(77,188)</u>	<u>(62,830)</u>	<u>(133,905)</u>	<u>(140,161)</u>
Financing activities				
Private placement proceeds	-	1,329,000	-	1,329,000
Cash share issue costs and financing fees	-	(87,227)	-	(88,267)
Exercise of warrants	-	-	-	40,000
Part XII.6 tax	(720)	(7,500)	(720)	(7,500)
	<u>(720)</u>	<u>1,234,273</u>	<u>(720)</u>	<u>1,273,233</u>
Investing activities				
Government grant receipts	-	100,000	100,000	100,000
Cash proceeds on sale of mineral property interest	75,000	-	75,000	-
Exploration advances	-	-	(10,000)	-
Mineral property additions	(28,821)	(48,343)	(345,977)	(299,186)
	<u>46,179</u>	<u>51,657</u>	<u>(180,977)</u>	<u>(199,186)</u>
Increase (decrease) in cash and cash equivalents	(31,729)	1,223,100	(315,602)	933,886
Cash and cash equivalents:				
Beginning of period	596,747	358,133	880,620	647,347
End of period	<u>\$565,018</u>	<u>\$1,581,233</u>	<u>\$565,018</u>	<u>\$1,581,233</u>

Supplementary Information:

Interest and taxes

Apart from the Part XII.6 tax disclosed above, there were no cash expenditures on interest or taxes during the three and six month periods ended March 31, 2011 and 2010, respectively.

Non-cash transactions:

2011

During the three months ended March 31, 2011, the Company sold its remaining interest in the Douay, Quebec mineral claims in exchange for cash and 750,000 common shares of the publicly traded purchaser. The shares were valued at their closing price on the transaction date for aggregate non-cash proceeds of \$97,500.

2010

During the six months ended March 31, 2010 the Company issued 665,000 common shares pursuant to the Viking, Newfoundland and Labrador option agreement. The non-cash transaction was valued at \$113,050 using the closing price of the Company's common shares on the share issue date.

During the three and six month periods ended March 31, 2010, the Company granted stock options to officers and/or directors resulting in a non-cash charge of \$51,000 being included in general and administrative expenses. Note 9.

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

March 31, 2011

1. Nature and continuance of operations

Northern Abitibi Mining Corp. is engaged in the business of mineral exploration and development in Canada and the United States. Since inception, the efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. To date the Company has not received any revenue from mining operations and has not determined whether mineral properties contain ore reserves that are economically recoverable. These interim consolidated financial statements include the accounts of the Company and its wholly-owned US subsidiary NAMCOEX Inc.

The carrying values of mineral properties represent costs incurred to date, net of recoveries, abandonments and write-downs, and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain necessary financing to complete the development of properties where necessary, and upon future profitable operations; or alternatively, upon the Company's ability to recover its costs through a disposition of its interests.

With the financing that was completed in April, 2011 and assuming the receipt of certain exploration grants, the Company is expected to have sufficient working capital to fund currently budgeted exploration and other working capital needs for approximately one year. The Company is dependent upon raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake long-term exploration and development of its mineral properties. The continuing operations of the Company and expanded exploration programs are dependent upon its ability to continue to obtain adequate financing or to commence profitable operations in the future. There can be no assurance that the Company will be successful in obtaining financing. As a result, there is significant risk regarding the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenues and expenses if the Company could not continue as a going concern. Such adjustments could be material.

These interim consolidated financial statements, that were not subject to audit or review by the Company's external accountants, follow the same accounting policies and methods of computation as the audited financial statements for the year ended September 30, 2010. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2010 as not all disclosures required by Generally Accepted Accounting Principles for annual financial statements are presented.

2. Accounting policies

Future

In February, 2008, the Canadian Accounting Standards Board, (AcSB), announced that interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 must be prepared in accordance with International Financial Reporting Standards, (IFRS). Accordingly the Company will be required to present their financial statements for the fiscal year ended September 30, 2012 in accordance with IFRS and will be required to restate the comparatives for the fiscal year ended September 30, 2011. While the Company has begun assessing the consequences of the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Cash and cash equivalents

At March 31, 2011, unexpended proceeds from flow-through share issuances in the amount of \$166,000, (Sept. 30, 2010 - \$425,000), that are restricted for use on qualifying exploration expenditures, are included in cash and cash equivalents. The Company is committed to incur these qualifying exploration expenditures by December 31, 2011.

Northern Abitibi Mining Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

March 31, 2011

4. Short-term Investments

March 31, 2011

	Number of shares/warrants		Market Value		Cost
Société d'Exploration Minière Vior Inc.					
Common shares	1,150,000	\$	143,750	\$	133,500
Warrants	200,000		13,000		10,000
		\$	156,750	\$	143,500

September 30, 2010

	Number of shares/warrants		Market Value		Cost
Société d'Exploration Minière Vior Inc.					
Common shares	400,000	\$	42,000	\$	36,000
Warrants	200,000		12,000		10,000
		\$	54,000	\$	46,000

The short-term investments are classified as available-for-sale. In connection with the sale of a mineral property interest during the year ended September 30, 2010, the Company received 400,000 common shares and 200,000 warrants. The Company received an additional 750,000 common shares upon the sale of the Company's interest in its last remaining Douay claims during the six months ended March 31, 2011. The common shares, which are traded on a public stock exchange, were valued at the closing price on the transaction date and, for purposes of recording the investments at market value at March 31, 2011 and September 30, 2010, the closing price of the shares on the respective period end dates was used. Each warrant may be exercised to purchase one common share of Société d'Exploration Minière Vior Inc., at a price of \$0.12 per share to August 24, 2015. The warrants were valued on the transaction date and at subsequent measurement dates using the Black Scholes option pricing model utilizing estimated volatility of 102% -118%, a two year expected life, a risk free interest rate of 1.23% and an estimated dividend yield of \$Nil.

Subsequent to period-end 300,000 Vior shares were sold for net proceeds of \$36,735 and a realized gain of \$1,908.

5. Mineral properties and equipment

Viking, Newfoundland and Labrador

During the year ended September 30, 2007 the Company entered into an option agreement to acquire a majority interest in the Viking gold property in western Newfoundland. The Company issued 1,115,000 shares of its capital stock and spent \$1,200,000 on exploration by December, 2009, to acquire a 100% interest in the Viking property subject to a sliding scale net smelter returns royalty of 2% to 4% based on the price of gold.

Taylor Brook, Newfoundland and Labrador

During the year ended September 30, 2010, the Company determined that it would not pursue further exploration on the Taylor Brook property and, in the absence of suitable partners to help further exploration, the Company returned the property to the vendors.

Douay , Quebec

The remaining Douay, Quebec mineral claims were sold during the six months ended March 31, 2011. As the property had been previously written-off, the full proceeds of the sale were reflected in earnings as a gain on sale of mineral property.

Northern Abitibi Mining Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

March 31, 2011

5. Mineral properties and equipment (continued)

The following exploration and acquisition costs were incurred during the six month periods ended March 31, 2011 and March 31, 2010 respectively:

Six months ended March 31, 2011	Total	Newfoundland & Labrador	
		Other	Viking
Exploration expenditures:			
Cumulative exploration costs to Sept. 30, 2010	\$ 2,439,581	\$ -	\$ 2,439,581
Geological consulting	60,327	4,375	55,952
Drilling	111,390	-	111,390
Travel and accommodation	2,368	-	2,368
Field	6,804	-	6,804
Geochemical	36,262	-	36,262
Surveying	1,650	-	1,650
Equipment rental	12,627	-	12,627
Resource estimate	31,964	-	31,964
Mineral property write-down	(4,375)	(4,375)	-
Cumulative exploration costs to March 31, 2011	2,698,598	-	2,698,598
Property acquisition costs:			
Cumulative acquisition costs to September 30, 2010	209,766	-	209,766
Acquisition costs incurred	-	-	-
Cumulative acquisition costs to March 31, 2011	209,766	-	209,766
Total mineral properties March 31, 2011	\$ 2,908,364	\$ -	\$ 2,908,364
Equipment at cost	35,924		
Accumulated amortization	(14,246)		
Total mineral properties and equipment Mar.31, 2011	\$2,930,042		

Six months ended March 31, 2010	Total	Newfoundland & Labrador	
		Taylor Brook	Viking
Exploration expenditures:			
Cumulative exploration costs to Sept. 30, 2009	\$ 1,400,174	\$ 459,228	\$ 940,946
Geological consulting	42,180	-	42,180
Drilling	58,863	-	58,863
Travel and accommodation	1,356	-	1,356
Field	10,325	-	10,325
Metallurgical	7,500	-	7,500
Geochemical	60,278	-	60,278
Geophysical	2,023	-	2,023
Equipment rental	3,545	-	3,545
Mineral property write-down	(459,228)	(459,228)	-
Cumulative exploration costs to March 31, 2010	1,127,016	-	1,127,016
Property acquisition costs:			
Cumulative acquisition costs to September 30, 2009	309,156	212,440	96,716
Acquisition costs incurred	113,050	-	113,050
Mineral property write-down	(212,440)	(212,440)	-
Cumulative acquisition costs to March 31, 2010	209,766	-	209,766
Total mineral properties March 31, 2010	\$ 1,336,782	\$ -	\$ 1,336,782
Equipment at cost	34,400		
Accumulated amortization	(16,691)		
Total mineral properties and equipment March 31, 2010	\$1,354,491		

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Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

March 31, 2011

6. Asset retirement obligation

Changes in the asset retirement obligation for the six months ended March 31, 2011 and year ended September 30, 2010 respectively are as follows:

	Six months ended Mar. 31, 2011	Year ended Sept.30, 2010
Balance, beginning of period	\$ 43,300	\$ 24,375
Change in retirement accrual	-	17,100
Restoration costs incurred	-	(1,100)
Accretion	1,800	2,925
Balance, end of period	<u>\$ 45,100</u>	<u>\$ 43,300</u>

As at March 31, 2011, the Company has recorded \$45,100, (Sept.30, 2010 - \$43,300), representing estimated costs to restore the Viking, Newfoundland & Labrador property. The Viking costs were calculated based on expected payments of \$45,000 two years in the future, inflation adjusted and discounted at 12% per annum. Management believes that there are no other significant legal obligations as at March 31, 2011 for current and future asset retirement and restoration costs.

The ultimate amount of future restoration costs is uncertain; circumstances could arise over the years that would require material revisions to these estimated obligations. Changes in assumptions could have a material effect on the fair value of asset retirement obligations.

7. Capital stock, warrants and contributed surplus

a) Authorized

Unlimited number of common shares without par value

b) Issued

	Common shares		Contributed	Warrants	
	Number	Amount	Surplus	Number	Amount
Balance Sept. 30, 2010	<u>76,107,915</u>	<u>\$12,780,424</u>	<u>\$ 914,500</u>	<u>13,085,888</u>	<u>\$743,577</u>
Tax effect of flow-through renunciation	-	(361,000)	-	-	-
Warrants expired	-	-	107,643	(3,121,427)	(107,643)
Balance Mar. 31, 2011	<u>76,107,915</u>	<u>\$12,419,424</u>	<u>\$1,022,143</u>	<u>9,964,461</u>	<u>\$635,934</u>

Subsequent to March 31, 2011, the Company closed a non-brokered private placement of 3,380,000 common units at a price of \$0.12 per common unit and 4,471,230 flow-through units at a price of \$0.13 per flow-through unit for gross proceeds of \$986,860. Finders' fees aggregating \$53,897 were paid in connection with the offering. Further, 426,224 brokers' warrants were issued, each of which may be exercised to acquire one common share at a price of \$0.12 per share to April 15, 2013.

Each common unit issued pursuant to the private placement consisted of one common share and one common share purchase warrant. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.20 per share to April 15, 2013.

Exploration expenditures aggregating \$1,444,000 were renounced to flow-through share investors during the three months ended March 31, 2011, (2010 - \$300,000). The \$361,000, (2010 - \$75,000), tax value associated with these resource expenditures reduced capital stock and was recognized as future income taxes payable. As the company has unrecognized future tax assets, this liability was extinguished through the recognition of a future tax recovery in the statement of net and comprehensive earnings (loss).

Northern Abitibi Mining Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

March 31, 2011

7. Capital stock, warrants and contributed surplus (continued)

c) Stock options outstanding and option transactions

<u>Expiry</u>	<u>Number of shares</u>		<u>Exercise</u>
	<u>Mar 31, 2011</u>	<u>Sept 30, 2010</u>	<u>Price</u>
August 1, 2011	525,000	525,000	\$0.10
December 11, 2011	500,000	500,000	\$0.10
October 17, 2012	825,000	825,000	\$0.22
February 11, 2015	700,000	700,000	\$0.155
	2,550,000	2,550,000	

The Company has an option plan (the Plan), under which up to 10% of the issued and outstanding common shares are reserved for issuance. Under the Plan, the options that have been granted expire at the earlier of five years from the grant date, the date at which the Directors determine, or 60 days from the date from which the optionee ceases to be a director, officer, employee or consultant. The exercise price of the options granted under the Plan will not be less than that from time to time permitted under the rules of the stock exchange or exchanges on which the shares are then listed, which price reflects trading values at that time. All of the above-noted outstanding options vested on the grant date. Stock options were not granted or exercised and none expired during the six months ended March 31, 2011.

Subsequent to March 31, 2011, the Company granted to consultants an aggregate of 75,000 stock options that vest on August 20, 2011. Each option may be exercised to acquire one common share at \$0.12 per share to April 20, 2014.

d) Warrants outstanding and warrant transactions

	Balance Sept. 30, 2010	Warrants Issued	Warrants Expired	Warrants Exercised	Balance Mar 31, 2011
Warrants exercisable at \$.25 expiring Dec. 30, 2010	2,380,951	-	(2,380,951)	-	-
Brokers' warrants exercisable at \$0.25 expiring Dec.30, 2010	190,476	-	(190,476)	-	-
Warrants exercisable at \$0.15 expiring Mar. 19, 2011	550,000	-	(550,000)	-	-
Warrants exercisable at \$0.22 expiring Sept. 4, 2011	666,416	-	-	-	666,416
Warrants exercisable at \$0.23 expiring Sept. 4, 2011	909,088	-	-	-	909,088
Warrants exercisable at \$0.22 expiring Feb. 5, 2012	5,823,957	-	-	-	5,823,957
Warrants exercisable at \$0.22 expiring Sept. 14, 2012	2,565,000	-	-	-	2,565,000
TOTAL	13,085,888	-	(3,121,427)	-	9,964,461

The warrants summarized above may be exercised to acquire an equal number of common shares.

Subsequent to March 31, 2011, pursuant to the private placement described in 7(b), the Company issued 5,615,615 warrants each of which may be exercised to acquire one common share at \$0.20 per share to April 15, 2013. Also pursuant to the private placement 426,224 brokers warrants were issued each of which may be exercised to acquire one common share at \$0.12 per share to April 15, 2013.

Northern Abitibi Mining Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

March 31, 2011

8. Earnings per share

The following adjustments were made in arriving at diluted weighted average number of common shares for the periods ended March 31:

	Three months ended March 31		Six months ended March 31	
	2011	2010	2011	2010
Weighted average number of common shares:				
Basic	76,107,915	68,078,207	76,107,915	65,153,830
Effect of dilutive securities:				
Stock options	614,473	-	483,824	-
Warrants	100,351	-	60,440	-
Diluted	76,822,740	68,078,207	76,652,178	65,153,830

The dilutive effect of stock options and warrants was calculated using the treasury stock method. This method calculates the number of incremental shares by assuming the outstanding in-the-money stock options and warrants are exercised, and then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of the Company's common shares for the period. All but the \$0.15 warrants and \$0.10 and \$15.5 options that were outstanding during the periods ended March 31, 2011, were excluded from the calculation of diluted earnings per share during the three and six months ended March 31, 2011 as the exercise prices were greater than the average price of the Company's shares during these periods.

During the three and six months ended March 31, 2010, the Company experienced a loss therefore no dilution resulted in the respective periods.

9. Stock-based compensation

Included in general and administrative expenses for the six and three month periods ended March 31, 2011 is stock based compensation in the amount of \$Nil, (2010 - \$51,000). The fair value of the compensation associated with the granting of 700,000 options during 2010 was determined using the Black-Scholes Option Pricing Model assuming expected volatility of 88%, a risk-free interest rate of 1.34%, expected option life of 2 years and expected dividend yield of Nil.

10. Accumulated other comprehensive income

	Six months ended Mar 31, 2011	Year ended Sept 30, 2010
Balance, beginning of period	\$ 8,000	\$ -
Unrealized gain on available-for-sale financial assets	5,250	8,000
Balance, end of period	\$ 13,250	\$ 8,000

11. Financial instruments

Category	Carrying value March 31, 2011	Carrying value Sept. 30, 2010
Held for trading (Cash and cash equivalents)	\$ 565,018	\$ 880,620
Available for sale (Short-term investments)	\$ 156,750	\$ 54,000
Loans and receivables (Accounts and grants receivable and due from related parties)	\$ 8,307	\$ 201,576
Other financial liabilities (Accounts payable and accrued liabilities and due to related parties)	\$ 35,783	\$ 245,978

Loans and receivables and other financial liabilities are carried at amortized cost which approximates fair value and cost due to the short-term nature of the instruments. Held for trading investments are carried at fair value which approximates cost due to their short-term nature. The average interest rate on outstanding cash

Northern Abitibi Mining Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

March 31, 2011

11. Financial instruments (continued)

and cash equivalent balances was 1.0% at March 31, 2011. Available-for-sale investments are carried at fair value.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company does not have foreign currency at this time, nor does it undertake transactions denominated in foreign currencies, consequently it does not currently utilize market risk sensitive instruments to manage its exposure to foreign currency exchange rates.

12. Related party transactions

The Company incurred the following amounts charged by officers or by(to) companies related by virtue of certain common officers and directors, for the six month periods ended:

	<u>Mar 31, 2011</u>		<u>Mar 31, 2010</u>
Officers:			
Geological consulting fees included in deferred exploration expenditures	\$ 32,800	\$	30,200
Administrative consulting fees	\$ 45,000	\$	39,600
Related companies:	\$	\$	
Office rent and operating costs	\$ 15,900	\$	16,300
General and administrative and secretarial costs	\$ 13,000	\$	3,100
General and administrative costs	\$ (1,200)	\$	(1,600)

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. Related party receivables and payables pertained to the unpaid portion of the above-noted billings.

13. Seasonality or cyclicity

The Company incurs the majority of its Canadian exploration expenditures during spring, summer and fall.

14. Commitments

Pursuant to a sublease agreement with a company related by virtue of certain common officers and directors, the company is committed to pay its share of lease operating costs and base lease expenses. The committed base lease costs to the end of the lease are as follows:

Remainder of 2011	\$10,000	2012	\$5,000
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In addition, the company is committed to pay its share of annual associated lease operating costs, which are expected to aggregate \$ 12,000 for the year ended September 30, 2011.

15. Capital

The Company's objective when managing capital is to continue as a going concern so that it can provide value to shareholders by acquiring and conducting exploration on mineral exploration properties with the ultimate objective of finding commercial quantities of base and/or precious metals. Capital is defined as Capital Stock, Warrants, Contributed Surplus and Deficit. The Company has traditionally financed through equity issues rather than debt and does not anticipate using debt to finance its continuing grass roots exploration. Should the Company evolve to the point where it is developing or operating a mine, debt options would be investigated.

The Company will raise equity as cash flow requirements dictate and will attempt, when able, to time financings with more favorable market conditions. The Company can scale back exploration, and to a certain extent, discretionary administrative costs during tighter equity markets. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments such as Bankers' Acceptances.

The externally imposed capital requirement that the Company is exposed to relates to flow-through shares. Pursuant to flow-through agreements entered into with flow-through share subscribers, the Company has committed to use the full proceeds of these issuances to incur qualifying mineral exploration expenditures

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March 31, 2011

15. Capital (continued)

within a prescribed time frame. Should the Company not incur these expenditures, they are required to pay the flow-through subscribers an amount equal to the tax payable by the subscriber as a result of the Company's failure to incur the expenditures. As indicated in note 3, as at March 31, 2011, the Company is required to incur \$166,000 of qualifying exploration expenditures by December 31, 2011.

16. Financial Risk Management

a) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of related party receivables, government grant receivables, GST/HST input tax credits and cash held in bankers' acceptances. The Company has had a history of prompt payment of their receivables and considers credit risk to be low on these instruments as at March 31, 2011.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company believes that it has sufficient working capital for one year, however exploration programs in excess of budget, increases in activity levels and new property acquisitions would require additional financing. Refer also to Note 1, Nature and continuance of operations.

c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There were no foreign currency denominated transactions during the six month period ended March 31, 2011 and the Company did not hold cash balances in foreign currencies. As a result the Company was not exposed to foreign currency exchange risks during the six months ended or as at March 31, 2011. Since the Company has not yet developed producing mineral interests, it is not exposed to commodity price risk at this time. As the Company has no debt facilities and has minimal amounts of interest income, it is not exposed to significant interest rate risk at this time.

**NORTHERN ABITIBI MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED MARCH 31, 2011**

The information included in this document should be read in conjunction with the unaudited consolidated financial statements for the six months ended March 31, 2011 and related notes thereto. The financial information in this Management Discussion and Analysis, (MD&A), is derived from the Company's financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles. The effective date of this MD&A is May 12, 2011. All dollar amounts are in Canadian Dollars unless otherwise stated. Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Statements and/or financial forecasts that are unaudited and not historical, including without limitation, exploration budgets, data regarding potential mineralization, exploration results and future plans and objectives, are to be regarded as forward-looking statements that are subject to risks and uncertainties that can cause actual results to differ materially from those anticipated. Such risks and uncertainties include risks related to the Company's business including, but not limited to: general market and economic conditions, limited operating history, continued industry and public acceptance, regulatory compliance, potential liability claims, additional capital requirements and uncertainty of obtaining additional financing and dependence on key personnel. Actual exploration and administrative expenditures can differ from budget due to unforeseen circumstances, changes in the market place that will cause suppliers' prices to change, and additional findings that will dictate that the exploration plan be altered to result in more or less work.

All forward-looking information is stated as of the effective date of this document, and is subject to change after this date. There can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

1) Principal Business of the Company

Northern Abitibi Mining Corp., (the Company), trading as NAI on the TSX.V, including its wholly owned subsidiary, NAMCOEX Inc., is engaged exclusively in the business of mineral exploration and development and, as the Company has no mining operations and no earnings therefrom, is considered to be in the development stage. The recoverability of the amounts comprising mineral properties is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain financing to complete the development of the properties where necessary and upon future profitable production; or, alternatively, upon the Company's ability to recover its costs through a disposition of its interests. The Company's philosophy is to acquire projects at the grass roots level and advance them to a point where partners can be brought in to further the properties to the stage where a mine is commercially feasible or the property can be sold outright.

The Company has no operating income and no earnings; exploration and operating activities are financed by the sale of common shares and warrants. None of the Company's properties are in production. Consequently, the Company's net income is a limited indicator of its performance and potential.

2) Highlights – six months ended March 31, 2011

- a) On November 6, 2010, the Company was presented with the "Prospector/Explorer of the Year Award," by the Canadian Institute of Mining, Metallurgy and Petroleum, Newfoundland Branch. The award was earned by the Company for its role in the discovery and delineation of a new gold deposit at the Viking Project in Newfoundland and Labrador.
- b) The Company completed its second stage surface and drill program on the Viking, Newfoundland and Labrador mineral property, bringing 2010 drilling to a total of 9735 meters of core in 58 holes. The 2010 drill program has successfully targeted and outlined an extensive near surface zone of gold mineralization along the Thor Trend.
- c) The Company received \$100,000 through the Government of Newfoundland and Labrador's Junior Exploration Assistance Program. The Grant is calculated as one half of qualifying exploration expenditures to a maximum of \$100,000.

**NORTHERN ABITIBI MINING CORP.
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2) Highlights – the six months ended March 31, 2011 (continued)

- d) Mercator Geological Services Ltd. completed the independent resource estimate study on the Thor Trend and the Company has planned a 2011 exploration program with the goal of increasing inferred gold resources at a low incremental exploration cost per ounce and obtaining an updated resource estimate.
- e) The Company closed a private placement grossing \$987,000 that will finance the 2011 exploration program and general working capital needs.

3) Mineral Properties

Viking, Newfoundland and Labrador, Canada

The Viking property has excellent access and local infrastructure, with a paved highway and power line located less than one kilometre from the project. By issuing 1,115,000 common shares of the Company and spending \$1,200,000 on exploration, the Company completed its option earn-in during fiscal 2010 to acquire a 100% interest in the property subject to a 2.0% - 4.0% sliding scale net smelter royalty that was retained by the vendor.

The Viking Property contains numerous high grade veins within larger bulk tonnage style zones of gold mineralization located within a 3 to 4 kilometre long gold-in-soil anomaly. Exploration by the Company on the property has included trenching programs in 2008 and 2009 and drilling programs in 2009 and 2010. Drilling highlights include high grade intercepts of 5.75 meters grading 33.7 grams per tonne (g/t) gold, 3.7 meters grading 50.1 g/t gold, 0.5 meters grading 218.8 g/t gold as well as lower grade intercepts including 27 meters grading 7.9 g/t gold, 23.0 meters grading 5.1 g/t gold, and 57.4 meters grading 2.8 g/t gold.

During the year ended September 30, 2010, the Company completed its first stage 2010 exploration program that included 6678 meters of drilling and focused on infill and resource delineation along the Thor Trend, which remains open for expansion. This first stage exploration program and resource estimate had been budgeted at approximately \$1.4 million and actual costs approximated \$1.25 million. The 2010 drilling program continued to successfully intersect gold mineralization along the Thor Trend. The results have expanded the bulk-minable potential of the northern portion of the Thor Trend and have identified high-grade, potentially underground minable, gold zones throughout the entire trend.

During fiscal 2010, the Company hired Met-Solve Laboratories Inc. to conduct metallurgical testing on a single composite sample of representative drill core from the Viking project. The objectives of the testing were to obtain a better understanding of the metallurgical characteristics of the mineralization and to identify any potential metallurgical difficulties at an early stage. The test work included screen analysis to determine average free gold particle size, preliminary grind size versus recovery studies, and gravity recoverable gold and gold recovery by bottle roll cyanide leaching. The preliminary metallurgical test work has confirmed the high degree of free gold contained within the Viking mineralization. Further testing will be required to provide definitive metallurgical characteristics along the entire Thor Trend, however, the initial results provide indications that the mineralization is amenable to standard ore processing techniques. The high percentage of gravity recoverable gold in the sample has favorable implications for future mining operations as gravity recovery of gold is generally accepted as the lowest cost method of processing gold ore.

The second stage exploration program, with a budget of between \$415,000 and \$575,000, commenced in mid-September, 2010 and was completed in the first quarter of 2011 with actual costs of approximately \$400,000. Two drilling rigs were utilized. One drill tested the Viking trend on the west side of the property and the second tested the Asgard Trend on the east side of the property. Drill results are summarized in news releases 10-19(October 5), 10-20(November 4), and 10-22(November 16). Results

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3) Mineral Properties (continued)

Viking, Newfoundland and Labrador, Canada

included drill hole 100 which intersected a 38 meter zone averaging 0.9 g/t gold including a 15 meter zone averaging 1.3 g/t gold and a separate higher grade zone containing 7 g/t gold over 1 meter. Drill hole 101 also intersected a high grade vein containing visible gold which returned 12.5 g/t gold over 0.5 meters. Drill hole 86 returned a 0.4 meter interval grading 10.2 g/t gold and a 1.2 meter interval grading 5.4 g/t gold within a larger zone averaging 0.7 g/t gold over 80.9 meters.

Several previously released samples were re-analysed using a metallic screen procedure during September, 2010. A metallic screen assay from hole 58 resulted in a 0.5 meter interval increasing in grade from 18.0 to 124.8 g/t gold. New metallic screen assays for drill hole 60 resulted in an increase in a 32 meter interval from 0.7 to 1.8 g/t gold, including an 8.5 meter interval which increased from 2.2 to 6.4 g/t gold. Metallic screen assays have proven to be effective in determining grade in samples containing coarse free gold, which can be underestimated with standard fire assay procedures.

The 2010 drill program has successfully targeted and outlined an extensive near surface zone of gold mineralization along the Thor Trend. Mercator Geological Services Ltd. has completed the independent resource estimate study on the Thor Trend. The report demonstrates that the low grade mineralization demonstrates good continuity at the 0.20 grams per tonne (g/t) grade cut-off, resulting in a cut Inferred Mineral Resource of 6,284,000 rounded tonnes at a grade of 0.61 g/t gold, (123,242 ounces), and an uncut Inferred Mineral Resource of 6,293,000 rounded tonnes at a grade of 0.65 g/t gold, (131,511 ounces).

The goal of the planned 2011 exploration program is to maximize high grade resources along the Thor Trend, identify additional areas on the claim block where resources can be defined, test a number of new structural targets on the Viking property and ultimately obtain an updated Resource Estimate. The Company plans to drill a minimum of 3500 meters to expand and infill the current resource base along with trenching, mapping, induced polarization geophysical surveying and possibly small scale bulk sampling. The program has been budgeted at approximately \$1,000,000 and is scheduled to commence in mid to late May, depending on snow coverage.

4) Operating Results

Six months ended March 31, 2011 compared to six months ended March 31, 2010

A summarized statement of operations appears below to assist in the discussion that follows:

Six months ended March 31	2011	2010
General and administrative expenses	\$ (101,634)	\$ (151,911)
Reporting to shareholders	(13,570)	(17,884)
Professional fees	(6,632)	(6,970)
Stock exchange and transfer agent fees	(6,087)	(4,957)
Interest and other income	2,308	640
Amortization of capital assets	(4,526)	(3,125)
Accretion of asset retirement obligation	(1,800)	(2,925)
Abandonments and mineral property write-down	(4,375)	(671,668)
Gain on sale of mineral property	172,500	-
Future income tax recovery	361,000	75,000
Net Earnings (Loss)	397,184	\$ (783,800)
Unrealized gain on available-for-sale investments	5,250	-
Comprehensive Earnings (Loss)	\$ 402,434	\$ (783,800)

The decrease in reporting to shareholder costs is a function of the timing of their incurrence. They were incurred later during fiscal 2011 therefore there will still be costs in the third quarter of 2011, while in 2010 the majority of these costs were incurred by the end of Q2. The write-down of mineral property in the comparative period represents the aggregate carrying cost of the Taylor Brook property that was returned to the vendor. The Company chose to concentrate its efforts and financial resources on the Viking property.

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4) Operating Results (continued)

Six months ended March 31, 2011 compared to six months ended March 31, 2010

The future income tax recoveries pertain to the tax effect of flow-through share renunciations. The tax effect is recognized in the period in which the tax benefits are renounced to the shareholders. Since the Company had unrecognized tax benefits, a tax recovery was recorded to offset the future tax liability that would have been recorded in conjunction with the reduction in capital stock. The gain on sale of mineral property resulted from the sale of the Company's remaining interests in the Douay, Quebec property. As the property had been written-down in a previous year, the full amount of the proceeds has been recognized in earnings. The unrealized gain on available-for-sale investments results from adjusting the Company's holding in common shares and warrants of Vior Inc. to fair value at March 31, 2011. The variances in general and administrative expenses and professional fees are discussed below:

Six months ended March 31	2011	2010
Administrative consulting fees	\$ 46,238	\$ 39,598
Stock-based compensation	-	51,000
Investor relations	2,385	4,665
Occupancy costs	16,579	16,282
Office, secretarial and supplies	15,656	19,462
Computer network and website maintenance	1,136	2,297
Travel and promotion	11,490	10,278
Directors' fees	1,400	1,600
Insurance	6,750	6,729
Total	\$ 101,634	\$ 151,911

General and administrative expenses decreased approximately \$50,000 from the prior period. The most significant contribution to decreased expenses pertained to the stock based compensation in the amount of \$51,000 that was recognized in the comparative period. This is a non-cash expense item that results from valuing stock options granted during the period. There were no options granted in the current period. The \$7,000 increase in administrative consulting costs is consistent with the increased activity levels in the current period compared to the six months ended March 31, 2010 and time spent securing financing. Travel and promotion costs increased due to the increased number of days the President spent in Newfoundland for a conference and attendance in Toronto to meet with potential investors during the current period. The President of the Company attended Mineral Exploration Round-up in Vancouver and PDAC in Toronto during both the current and comparative periods. The investor relations costs that were incurred in both years pertained to the inclusion of corporate news in the mining section of the internet version of a newspaper. Further in the current period, the Company paid for radio ad coverage during the Newfoundland investment conference and in the previous period the company paid for the email dissemination of a news release.

The following summarizes the components of professional fees included in the statement of earnings:

Six months ended March 31	2011	2010
Legal and filing fees	\$ 6,632	\$ 6,445
Audit fees	-	525
Total	\$ 6,632	\$ 6,970

The audit fees in the comparative period pertained to the excess of fees charged for the year-end audit over those accrued at year end.

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4) Operating Results (continued)

Three months ended March 31, 2011 compared to three months ended March 31, 2010

Three months ended March 31	2011	2010
General and administrative expenses	\$ (55,225)	\$ (109,344)
Reporting to shareholders	(9,174)	(13,429)
Professional fees	(3,553)	(2,845)
Stock exchange and transfer agent fees	(2,869)	(2,810)
Interest and other income	800	448
Amortization of capital assets	(2,337)	(1,562)
Gain on sale of mineral property	172,500	-
Mineral property write-down	(4,375)	(671,668)
Future income tax recovery	361,000	75,000
Net Earnings (Loss)	456,767	(726,210)
Unrealized loss on available for sale investments	(40,750)	-
Comprehensive Earnings (Loss)	\$ 416,017	\$ (726,210)

The significant variances are explained by the factors discussed in the six month comparative.

The following summarizes the major expense categories comprising general and administrative expenses for the three months ended March 31, 2011 and March 31, 2010 respectively:

Three months ended March 31	2011	2010
Administrative consulting fees	\$ 27,711	\$ 23,527
Stock-based compensation	-	51,000
Occupancy costs	8,610	7,969
Office, secretarial and supplies	7,798	10,054
Website maintenance and networking	708	1,882
Travel and promotion	6,423	8,131
Insurance	3,375	3,316
Investor relations	-	2,665
Directors' fees	600	800
Total	\$ 55,225	\$ 109,344

No investor relations activities were undertaken during the current period. During the comparative period the costs pertained to the electronic distribution of a news release. The timing of a resource investor conference in the prior year, resulted in certain costs being incurred later than in the current year. Consequently, they were fully incurred in Q1, 2011 and partially in Q1 and partially in Q2 of 2010. This resulted in higher travel and promotion costs in Q2 2010 than in Q2 2011.

A discussion of other significant variances can be found in the six month comparative.

The following summarizes the components of professional fees included in the statement of earnings:

Three months ended March 31	2011	2010
Legal and filing fees	\$ 3,553	\$ 2,845

5) Liquidity and Capital Resources

The Company's working capital position at March 31, 2011 was approximately \$705,000, (Sept. 30, 2010 - \$912,000). The large decrease in accounts receivable and accounts payable related to the timing and extent of exploration. The GST/HST receivables and trade payables decreased as exploration was substantially complete by the end of October, whereas in the comparative period there was substantially more exploration throughout the three months ended September 30, 2010. Cash has decreased \$316,000 from

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5) Liquidity and Capital Resources (continued)

September 30, 2010. In the current period cash was augmented by the receipt of a \$100,000 Newfoundland government exploration grant and the receipt of \$75,000 in cash as partial consideration for the sale of mineral property interests in Quebec. In the comparative period warrant exercises for gross proceeds of \$40,000, a private placement financing netting \$1,241,000 after share issue costs and the receipt of a \$100,000 government exploration grant all contributed cash to the Company. During the six months ended March 31, 2011, the Company expended \$720 on Part XII.6 tax, (2010 - \$7,500). Part XII.6 tax is essentially an interest charge assessed on unexpended flow-through funds in the situation where exploration costs are renounced to investors in the calendar year preceding the expenditure of these funds on qualifying exploration. The tax was accrued in the prior year financial statements and was paid in the current year. During the six months ended March 31, 2011, \$356,000 of cash was expended on mineral property additions and exploration advances, (2010 - \$299,000). Administrative costs in excess of interest and other income utilized \$134,000 of cash during the six months ended March 31, 2011, (2010 - \$140,000).

With the private placement financing netting approximately \$915,000, subsequent to period end, the Company will have sufficient cash to finance the planned 2011 exploration program as well as general and administrative expenses, reporting to shareholder costs, professional fees and stock exchange and transfer agent fees for approximately one year, assuming similar activity levels and the approval and receipt of the maximum Newfoundland Exploration grant. Management is continually assessing financing options, in particular to fund future exploration plans. While the Company has successfully raised equity funds in the past, there are no guarantees that it will be able to do so in the future. As a result, there is significant risk regarding the Company's ability to continue as a going concern. The Company's financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenues and expenses if the Company could not continue as a going concern. Such adjustments could be material.

**6) Financing
2011**

Subsequent to March 31, 2011, the Company closed a non-brokered private placement of 3,380,000 common units at a price of \$0.12 per common unit and 4,471,230 flow-through units at a price of \$0.13 per flow-through unit for gross proceeds of \$986,860. Each common unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.20 per share to April 15, 2013. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.20 per share until April 15, 2013. In connection with the financing, 426,224 brokers' warrants were issued, each of which may be exercised to acquire one common share at a price of \$0.12 per share to April 15, 2013. The net proceeds, after issue costs, of this financing will be utilized to fund the 2011 exploration program at Viking and general working capital needs.

2010

During February, 2010, the Company closed a non-brokered private placement of 3,233,332 common units at a price of \$0.15 per common unit and 5,275,000 flow-through units at a price of \$0.16 per flow-through unit for gross proceeds of \$1,329,000. Each common unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.22 per share to February 5, 2012. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.22 per share until February 5, 2012. The net proceeds, after issue costs, of this financing were primarily utilized to fund the 2010 first stage exploration program at Viking.

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6) Financing (continued)

During September, 2010, the Company closed a non-brokered private placement of 800,500 common units at a price of \$0.15 per common unit and 3,529,000 flow-through units at a price of \$0.17 per flow-through unit for gross proceeds of \$720,005. Each common unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.22 per share to September 14, 2012. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.22 per share until September 14, 2012. The proceeds of this private placement were used to finance the 2010 second stage drill program at the Viking property and the resource estimate, and will finance a portion of 2011 exploration program as well as general operations.

7) Contractual Obligations

Commencing January 1, 2007 the Company's office sublease was extended for a further five years. As at March 31, 2011 the contractual cash obligations for the following five fiscal years ended September 30 are as follows:

<u>Nature of obligation</u>	<u>Remainder</u>				
	<u>of</u> <u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Office lease base rent	\$10,000	\$ 5,000	\$ -	\$ -	\$ -

8) Exploration Expenditures

Refer to "Mineral Properties," note 5 to the consolidated financial statements.

9) Off-Balance Sheet Transactions

There are no off-balance sheet transactions to report.

10) Selected Annual Financial Information

The following selected financial data has been extracted from the audited financial statements, prepared in accordance with Canadian Generally Accepted Accounting Principles, for the fiscal years indicated and should be read in conjunction with those audited financial statements.

For the years ended or as at September 30,	2010	2009	2008
Financial Results			
Interest and Other Income	\$ 2,787	\$ 3,088	\$ 20,805
Net Loss	\$ (831,161)	\$ (92,998)	\$ (353,519)
Net and Comprehensive Loss	\$ (823,161)	\$ (92,998)	\$ (353,519)
Basic and diluted loss per share	\$ (0.01)	\$ 0.00	\$ (0.01)
Financial Position			
Working capital	\$ 912,074	\$ 597,705	\$ 522,305
Total assets	\$ 3,848,046	\$ 2,510,762	\$ 1,497,532
Capital Stock	\$ 12,780,424	\$ 11,268,086	\$ 10,523,470
Warrants	\$ 743,577	\$ 302,000	\$ 210,132
Contributed Surplus	\$ 914,500	\$ 789,980	\$ 657,848
Deficit	\$(10,887,733)	\$(10,056,572)	\$ (9,963,574)

Included in the loss for 2010 is a write-off of mineral properties aggregating \$674,000, (2009 - \$Nil, 2008 - \$8,000). Stock-based compensation expense in 2010 of \$51,000, (2009 - \$Nil, 2008 - \$109,000), also contributed to the variances in losses. A 2010 future income tax recovery in the amount of \$75,000, (2009 - \$200,000) reduced the loss in arriving at Net and Comprehensive Loss for the year. The recovery pertains to flow-through expenditures renounced to flow-through investors. There were no such renunciations in 2008 and consequently no future income tax recovery in that year. During fiscal 2010 the Company reported a gain on sale of mineral property of \$86,000, (2009 - \$Nil, 2008 - \$Nil).

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11) Selected Quarterly Financial Information

The following selected financial data has been extracted from the unaudited interim financial statements, prepared in accordance with Canadian Generally Accepted Accounting Principles, for the fiscal periods indicated and should be read in conjunction with those unaudited financial statements.

Three months ended	Mar 31 2011 (Q2 2011)	Dec 31 2010 (Q1 2011)	Sept 30 2010 (Q4 2010)	June 30 2010 (Q3 2010)	March 31 2010 (Q2 2010)	Dec 31 2009 (Q1 2010)	Sept 30 2009 (Q4 2009)	June 30 2009 (Q3 2009)
Interest & Other	\$ 800	\$ 1,508	\$ 981	\$ 1,166	\$ 448	\$ 192	\$ 137	\$ 586
Net loss before mineral property write-offs, gain on sale and income tax recovery	(72,358)	(59,583)	(82,206)	(48,798)	(129,542)	(57,590)	(72,852)	(65,505)
Mineral property write-offs	(4,375)	-	(2,357)	-	(671,668)	-	-	-
Income tax recovery	361,000	-	-	-	75,000	-	-	-
Gain on sale of mineral property	172,500	-	86,000	-	-	-	-	-
Net earnings (loss)	456,767	(59,583)	1,437	(48,798)	(726,210)	(57,590)	(72,852)	(65,505)
Unrealized gain (loss) on available-for-sale investments	(40,750)	46,000	8,000	-	-	-	-	-
Comprehensive earnings (loss)	\$416,017	(13,583)	9,437	(48,798)	(726,210)	(57,590)	(72,852)	(65,505)
Basic and diluted earnings (loss) per share	\$0.01	\$0.00	\$0.00	\$0.00	\$(0.01)	\$0.00	\$0.00	\$0.00

The most significant influences on the variability of net income/loss are the amount of mineral property write-offs, gains on sale of mineral properties and stock-based compensation expenses as well as tax recoveries associated with tax-effecting flow-through shares.

Future income tax recoveries pertain to the application of unrecognized future tax benefits to reduce the future tax liability that is recorded when tax benefits are renounced to flow-through share investors. The renunciations, if applicable, occur in Q2 of any given year. The amount will vary depending upon the quantum of flow-through financings in a year. The timing of the Company's mineral property write-offs and gains on sale of mineral properties, as applicable, cannot be predicted in advance and will vary from one reporting period to the next. As a result, there may be dramatic changes in the financial results and balance sheet position reported by the Company. Stock-based compensation can also comprise a significant portion of a loss in any quarter. Compensation is recorded when stock options are granted and have vested; the timing and amount of such grants can vary from year to year. During Q2, 2010, \$51,000 of stock-based compensation is included in the period's loss. Expenses are generally greater in the second quarter of each year as annual report and other annual mailings, as well as annual meeting costs tend to be incurred almost exclusively in this period. This results in a higher loss before mineral property write-offs and income tax recoveries in Q2 relative to other quarters. Q4 will appear higher than most quarters due to the accrual of audit fees, (approximating \$20,000), for the year-end audit.

The fourth quarter of 2010 was the first period during which the Company had marketable securities. The Company received common shares and warrants in a publicly traded Company as partial consideration for the sale of a mineral property interest in 2010 and additional shares in Q2, 2011 for the sale of additional claims. Comprehensive Earnings (Loss) will fluctuate as the carrying value of these investments is adjusted to fair value at the respective period ends and the unrealized gain or loss is included in Comprehensive Earnings (Loss).

12) Directors and Officers

Shane Ebert	<i>Director and President</i>	Douglas Cageorge	<i>Director</i>
Jean Pierre Jutras	<i>Director and Vice-President</i>	Shari Difley	<i>Chief Financial Officer</i>
Barbara O'Neill	<i>Corporate Secretary</i>	Lesley Hayes	<i>Director</i>

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13) Related Party Transactions

The Company incurred the following amounts charged by officers or by(to) companies related by virtue of certain common officers and directors, for the six month periods ended:

	<u>Mar 31, 2011</u>	<u>Mar 31, 2010</u>
Officers:		
Geological consulting fees included in deferred exploration expenditures	\$ 32,800	\$ 30,200
Administrative consulting fees	\$ 45,000	\$ 39,600
Related companies:	\$	\$
Office rent and operating costs	\$ 15,900	\$ 16,300
General and administrative and secretarial costs	\$ 13,000	\$ 3,100
General and administrative costs	\$ (1,200)	\$ (1,600)

The purpose of related company office and rent charges is to realize certain economies associated with sharing office space and administrative services. Related party transactions were in the normal course of operations and were measured at the "exchange amount," which is the amount of consideration established and agreed to by the related parties.

14) Capital Stock, Warrants, Contributed Surplus and Options

a) Capital Stock, Warrants and Contributed Surplus

Refer to Note 7 to the financial statements for capital stock transactions during the six months ended March 31, 2011 and balances as at that date. From March 31, 2011 to May 12, 2011 the following capital stock and/or warrant transactions have occurred:

	<u>Number of Shares</u>	<u>Shares Amount</u>	<u>Number of Warrants</u>	<u>Warrants Amount</u>	<u>Contributed Surplus</u>
Balance March 31, 2011	76,107,915	\$12,419,424	9,964,461	\$ 635,934	\$1,022,143
Private placement	7,851,230	788,860	5,615,615	198,000	-
Share issue costs	-	(90,581)	426,224	21,000	-
Balance May12, 2011	83,959,145	\$13,117,703	16,006,300	\$ 854,934	\$1,022,143

Refer to 6) Financing for details of the private placement. Included in share issue costs is the value of 426,224 brokers' warrants each of which may be exercised to acquire one common share at \$0.12 per share to April 15, 2013. The warrants issued pursuant to the private placement were valued using the Black Scholes Option Pricing Model using the following assumptions: expected volatility of 93%, expected warrant life of two years, risk-free interest rate of 1.75%, dividend yield of 0%.

b) Stock Options

Refer to Note 7 to the financial statements for details of the options outstanding at March 31, 2011. During the period from March 31, 2011 to May 12, 2011 75,000 options were granted, each of which may be exercised to acquire one common share at \$0.12 per share to April 20, 2014. The options vest on August 20, 2011.

15) Outlook

The Company's primary objective is to discover mineral resources in economic quantities capable of supporting an operating mine. Should the Company discover such a promising property, it would likely attempt to ally with a more senior mining company that might option-in on the property or purchase the property outright, as the Company does not have expertise in operating a mine.

The Company received the results of the resource estimate for the Thor Trend Deposit on the Company's Viking gold property in Newfoundland. The deposit remains open along strike and to depth and in-fill drilling guided by data from the resource estimate can potentially add additional gold resources at low incremental costs per ounce. The goal of the 2011 exploration program is to increase resources and add value to the Thor Trend as well as find additional mineralized zones and significantly increase the size potential of the entire project.

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16) Risks

The success of the Company's business is subject to a number of factors including, but not limited to:

- a) Substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely small.
- b) The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires. The Company may be forced to raise funds at a low share price resulting in increased dilution for current shareholders.
- c) Although the Company has taken steps to verify title to the mineral properties in which it has an interest or in which it is earning an interest, there is no guarantee that the properties will not be subject to title disputes or undetected defects.
- d) The Company is subject to laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous materials, and other matters. The Company conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems that may cause a material liability to the Company, however changes to legislation could result in the Company being offside at some point in the future.
- e) The Company is in competition with exploration companies with greater financial resources. This can hamper its ability to acquire certain exploration properties, attract joint venture parties and attract equity financing. Further, the Company must compete with these other companies to acquire contractors to perform certain exploration such as drilling. These contractors will often favor a larger project, making it more difficult for the Company to obtain their services.
- f) The price of base and precious metals is highly volatile. Changes in these prices can alter the desirability of an exploration property, and feasibility of spending exploration dollars on it. Further, changes in commodity prices can affect the stock price of the Company.
- g) The Company is dependent upon certain key personnel. Loss of any of these people could have a material adverse effect on the Company and its business. This is somewhat mitigated from a geological perspective by having a qualified geologist in each of the President and Vice-President roles.
- h) The Company has a history of losses due to its status as an exploration company, with no production from mineral properties. Its ultimate success will depend on its ability to generate cash flow from producing properties at some point in the future, or alternatively from a disposition of its interests.

17) Critical Accounting Estimates

The most significant accounting estimate for the Company relates to the carrying value of its mineral property assets. Mineral properties consist of exploration and mining concessions. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sales or abandonments. The estimated values of all properties are assessed by management on a quarterly basis by reference to project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, and the extent to which optionees have committed, or are expected to commit to, exploration on the property. When it becomes apparent that the carrying value of a specific property will not be realized, based on the foregoing criteria, an impairment provision is made for the decline in value.

The Company's estimate for asset retirement obligations is based on existing laws, contracts or other policies. The value of the obligation is based on estimated future costs for abandonments and reclamations. By their nature, these estimates are subject to measurement uncertainty.

Another significant accounting estimate relates to valuing stock-based compensation and warrants. The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions

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17) Critical Accounting Estimates (continued)

can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and vested, or warrants issued, during the year.

The Company estimates the fair value of marketable securities categorized as "available-for-sale" at each period end as they are carried at fair value in the Balance Sheet. The Company uses the closing price of the common shares on the period-end date and uses the Black-Scholes Option Pricing Model discussed above to estimate the value of its investment in warrants. The price at which these instruments can ultimately be sold will vary from these estimates due to the timing of their sale, the volume of trading in the securities at any given time and changes in the market over time, among other factors.

18) New Accounting Policies

International Financial Reporting Standards

In February, 2008, the Canadian Accounting Standards Board, (AcSB), announced that interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 must be prepared in accordance with International Financial Reporting Standards, (IFRS). Accordingly the Company will be required to present their financial statements during the fiscal year ended September 30, 2012 in accordance with IFRS and will be required to restate the fiscal 2011 comparatives that are included in each of the quarters' and the year end financial statements for fiscal 2012.

Conversion Plan

The Company has a transition plan that they have divided into three phases; research and planning, accounting policy assessment and determination, and implementation and review. The Company has completed the research and planning and the assessment and determination phases given the current IFRS standards. This included determining accounting policies that would be adopted and whether optional exemptions would be utilized. The differences between Canadian GAAP and IFRS can be adequately addressed within the current accounting system through additional general ledger accounts that will keep track of valuation adjustments and retain original cost history. As IFRS rules and standards are continually changing, and the Company plans to review and evaluate the first IFRS financial statements issued by calendar year companies, certain accounting policies or methods of accounting may be revised between now and the first IFRS reporting period for the Company.

The implementation and review phase is expected to be complete by December 31, 2011. The Company will issue its first financial statements prepared in accordance with IFRS for its first quarter of fiscal 2012, (the three months ended December 31, 2011), with comparatives restated to be in accordance with IFRS.

Significant Differences between Current Canadian GAAP and IFRS

The following discussion summarizes certain of the differences between Canadian GAAP and IFRS that are expected to affect future financial statements and should not be considered exhaustive or conclusive, as IFRS rules and regulations are continually changing.

Mineral Exploration Properties

The single largest financial statement amount in the Company's financial statements tends to be the carrying cost of its mineral exploration properties, which is comprised of a combination of capitalized exploration expenditures and acquisition costs. The International Accounting Standards Board, (IASB), Framework would dictate that exploration expenditures be expensed because such costs would not meet the strict definition of an asset. However, IFRS 6 allows the retention of accounting policies that have been previously applied. IFRS 6 cannot be applied to expenditures incurred prior to obtaining the legal rights to explore a specific area or after the technical feasibility study and commercial viability of extracting a mineral resource is demonstrated. If a capitalization policy is adopted for mineral exploration and acquisition costs, the asset is

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18) New Accounting Policies

International Financial Reporting Standards

Significant Differences between Current Canadian GAAP and IFRS

Mineral Exploration Properties (continued)

initially measured at cost. Subsequently the asset either can continue to be measured at cost or measured using the revaluation model which requires that the asset be carried at its fair value.

The Company plans to continue to capitalize its acquisition and exploration costs relating to mineral properties. Further, it believes that it will choose the cost method of measurement. The cost method will require that the Company assess whether there has been an impairment in the value of its capitalized acquisition and exploration costs. Impairment shall be assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. According to IFRS 6, one or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

Canadian GAAP also requires the assessment of impairment. However, IFRS differs from Canadian GAAP in that it is possible, under IFRS, that an impairment loss might be reversed in a situation where there is a change in circumstances such as the re-commencement of activity on a mineral property where a change in commodity prices makes the project feasible once again.

The Company does not anticipate a material difference between the carrying amount of its mineral exploration properties under Canadian GAAP and IFRS, at this point in time.

Flow-through shares

Under Canadian GAAP, the Company utilizes the recommendations of EIC 146 in accounting for flow-through shares. This results in the Company reducing share capital by the future tax payable that results from the renunciation of flow-through expenditures. This reduction in share capital is recorded in the period that the qualifying expenditures are renounced. As the Company has unrecognized future income tax assets, a future income tax recovery is recognized.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Flow-through shares are a unique Canadian tax incentive. Consequently, there is no specific guidance under IFRS regarding the accounting treatment of flow-through common share issuances. Specific

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18) New Accounting Policies (Continued)

International Financial Reporting Standards

Significant Differences between Current Canadian GAAP and IFRS

Flow-through shares

guidance has been provided by US accounting authorities that will guide the Company's accounting treatment for IFRS purposes. Upon issue of the flow-through shares, the premium paid for flow-through shares over the value of the shares without the flow-through features, will be recorded as a liability representing the value of the tax deductions that the Company is obligated to renounce to the investors. US guidance dictates that the liability would be reversed on the renunciation date and a deferred tax liability recorded at the same time, with the difference being booked to deferred tax expense.

The Company will continue to monitor IFRS transition date financial statements to determine the method adopted by similar companies before it finalizes the method of accounting for flow-through shares under IFRS.

Impairment of non-financial assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. There is no material impact expected at this time.

Asset Retirement Provision

IFRS requires the recognition of a decommissioning liability/asset retirement provision for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. At this point in time it appears that the discount rate used to measure the asset retirement obligation will differ for IFRS as well. The Company does not expect a material adjustment to the Asset Retirement Obligation provision resulting from transition to IFRS at this time.

19) Other

Additional information relating to the Company may be found on SEDAR at www.sedar.com.