

Interim Condensed Consolidated Financial Statements of

TRUE NORTH GEMS INC.

As at and for the three month period ended March 31, 2011

(Unaudited)

Expressed in Canadian dollars

TRUE NORTH GEMS INC.
Interim Condensed Consolidated Statement of Financial Position (Unaudited)

Expressed in Canadian dollars

	March 31, 2011	December 31, 2010	January 1, 2010
		(note 10)	(note 10)
Current assets			
Cash	\$ 448,223	\$ 1,195,493	\$ 244,029
Restricted cash	280,000	280,000	-
Investments	68,053	56,177	27,602
Accounts receivable	79,317	47,777	41,176
Prepaid expenses	106,137	115,313	12,690
	981,730	1,694,760	325,497
Non-current assets			
Property, plant and equipment	782,463	813,716	1,143,864
Exploration and evaluation expenditures (note 5)	18,566,005	17,658,137	18,830,460
	19,348,468	18,471,853	19,974,324
Total assets	\$ 20,330,198	\$ 20,166,613	\$ 20,299,821
Current liabilities			
Accounts payable and accrued liabilities	\$ 550,189	\$ 195,678	\$ 654,979
Loans payable	-	-	110,000
	550,189	195,678	764,979
Non-current liabilities			
Provision for reclamation costs	634,661	634,661	505,055
Share subscriptions received	145,000	100,000	-
	779,661	734,661	505,055
Total liabilities	1,329,850	930,339	1,270,034
Shareholders' equity			
Capital stock (note 6(a))	35,536,222	35,486,222	33,307,080
Reserves (note 6(b))	5,923,033	5,923,033	4,321,210
Deficit	(22,485,376)	(22,188,950)	(18,598,503)
Accumulated other comprehensive income	26,469	15,969	-
	19,000,348	19,236,274	19,029,787
Total liabilities and shareholders' equity	\$ 20,330,198	\$ 20,166,613	\$ 20,299,821

Subsequent event (note 9)

Approved on behalf of the Board:

(signed) David S. Parsons Director

(signed) John Ryder Director

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

TRUE NORTH GEMS INC.
Interim Condensed Consolidated Statement of Equity

Expressed in Canadian dollars

	Share capital		Reserves		Deficit	Accumulated other comprehensive income	Total equity
	Number of Shares	Amount	Warrants	Contributed surplus			
Balance - December 31, 2009	113,966,133	\$33,307,080	\$ 1,229,757	\$ 3,091,453	\$ (18,598,503)	\$ -	\$ 19,029,787
Exploration and evaluation expenditures	571,429	50,000	-	-	-	-	50,000
Stock-based compensation	-	-	-	34,716	-	-	34,716
Net loss for period	-	-	-	-	(154,503)	-	(154,503)
Balance - March 31, 2010	114,537,562	33,357,080	1,229,757	3,126,169	(18,753,006)	-	18,960,000
Non-brokered private placements	41,251,975	3,300,158	-	-	-	-	3,300,158
Reallocation of the fair value of warrants issued	-	(813,086)	-	-	-	-	(813,086)
Capital raising costs	-	(442,121)	-	-	-	-	(442,121)
Warrants issued	-	-	945,868	-	-	-	945,868
Warrants exercised	537,250	53,725	-	-	-	-	53,725
Reallocation of the fair value of warrants on conversion	-	30,466	(30,466)	-	-	-	-
Warrants expired	-	-	(296,352)	296,352	-	-	-
Stock-based compensation	-	-	-	651,705	-	-	651,705
Net loss for period	-	-	-	-	(3,435,944)	-	(3,435,944)
Other comprehensive income for period	-	-	-	-	-	15,969	15,969
Balance - December 31, 2010	156,326,787	35,486,222	1,848,807	4,074,226	(22,188,950)	15,969	19,236,274
Exploration and evaluation expenditures	323,625	50,000	-	-	-	-	50,000
Net loss for period	-	-	-	-	(296,426)	-	(296,426)
Other comprehensive income for period	-	-	-	-	-	10,500	10,500
Balance - March 31, 2011	156,650,412	\$35,536,222	\$ 1,848,807	\$ 4,074,226	\$ (22,485,376)	\$ 26,469	\$ 19,000,348

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

Expressed in Canadian dollars

For the three month period ended March 31,	2011	2010
		(note 10)
Expenses		
Audit and related services	\$ 15,750	\$ -
Consulting fees	52,500	52,500
Corporate secretarial and accounting	18,750	18,900
Corporate financial services	67,500	-
Depreciation	3,203	3,939
Directors fees	13,500	11,000
General and administrative	24,139	26,134
Investor relations	44,155	27,360
Rent and occupancy	18,815	13,582
Salaries and employee benefits	14,502	19,652
Stock-based compensation	-	1,929
Transfer agent and filing fees	9,473	8,126
Travel	4,635	5,127
	286,922	188,249
Loss before the following	(286,922)	(188,249)
Expenditures on mineral properties written off	(3,498)	-
Foreign exchange gain (loss)	(7,978)	34,133
Interest and other income	472	(387)
Net loss before future income tax recovery	(297,926)	(154,503)
Future income tax recovery	1,500	-
Net loss for period	(296,426)	(154,503)
Unrealized gain on available-for-sale investments, net of future income tax expense of \$1,500	10,500	-
Comprehensive loss for period	\$ (285,926)	\$ (154,503)
Loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares	156,614,454	114,505,816

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Expressed in Canadian dollars

For the three month period ended March 31,	2011	2010
Operating activities		
Net loss for period	\$ (296,426)	\$ (154,503)
Adjustments for:		
Depreciation	3,203	3,939
Stock-based compensation	-	1,929
Recovery of future income tax	(1,500)	-
	(294,723)	(148,635)
Changes in non-cash working capital items		
Accounts receivable	(31,540)	12,523
Prepaid expenses	9,176	(19,911)
Accounts payable and accrued liabilities	89,745	(44,913)
Cash provide by (used in) operating activities	(227,342)	(200,936)
Investing activities		
Purchase of property, plant and equipment	(1,288)	-
Exploration and evaluation expenditures	(828,530)	(235,795)
Changes in working capital items relating to investing activities	264,890	242,623
Cash provided by (used in) investing activities	(564,928)	6,828
Financing activities		
Share subscriptions received	45,000	-
Changes in working capital items relating to financing activities	-	(16,856)
Cash provided by (used in) financing activities	45,000	(16,856)
Decrease in cash	(747,270)	(210,964)
Cash - beginning of period	1,195,493	244,029
Cash - end of period	\$ 448,223	\$ 33,065

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

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2010 (unaudited)

Expressed in Canadian dollars

1. Nature of operations

True North Gems Inc. (the “Company”) was incorporated in the Yukon Territory under the Business Corporations Act on May 25, 2001. The Company’s corporate office is located at Suite 3114, Bentall Four, 1055 Dunsmuir St. Vancouver, BC V7X 1L3. The Company and its subsidiary (collectively referred to, as the “Company”) are engaged in exploration and development of coloured gemstone deposits in Greenland and Canada. The Company is in the process of exploring its mineral properties and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The amounts shown as mineral properties represent acquisition and exploration expenditures and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent on the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to complete the exploration and development of its mineral properties and on future profitable production or proceeds from the disposition of the mineral properties.

2. First time adoption of International Financial Reporting Standards

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

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

The guidance for the first time adoption of IFRS is set out in IFRS 1, First Time Adoption of International Financial Reporting Standards. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The impact of the transition is set out in note 10.

3. Accounting policies

a) Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”). Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2010 and the related notes thereto. Results for the period ended March 31, 2011 are not necessarily indicative of future results.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2011 (unaudited)

Expressed in Canadian dollars

3. Accounting policies - continued

These condensed interim consolidated financial statements have been prepared on the basis of IFRS standards. The Company has made certain assumptions about the accounting policies to be adopted when the first annual IFRS financial statements are prepared for the year ending December 31, 2011.

The preparation of these interim consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements. They also have been applied in preparing opening IFRS balance sheet at January 1, 2010, as required under IFRS 1. The impact of the transition from GAAP to IFRS is explained in note 10.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Kitaa Ruby A/S, from the respective date of formation (September 2, 2008). All inter-entity balances and transactions have been eliminated.

c) Foreign exchange

Foreign currency transactions

Transactions in currencies other than the functional currency of the reporting entity are recorded at rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.

Presentation currency

The Company's functional currency Canadian dollar, which is the presentation currency.

d) Cash and cash equivalents

Cash and cash equivalents include deposits at call and term deposits with an original maturity of 90 days or less.

e) Accounts receivable

Accounts receivable are stated at carrying value, which approximates fair value due to short terms to maturity, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due accordingly.

f) Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided for on a straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2011 (unaudited)

Expressed in Canadian dollars

3. Accounting policies - continued

The depreciation rates applicable to each category of asset are as follows:

Computer equipment and software	30% declining balance
Laboratory and gem processing equipment	20% declining balance
Office furniture and equipment	20% declining balance
Plant and equipment – exploration	3 – 10 years straight line

The carrying value of tangible capital assets is assessed annually and any impairment charged to the Statement of Comprehensive Income. The expected useful life of tangible capital assets is reviewed annually.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in comprehensive income in the year the item is derecognized.

g) Intangible mining assets

Exploration and evaluation costs related to an area of interest are carried forward as an intangible asset in the balance sheet where the rights to tenure of an area of interest are current and its expected expenditure will be recovered through the successful development and exploration of the area of interest or alternatively by its sale. Where these conditions are not met, such costs are written off as incurred. The expenditure is carried at cost less impairment. Intangible mining assets are assumed to have an indefinite life until such time as production of the associated mining asset commences at which time the definite life of the of the mining assets will be assessed based on the estimated mine life.

Development expenditure incurred by or on behalf of the Company or acquired from a third party is also classified as an intangible asset and is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises acquisition cost and other costs directly attributable to the construction of a mine and the related infrastructure. This expenditure is carried at costs less impairment.

Exploration, evaluation and development costs are under intangible assets in the Balance Sheet. Exploration, evaluation and development costs include all directly attributable expenditure together with the relevant depreciation of property equipment utilized within the project.

Once a development decision has been made, the carrying amount of the exploration, evaluation and development expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as “mining property”.

No amortization is recognized in respect of exploration, evaluation and development expenditures until it is reclassified as a mining property.

Exploration, evaluation and development expenditure and mining property are tested annually for impairment if facts and circumstances indicate that impairment may exist. Exploration, evaluation and development expenditure is also tested for impairment once commercial reserves are found, before the assets are transferred to mining property.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2011(unaudited)

Expressed in Canadian dollars

3. Accounting policies - continued

h) Impairment on a non-financial asset

At each balance sheet date, or when impairment indicators are evident, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of the fair market value less costs to sell and the value in use.

Previously recognized impairment losses are reversed in subsequent periods if the conditions giving rise to impairment reverse.

i) Income taxes

Income tax on the statements of operations for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected payable on the taxable income for the period using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising between the carrying amounts of net assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the balance sheet liability method. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using rates enacted or substantively enacted at the balance sheet date.

j) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivable are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization period.

Expressed in Canadian dollars

3. Accounting policies - continued

Held-to maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that an investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated further cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale – Non-derivative financial assets not included in one of the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

All financial assets are subject to review for impairment at least each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which is described above.

k) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

The Company classifies its financial liabilities as other financial liabilities. This category includes amounts due to shareholders and accounts payable and accrued liabilities, all of which are initially recognized at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized costs using the effective interest method.

l) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted and warrants outstanding.

When a loss is incurred during the reporting period, the exercise of options and warrants is considered anti-dilutive and the basic and diluted loss per share are the same..

m) Segment reporting

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Expressed in Canadian dollars

3. Accounting policies – continued

n) Related party transactions

Parties are considered to be 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 to be 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.

4. Significant accounting estimates and judgments

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified exploration and evaluation expenditures as an area where significant judgments, estimates and assumptions are made where actual results may differ from these estimates and this may materially affect the Company's financial results or statement of financial position in future periods:

The carrying values and assessment of impairment of exploration and evaluation expenditures is based on costs incurred and management's estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the status of the exploration program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to achieve commercial production.

5. Exploration and evaluation expenditures

Greenland Property

The property consists of two prospecting licences registered with the Bureau of Minerals and Petroleum of the Government of Greenland (Fiskenaasset property – Licence 2008/46 and Qaqqatsiaq - Licence 2008/01).

Baffin Island Property

The Company holds a 100% interest in 10 claims of which 2 claims are subject to a 2% Net Smelter Returns royalty and a 2% Gross Overriding royalty.

Tsa da Glisza Property

Pursuant to an agreement dated March 7, 2002 with Expatriate Resources Ltd., the Company acquired 100% of the Tsa da Glisza Property. The property consists of 93 claims located in the Watson Lake Mining District, Yukon Territory.

Bandito Property

The Bandito Property consists of a 100% interest in and to the BANDITO, AMIGO and MGM 8 claims located in southeastern Yukon and is composed of 145 contiguous, unpatented claims registered with the Watson Lake Mining Recorder.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2011(unaudited)

Expressed in Canadian dollars

5. Exploration and evaluation expenditures – continued

On August 30, 2010, the Company entered into a Letter Agreement (the “Agreement”) with Endurance Gold Corporation (“Endurance”) whereby Endurance was granted an option to acquire up to a 75% interest in the Company’s 100% owned Bandito Property, Yukon subject to TSX Venture Exchange approval.

Under the terms of the Agreement, Endurance can earn a 51% interest as follows:

- i. On receipt of regulatory approval an initial cash payment of \$25,000 (September 10, 2010) and additional cash payments of \$100,000 by December 31, 2012; and,
- ii. Incur \$1,000,000 in exploration expenditure on or before December 31, 2013.

Once Endurance earns a 51% working interest in the property, it may earn an additional 24% interest by issuing 200,000 shares from treasury and incurring an additional \$1,000,000 in exploration expenditures by December 31, 2015. Regulatory approval of the Agreement was obtained on September 7, 2010.

The table below set out the exploration and evaluation expenditures for the three month period ended March 31, 2011 and the most recently completed year ended December 31, 2010:

	March 31, 2011			Total	December 31, 2010
	Greenland Property	Baffin Island Property	Other Yukon Properties		
Balance - beginning of period	\$ 16,401,606	\$ 909,838	\$ 346,693	\$ 17,658,137	\$ 18,830,460
Exploration expenditure					
Advances	32,567	-	-	32,567	(4,942)
Aviation	-	-	-	-	25,203
Camp construction and operation	5,722	-	-	5,722	163,938
Equipment - depreciation	29,338	-	-	29,338	55,726
Equipment rental & maintenance	1,725	-	-	1,725	8,687
Other	364,612	-	25	364,637	119,820
Reclamation	-	-	-	-	102,500
Stock based compensation	-	-	-	-	247,159
Technical services	320,595	-	-	320,595	350,894
Travel	27,319	-	-	27,319	23,862
	781,878	-	25	781,903	1,092,847
Other					
Farmout receipts	-	-	-	-	(36,670)
Gemstone test marketing study	25,965	-	-	25,965	83,119
Property payments	100,000	-	-	100,000	70,360
Write-offs	-	-	-	-	(2,381,979)
Total expenditures for period	907,843	-	25	907,868	(1,172,323)
Balance - end of period	\$ 17,309,449	\$ 909,838	\$ 346,718	\$ 18,566,005	\$ 17,658,137

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2011(unaudited)

Expressed in Canadian dollars

6. Equity

- a) Authorized – Unlimited number of common shares without par value
- b) Reserves
Reserves consist of the accumulated fair value of common share stock options recognized as share based compensation and share purchase warrants.

Warrants

	March 31, 2011		December 31, 2010	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	58,058,356	\$ 1,848,807	46,245,466	\$ 1,229,757
Warrants issued	-	-	23,971,233	945,868
Warrants exercised	-	-	(537,250)	(30,466)
Warrants expired	-	-	(11,621,093)	(296,352)
Closing balance	58,058,356	\$ 1,848,807	58,058,356	\$ 1,848,807

At March 31, 2011, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price	Expiry date
13,700,000	\$0.20	03-Jul-2011
274,383	\$0.10	03-Jul-2011
13,000,000	\$0.20	10-Aug-2011
1,910,000	\$0.20	21-Aug-2011
5,002,000	\$0.20	24-Dec-2011
200,740	\$0.10	24-Dec-2011
8,588,300	\$0.10/\$0.15	01-Oct-2011/2012
1,221,370	\$0.10	01-Oct-2012
12,037,688	\$0.10/\$0.15	22-Oct -2011/2012
2,123,875	\$0.10	22-Oct-2012
58,058,356		

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2011(unaudited)

Expressed in Canadian dollars

6. Equity - continued

Stock options

Stock option transactions for the three month period ended March 31, 2011 and the year ended December 31, 2010 and the number of stock options outstanding and exercisable are summarized for the respective financial period ends as follows:

	March 31, 2011		December 31, 2010	
	Number of options	Weighted Average Exercise Price of Options Exercisable	Number of options	Weighted Average Exercise Price of Options Exercisable
Opening balance	15,205,000	\$0.20	8,675,000	\$0.25
Options granted	-	-	7,200,000	\$0.15
Options expired	-	-	(670,000)	\$0.40
Closing balance	15,205,000	\$0.20	15,205,000	\$0.20

At March 31, 2011, stock options outstanding are as follows:

Number of options outstanding and exercisable	Range of exercise prices	Weighted Average Exercise Price of Options Exercisable	Weighted Average Remaining Contractual Life
12,850,000	\$0.15	\$0.15	4.07
1,475,000	\$0.38-\$0.42	\$0.39	1.58
880,000	\$0.56	\$0.56	1.55
15,205,000			

7. Related party transactions

(In addition to those disclosed elsewhere)

- a) As at March 31, 2011, shareholders, officers, directors and management are owed \$29,383, which is included within accounts payable and accrued liabilities. The balance represents unpaid amounts relating to fees and expenses.
- b) During the three month period ended March 31, 2011, directors and officers charged \$104,550 in fees for services rendered, of which \$74,850 was charged to operations and \$29,700 to mineral properties. These transactions were in the normal course of business recorded at their exchange amounts, which was established and agreed to by the related parties.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2011(unaudited)

Expressed in Canadian dollars

8. Segmented information

The Company's operations comprise one reportable segment, which carries on business in Canada and Greenland. The carrying value of the Company's non-current assets on a country-by-country basis is as follows:

	March 31, 2011			December 31, 2010		
	Canada	Greenland	Total	Canada	Greenland	Total
Property, plant and equipment	\$ 49,647	\$ 732,816	\$ 782,463	\$ 51,562	\$ 762,154	\$ 813,716
Exploration and evaluation expenditures	1,256,556	17,309,449	18,566,005	1,256,531	16,401,606	17,658,137
Total	\$ 1,306,203	\$ 18,042,265	\$ 19,348,468	\$ 1,308,093	\$ 17,163,760	\$ 18,471,853

9. Subsequent event

Subsequent to March 31, 2011, the Company completed a non-brokered private placement of 33,826,000 units at a price of \$0.10 per unit in two tranches that closed on April 26 and April 29, 2011 respectively. The gross proceeds of the unit placement totalled \$3,382,000. Each unit comprised of one common share and one-half share purchase warrant, each whole share purchase warrant entitling the holder to acquire one common share at a price of \$0.15 per share in year one and \$0.20 per share in year two. Finder's fees of \$249,030 were paid and 2,490,300 finder's warrants were issued, convertible into one common share at a price of \$0.12 for a two year period.

10. Explanations of transitions to IFRS

As stated in note 2, these are the Company's first condensed interim consolidated financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in note 3 have been applied in preparing the condensed interim consolidated financial statements for the three month period ended March 31, 2011, the comparative information for the three month period ended March 31, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the Transition Date.

In preparing the condensed interim consolidated financial statements for the three month period ended March 31, 2011, comparative financial information for the three month period ended March 31, 2010 and the financial statements for the year ended December 31, 2010, have been adjusted from amounts reported previously in the financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's statements of financial position and comprehensive loss is set out below.

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Notes to Condensed Interim Consolidated Financial Statements
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10. Explanations of transitions to IFRS – continued

Reconciliation of Assets, Liabilities and Equity

	note	As at January 1, 2010			As at March 31, 2010			As at December 31, 2010		
		GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS
ASSETS										
Current										
Cash		\$ 244,029		\$ 244,029	\$ 33,065		\$ 33,065	\$ 1,195,493		\$ 1,195,493
Restricted cash		-		-	-		-	280,000		280,000
Investments		27,602		27,602	27,095		27,095	56,177		56,177
Accounts receivable		41,176		41,176	28,653		28,653	47,777		47,777
Deposits and prepaid expenses		12,690		12,690	32,601		32,601	115,313		115,313
		325,497		325,497	121,414		121,414	1,694,760		1,694,760
Property, plant and equipment	(a)	64,632	\$ 1,079,232	1,143,864	60,693	\$ 1,044,414	1,105,107	51,562	\$ 762,154	813,716
Exploration and evaluation expenditures	(a),(b)	19,909,692	(1,079,232)	18,830,460	20,228,274	(1,044,414)	19,183,860	18,637,298	(979,161)	17,658,137
		\$ 20,299,821	☞ \$ -	\$ 20,299,821	\$ 20,410,381	☞ \$ -	\$ 20,410,381	20,383,620	☞ \$ (217,007)	20,166,613
LIABILITIES										
Current										
Accounts payable and accrued liabilities		\$ 654,979		\$ 654,979	\$ 835,326		\$ 835,326	\$ 195,678		\$ 195,678
Loans payable		110,000		110,000	110,000		110,000	-		-
		764,979		764,979	945,326		945,326	195,678		195,678
Asset retirement obligations		505,055		505,055	505,055		505,055	634,661		634,661
Share subscriptions received		-		-	-		-	100,000		100,000
		1,270,034		1,270,034	1,450,381		1,450,381	930,339		930,339
SHAREHOLDERS' EQUITY										
Capital stock		33,307,080		33,307,080	33,357,080		33,357,080	35,486,222		35,486,222
Warrants		1,229,757		1,229,757	1,229,757		1,229,757	1,848,807		1,848,807
Contributed surplus		3,091,453		3,091,453	3,126,169		3,126,169	4,074,226		4,074,226
Deficit	(a),(b)	(18,598,503)		(18,598,503)	(18,753,006)		(18,753,006)	(21,971,943)	\$ (217,007)	(22,188,950)
Accumulated other comprehensive income		-		-	-		-	15,969		15,969
		19,029,787		19,029,787	18,960,000		18,960,000	19,453,281	☞ (217,007)	19,236,274
		\$ 20,299,821		\$ 20,299,821	\$ 20,410,381		\$ 20,410,381	\$ 20,383,620	\$ (217,007)	\$ 20,166,613

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10. Explanations of transitions to IFRS - continued

Reconciliation of Loss and Comprehensive Loss

	note	Three months ended March 31, 2010		Year ended December 31, 2010		
		GAAP	Effect of transition to IFRS	GAAP	Effect of transition to IFRS	IFRS
Expenses						
Amortization		\$ 3,939	\$ 3,939	16,127		\$ 16,127
Audit fees		-	-	32,028		32,028
Consulting and corporate development fees		52,500	52,500	235,396		235,396
Corporate financial services fees		-	-	30,000		30,000
Corporate secretarial and accounting fees		18,900	18,900	75,150		75,150
Directors fees		11,000	11,000	53,109		53,109
General and administrative		26,134	26,134	105,988		105,988
Investor/shareholder relations		27,360	27,360	95,464		95,464
Legal fees		-	-	6,233		6,233
Rent and occupancy costs		13,582	13,582	60,783		60,783
Salaries and employee benefits		19,652	19,652	70,091		70,091
Stock-based compensation		1,929	1,929	418,952		418,952
Transfer agent and filing fees		8,126	8,126	25,395		25,395
Travel		5,127	5,127	25,696		25,696
		188,249	188,249	1,250,412		1,250,412
Loss before under noted items		(188,249)	(188,249)	(1,250,412)		(1,250,412)
Expenditures on mineral properties		-	-	(28,372)		(28,372)
Farm out receipts		-	-	102,830		102,830
Foreign exchange gain		34,133	34,133	9,083		9,083
Gain on sale of available-for-sale-investments		-	-	14,794		14,794
Interest income (expense)		(387)	(387)	(275)		(275)
Interest on loans		-	-	(7,787)		(7,787)
Loss on sale of property, plant and equipment	(a)	-	-	-	(50,999)	(50,999)
Write off of exploration and evaluation expenditures	(a),(b)	-	-	(2,390,190)	39,177	(2,351,013)
Write off of property, plant and equipment	(a)	-	-	-	(30,578)	(30,578)
Loss before recovery of future income tax		(154,503)	(154,503)	(3,550,329)	(42,400)	(3,592,729)
Recovery of future income tax	(b)	-	-	176,889	(174,607)	2,282
Net loss for period		(154,503)	(154,503)	(3,373,440)	(217,007)	(3,590,447)
Unrealized gains on available-for-sale investments		-	-	15,969		15,969
Comprehensive loss for period		\$ (154,503)	\$ (154,503)	\$ (3,357,471)	\$ (217,007)	\$ (3,574,478)
Loss per share - basic and fully diluted		\$ (0.00)	\$ (0.00)	\$ (0.03)		\$ (0.03)
Weighted average number of common shares used in the calculation of loss per share - basic and fully		114,505,816	114,505,816	123,508,005		123,508,005

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10. Explanations of transitions to IFRS – continued

- a) Under Canadian GAAP, the Company had charged its plant and equipment used in exploration activities to the exploration and evaluation expenditures related to the specific project. Under IFRS, the plant and equipment has been included in property, plant and equipment and the depreciation on those assets charged to exploration and evaluation expenditures. The disposition of plant and equipment under IFRS has resulted in a loss being recognized in the statement of comprehensive loss and a write down of plant and equipment.
- b) The method of accounting for income taxes under IFRS is similar to Canadian GAAP. However, future income taxes that arise from the initial recognition of assets or liabilities that do not impact profit and loss other than in a business combination are prohibited. The Company's future income tax liability under Canadian GAAP primarily arose as a result of the difference between book value and tax basis on additions to its mineral properties. The opening balance sheet reflects the reversal of these amounts totalling \$174,608 of which \$8,600 related to the Baffin Property on which an impairment provision was recorded in the statement of comprehensive loss for the year ended December 31, 2010.