



Unaudited Interim
Consolidated Financial Statements
For three-month period ended
March 31, 2011

Matamec Explorations inc.

Unaudited Interim Consolidated Financial Statements

March 31, 2011

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Matamec Explorations Inc.

Consolidated Balance Sheets

(unaudited)

	Notes	March 31, 2011	December 31, 2010	January 1, 2010
		\$	\$	\$
Assets				
Current Assets				
Cash and cash equivalents		5,283,646	4,723,295	1,177,699
Short-term investments		15,271	15,247	15,208
Subscriptions receivable		-	1,100,000	-
Sales taxes receivable		187,728	84,299	75,589
Tax credits receivable		940,801	743,933	347,417
Other receivables		20,826	12,723	-
Prepaid expenses		24,822	94,660	34,761
		<u>6,473,094</u>	<u>6,774,157</u>	<u>1,650,674</u>
Non-Current Assets				
Funds reserved for exploration		373,642	1,161,595	-
Investment in shares of a private society		1	1	1
Investment in shares of a listed company (cost : \$9,200)		79,000	84,000	-
Equipment, at cost less accumulated amortization		53,140	44,905	52,290
Mining properties	7	2,284,674	2,266,338	2,954,082
Deferred exploration expenses	8	6,940,130	6,343,355	6,004,204
		<u>9,730,587</u>	<u>9,900,194</u>	<u>9,010,577</u>
		<u>16,203,681</u>	<u>16,674,351</u>	<u>10,661,251</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		332,903	549,840	373,328
Other assets		29,287	106,683	-
Deferred income tax liability		45,431	161,525	-
Current maturity of long-term debt		-	-	1,357,799
		<u>407,621</u>	<u>818,048</u>	<u>1,731,127</u>
Non-current liabilities				
Deferred income tax liability		943,000	943,000	1,736,000
		<u>1,350,621</u>	<u>1,761,048</u>	<u>3,467,127</u>
Equity				
Share capital	9	22,128,724	22,003,881	14,047,345
Warrants		2,905,239	2,909,756	1,251,213
Contributed surplus		1,035,792	971,389	710,253
Accumulated other comprehensive income		69,800	74,800	-
Deficit		(11,286,495)	(11,046,523)	(8,814,687)
		<u>14,853,060</u>	<u>14,913,303</u>	<u>7,194,124</u>
		<u>16,203,681</u>	<u>16,674,351</u>	<u>10,661,251</u>

APPROVED ON BEHALF OF THE BOARD

(signed) André Gauthier, director

(signed) Laval St-Gelais, director

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

Matamec Explorations Inc.

Consolidated statements of income (loss)

For the three months ended March 31, 2011 and 2010

(non audités)

	2011	2010
	\$	\$
Interest and other income	11,787	20
Administrative expenses		
Salaries and fringe benefits	24,913	22,957
Rent and office expenses	20,119	12,344
Consulting fees	27,843	7,510
Stock-based compensation	94,029	63,671
Trustees and registration fees	14,697	9,137
Shareholders' reports	15,948	6,551
Professional fees	62,137	43,574
Insurance, taxes and licenses	3,340	835
Travelling and entertainment expenses	138,614	77,578
Telecommunications	3,142	3,536
Interest in unsecured debenture	-	44,822
Part XII.6 tax	505	-
Interest and bank charges	191	236
Depreciation of equipment	2,121	2,175
Changes in fair value of available-for-sale investment	5,000	-
	412,599	294,926
Loss and profit before sale and write-off of mining properties	400,812	294,906
Gain on disposal of a mining property	-	(89,828)
Write-off of deferred costs	37,536	-
Write-off of mining properties	864	140
Loss before deferred income tax	439,212	205,218
Deferred income tax (recovery)	(193,490)	-
Net loss	245,722	205,218
Basic and diluted net loss per share	0.002	0.002
Weighted average number of shares outstanding basic and diluted	116,494,694	86,958,400

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

Matamec Explorations Inc.

Consolidated statements of comprehensive income (loss)

For the three months ended March 31, 2011 and 2010

(unaudited)

	2011	2010
	\$	\$
Net loss for the period	<u>245,722</u>	<u>205,218</u>
Other comprehensive income :		
Changes in fair value of available-for-sale financial assets		
Unrealized gain (loss)	(5,000)	-
Other comprehensive income for the period, net of taxes	<u>(5,000)</u>	<u>-</u>
Total comprehensive loss for the period attributable to Matamec Explorations Inc. shareholders	<u><u>240,722</u></u>	<u><u>205,218</u></u>

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

Matamec Explorations Inc.

Consolidated statements of changes and equity

For the three months ended March 31, 2011 and 2010

(unaudited)

	Number of common shares outstanding	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total of equity attributable to Matamec shareholders
		\$	\$	\$	\$	\$	\$
Balance – January 1, 2011	116,230,186	22,003,881	2,909,756	971,389	74,800	(11,046,523)	14,913,303
Loss for the period	-	-	-	-	-	(245,722)	(245,722)
Other comprehensive (loss) income	-	-	-	-	(5,000)	5,000	-
Comprehensive (loss) for the period	-	-	-	-	(5,000)	(240,722)	(245,722)
Share options							
Share-based compensation	-	-	-	94,029	-	-	94,029
Fair value of options exercised	-	29,626	-	(29,626)	-	-	-
Warrants							
Fair value of warrants exercised	-	4,517	(4,517)	-	-	-	-
Proceeds from exercise of options	100,000	23,750	-	-	-	-	23,750
Employee share purchase plan	310,000	47,750	-	-	-	-	47,750
Property payment	40,000	19,200	-	-	-	-	19,200
Share issue costs	-	-	-	-	-	750	750
Balance – March 31, 2011	116,680,186	22,128,724	2,905,239	1,035,792	69,800	(11,286,495)	14,853,060
Balance – January 1, 2010	86,924,133	14,047,345	1,251,213	710,253	-	(8,814,687)	7,194,124
Net loss for the period	-	-	-	-	-	(205,218)	(205,218)
Other comprehensive (loss) income	-	-	-	-	-	-	-
Comprehensive (loss) for the period	-	-	-	-	-	(205,218)	(205,218)
Share options							
Share-based compensation	-	-	-	63,671	-	-	63,671
Employee share purchase plan	400,000	52,000	-	-	-	-	52,000
Property payment	179,526	40,000	-	-	-	-	40,000
Balance – March 31, 2010	87,503,659	14,139,345	1,251,213	773,924	-	(9,019,905)	7,144,577

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

Matamec Explorations Inc.

Consolidated statements of cash flows

For the three months ended March 31, 2011 and 2010

(unaudited)

	Notes	2011	2010
		\$	\$
Operating activities			
Net loss for the period		(245,722)	(205,218)
Adjustment for :			
Interest income		(11,788)	-
Share-based compensation		94,029	63,671
Depreciation of equipment		2,121	2,175
Write-off of mining properties		864	140
Write-off of deferred costs		37,536	-
Changes in fair value of available-for-sale investment		5,000	-
Interest on unsecured debenture		-	44,822
Deferred tax expense (recovery)		(193,490)	-
Gain on disposal of a mining property		-	(89,828)
		<u>(311,450)</u>	<u>(184,238)</u>
Change in non-cash working capital items	11	(293,181)	162,150
Cash flows used in operating activities		<u>(604,631)</u>	<u>(22,088)</u>
Investing activities			
Government assistance and mining duties credits received		-	61,469
Short-term investment		241	5
Deferred exploration costs		(773,958)	(655,445)
Mining properties		-	(11,398)
Equipment		(11,520)	(7,523)
Interest income		9,318	-
Cash flows used in investing activities		<u>(775,919)</u>	<u>(612,892)</u>
Financing activities			
Subscriptions receivable		1,100,000	(52,000)
Repayment of long-term debt		-	(4,953)
Issuance of common shares, net of issue expenses		37,700	52,000
Cash flows generated from (used in) financing activities		<u>1,137,700</u>	<u>(4,953)</u>
Decrease in cash and cash equivalent		(242,850)	(639,933)
Cash and cash equivalents – beginning of period		5,900,138	1,177,699
Cash and cash equivalents – end of period		5,657,288	537,766
Less: funds reserved for exploration		(373,642)	-
Cash and cash equivalents presented on the balance sheets		5,283,646	537,766

Additional information related to the statement of cash flows

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Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

1. Nature of activities

The Company, incorporated under Part 1A of the Québec Companies Act, is a mining exploration business. Since February 14, 2011 the Company is regulated by the Business Corporation Act (Quebec). It has not yet determined whether the mining properties contain economically recoverable ore reserves. The recoverability of the amounts shown for mining properties depends upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to continue exploration work and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

For the year ended March 31, 2011, the Company recorded a loss of 439,212 \$ (205,218 \$ in 2010). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and development programs and pay general and administrative costs.

Management periodically seeks additional form of financing through the issuance of new equity instruments and the exercise of stock options to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for its assets may be less than amounts recorded in these consolidated financial statements.

Although management has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and may not be in compliance with regulatory requirements.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

2. Basis of preparation and adoption of IFRS

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate the International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, and require publicly accountable enterprises to 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 consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. Subject to certain transition elections disclosed in note 6, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 6 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of June 29, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010.

Note 6 discloses IFRS information for the year ended December 31, 2010 which have not been provided in the 2010 annual consolidated financial statements and is useful in understanding these interim consolidated financial statements.

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

3. Significant accounting policies

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

a) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

b) *Consolidation*

The Company's financial statements consolidate the accounts of Matamec Explorations Inc. and its subsidiary.

Subsidiaries are all entities which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Matamec and are de-consolidated from the date that control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by Matamec.

c) *Foreign currency translation : Functional and presentation currency*

Items included in the financial statements of the consolidated entity of Matamec are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Matamec's functional currency.

d) *Financial instruments*

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

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

All financial instruments are required to be measured at fair value on initial recognition. The fair value is based on quoted market prices, unless the financial instruments are not traded in an active market. In this case, the fair value is determined by using valuation techniques like the Black-Scholes option pricing model or other valuation techniques.

Measurement in subsequent periods depends on the classification of the financial instrument. At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i. *Financial assets and liabilities at fair value through profit or loss*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains or losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

3. Significant accounting policies (continued)

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Loans and receivables are included in current assets, except for instruments with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in other gains or losses.

Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

iv. Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its financial instruments as follows:

<u>Category</u>	<u>Financial Instrument</u>
Loans and receivables	Cash and cash equivalents Short-term investment Sales taxes receivable Tax credits receivable Other receivable Prepaid expenses
Available-for-sale financial assets	Investment in shares Mining properties Deferred exploration costs
Financial liabilities at amortized cost	Trade accounts payable and accrued liabilities

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

3. Significant accounting policies (continued)

e) *Impairment of financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

i. *Financial assets carried at amortized cost*

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

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the statement of income.

ii. *Available-for-sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of income.

Impairment losses on available-for-sale equity financial assets are not reversed.

f) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held with banks and other highly liquid short-term investments with original maturities of three months or less.

g) *Refundable tax credits for mining exploration expenses*

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

h) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property, plant and equipment less their residual values over their estimated useful lives using the straight-line method and following periods by major categories:

Computers and electronic equipment	30%
Furniture and office supplies	20%
Equipment and facilities pertaining to exploration	30%

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

3. Significant accounting policies (continued)

h) *Property, plant and equipment (continued)*

Depreciation of property, plant and equipment, if related to exploration, is expensed or capitalized to exploration and evaluation expenditures according to the capitalization policy of exploration and evaluation expenditures. Depreciation of property, plant and equipment, if related to mine development expenditures, is capitalized in mine development costs. These amounts will be recognized in the consolidated statement of income through depreciation of property, plant and equipment when they are put into production. For those which are not related to exploration and development activities, depreciation expense is recognized directly in the consolidated statement of income.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other *gains or losses* in the statement of income.

Exploration and evaluation expenditures

Exploration expenditures includes rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into production. These costs are written off when properties are abandoned or when cost recovery or access to resources is uncertain. Proceeds from the sale of mineral properties are applied in reduction of related carrying costs and any excess or shortfall is recorded as a gain or loss in the consolidated statements of income. In the case of partial sale, if the carrying costs exceed the proceeds, only the losses are recorded.

Exploration expenditures also typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. Generally, expenditures relating to exploration activities are expensed as incurred.

Exploration and evaluation expenditures reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Exploration and evaluation expenditures are capitalized if management determines that there is sufficient evidence to support probability of generating positive economic returns in the future. When a mine project moves into the development phase, exploration and evaluation expenditures are capitalized to mine development costs. If an exploration and evaluation activity does not prove viable, all irrecoverable costs with the project are written off.

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized exploration and evaluation costs are classified as investing activities in the consolidated statement of cash flows under the heading *property, plant and equipment*.

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

3. Significant accounting policies (continued)

Current income and mining taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income and mining tax charge is the expected tax payable on the taxable income for the year, using the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Company, its subsidiaries and its joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income and mining taxes

The Company uses the asset and liability method of accounting for income and mining taxes. Under this method, deferred income and mining tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income and mining tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any deferred income and mining tax asset if it is more likely than not that the asset will not be realized. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

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

- *Share stock and warrants*

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

Flow-through shares

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

- *Share-based compensation*

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

3. Significant accounting policies (continued)

h) *Property, plant and equipment (continued)*

- *Earnings per share*

The calculation of earnings per share (“EPS”) is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of Matamec Explorations Inc. by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The treasury stock method is used to determine the dilutive effect of the warrants, share options and the if-converted method is used for convertible debentures. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants, share options and convertible debentures.

4. Accounting standard issued but not yet applies

IFRS 9, *International Financial Reporting Standard*, (“IFRS 9”)

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

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

5. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

6. Transition to IFRS

The effect of the Company's transition from Canadian GAAP to IFRS, as described in Note 2, is summarized in this note as follows:

- a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS;
- b. Adjustments to the statement of cash flows;
- c. Additional IFRS information for the year ended December 31, 2010

Matamec Explorations Inc.
Consolidated statements of cash flows
For the three months ended March 31, 2011 and 2010
(unaudited)

6. Transition to IFRS (continued)

a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS;

	Note	December 31, 2010			March 31, 2010			January 1, 2010		
		Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS
Assets										
Current assets										
Cash and cash equivalents		4,723,295	-	4,723,295	537,766	-	537,766	1,177,699	-	1,177,699
Short-term investment		15,247	-	15,247	15,213	-	15,213	15,208	-	15,208
Subscription receivable		1,100,000	-	1,100,000	52,000	-	52,000	-	-	-
Sales taxes receivable		84,299	-	84,299	65,561	-	65,561	75,589	-	75,589
Tax credits receivable		743,933	-	743,933	370,364	-	370,364	347,417	-	347,417
Other receivables		12,723	-	12,723	-	-	-	-	-	-
Prepaid expenses		94,660	-	94,660	26,592	-	26,592	34,761	-	34,761
		<u>6,774,157</u>	<u>-</u>	<u>6,774,157</u>	<u>1,067,496</u>	<u>-</u>	<u>1,067,496</u>	<u>1,650,674</u>	<u>-</u>	<u>1,650,674</u>
Non-current assets										
Funds reserved for exploration		1,161,595	-	1,161,595	-	-	-	-	-	-
Investment in shares of private society		1	-	1	1	-	1	1	-	1
Investment in shares of a listed company (cost : \$ 9,200)		84,000	-	84,000	-	-	-	-	-	-
Equipment, at cost less accumulated amortization		44,905	-	44,905	55,973	-	55,973	52,290	-	52,290
Mining properties		2,266,338	-	2,266,338	2,295,342	-	2,295,342	2,954,082	-	2,954,082
Deferred exploration expenses		6,343,355	-	6,343,355	5,980,697	-	5,980,697	6,004,204	-	6,004,204
		<u>16,674,351</u>	<u>-</u>	<u>16,674,351</u>	<u>9,399,509</u>	<u>-</u>	<u>9,399,509</u>	<u>10,661,251</u>	<u>-</u>	<u>10,661,251</u>
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities		549,840	-	549,840	517,281	-	517,281	373,328	-	373,328
Other assets	6 a.	-	161,525	106,683	-	-	-	-	-	-
Deferred income tax liability	6 a.	-	106,683	161,525	-	-	-	-	-	-
Current maturity of long-term		-	-	-	1,651	-	1,651	1,357,799	-	1,357,799
		<u>549,840</u>	<u>268,208</u>	<u>818,048</u>	<u>518,932</u>	<u>-</u>	<u>518,932</u>	<u>1,731,127</u>	<u>-</u>	<u>1,731,127</u>
Non-current liabilities										
Deferred income tax liability		943,000	-	943,000	1,736,000	-	1,736,000	1,736,000	-	1,736,000
Equity										
Share capital	6 a.	23,459,171	(1,455,290)	22,003,881	15,353,635	(1,214,290)	14,139,345	15,261,635	(1,214,290)	14,047,345
Warrants		2,909,756	-	2,909,756	1,251,213	-	1,251,213	1,251,213	-	1,251,213
Contributed surplus	6 a.	822,430	148,959	971,389	677,432	96,492	773,924	632,400	77,853	710,253
Accumulated other comprehensive income	6 a.	74,800	-	74,800	-	-	-	-	-	-
Deficit	6 a.	(12,084,646)	1,187,082 (148,959)	(11,046,523)	(10,137,703)	1,214,290 (96,492)	(9,019,905)	(9,951,124)	1,214,290 (77,853)	(8,814,687)
		<u>15,181,511</u>	<u>(268,208)</u>	<u>14,913,303</u>	<u>7,144,577</u>	<u>-</u>	<u>7,144,577</u>	<u>7,194,124</u>	<u>-</u>	<u>7,194,124</u>
		<u>16,674,351</u>	<u>-</u>	<u>16,674,351</u>	<u>9,399,509</u>	<u>-</u>	<u>9,399,509</u>	<u>10,661,251</u>	<u>-</u>	<u>10,661,251</u>

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

Matamec Explorations Inc.

Consolidated statements of cash flows

For the three months ended March 31, 2011 and 2010

(unaudited)

6. Transition to IFRS (continued)

a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued)

Notes	Year ended December 31, 2010			Three months ended March 31, 2010		
	Cdn GAAP ¹⁾	Adj.	IFRS	Cdn GAAP ¹⁾	Adj.	IFRS
	\$	\$	\$	\$	\$	\$
Interest and other income	2,997		2,997	20		20
Administrative expenses						
Salaries and fringe benefits	190,496	-	190,496	22,957	-	22,957
Rent and office expenses	67,722	-	67,722	12,344	-	12,344
Consulting fees	122,804	-	122,804	7,510	-	7,510
Stock-based compensation	234,680	71,106	305,786	45,032	18,639	63,671
Trustees and registration fees	32,312	-	32,312	9,137	-	9,137
Shareholders' reports	67,852	-	67,852	6,551	-	6,551
Professional fees	213,929	-	213,929	43,574	-	43,574
Insurance, taxes and licenses	5,184	-	5,184	835	-	835
Travelling and entertainment expenses	302,542	-	302,542	77,578	-	77,578
Telecommunications	13,290	-	13,290	3,536	-	3,536
Interest in unsecured debenture	44,822	-	44,822	44,822	-	44,822
Part XII.6 tax	3,503	-	3,503	-	-	-
Interest and bank charges	33,754	-	33,754	236	-	236
Depreciation of equipment	8,749	-	8,749	2,175	-	2,175
Gain on changes in the fair market value of the investment	(74,800)	-	(74,800)	-	-	-
	1,266,839	71,106	1,337,945	276,287	18,639	294,926
Loss and profit before sale and write-off of mining properties	1,263,842	71,106	1,334,948	276,267	18,639	294,906
Gain on disposal of a mining property	(78,793)	-	(78,793)	(89,828)	-	(89,828)
Write-off of deferred costs	760,403	-	760,403	-	-	-
Write-off of mining properties	77,552	-	77,552	140	-	140
Loss before deferred income tax	2,023,004	71,106	2,094,110	186,579	18,639	205,218
Deferred income tax (recovery)	(348,000)	27,208	(320,792)	-	-	-
Loss attributable to Matamec Explorations Inc. shareholders	1,675,004	98,314	1,773,318	186,579	18,639	205,218
Loss per share						
Basic and diluted	0.018	-	0.019	0.002	-	0.002

¹⁾Certain Canadian GAAP figures have been reclassified to conform with the Company's IFRS financial statement presentation (note 6 a.).

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

6. Transition to IFRS (continued)

a. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued)

Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a deferred tax liability is recognized as a cost of issuing the shares (a reduction in share capital). While IFRS does not provide specific guidance on the accounting for flow-through shares, it is generally agreed that the method required by the Securities and Exchange Commission - under US GAAP - is appropriate. As a result, under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference ("premium") between the amount recognized in share capital and the amount the investors pay for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are made. The tax effect resulting from the renunciation is recorded as a deferred tax expense when eligible expenditures have been made.

b. Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flows, except that, under IFRS, cash flows related to interest are classified in a consistent manner as operating, investing or financing activities each period. Under Canadian GAAP, cash flows related to interest received or paid were classified as operating activities.

c. Additional IFRS information for the year ended December 31, 2010

i) Fair value of financial instruments

The following table summarizes the classification of the Company's financial instruments that are measured at fair value under IFRS, which were previously measured on a different basis under Canadian GAAP.

The following gains, included in net loss for the year ended December 31, 2010, were not previously included in net loss under Canadian GAAP.

	Year ended December 31, 2010
	<u>\$</u>
Financial Assets at fair value through profit and loss	
Unrealized change in fair value	<u>74,800</u>

ii) Compensation of key management

Key management includes directors (executive and non-executive) and senior executives. The compensation paid or payable to key management for employee services is presented below:

	Year ended December 31, 2010
	<u>\$</u>
Salaries and fringe benefits	182,175
Other remuneration	858,209
Share-based payments	<u>15,592</u>
	<u>1,055,976</u>

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

7. Mining properties

	Interest	December 31, 2010	Additions	Disposals	Write-off	March 31, 2011
		\$	\$	\$	\$	\$
Sakami	100%	115,300	-	-	(240)	115,060
Zeus	100%	144,828	-	-	-	144,828
Tansim	100%	46,712	-	-	-	46,712
Valmont	100%	110,400	-	-	-	110,400
Vulcain	100%	183,647	-	-	(624)	183,023
Lesperance	50%	15,495	-	-	-	15,495
Matheson Pelangio	100%	27,141	-	-	-	27,141
Matheson JV	50%	1,581,455	-	-	-	1,581,455
Matheson-East	-	41,360	19,200	-	-	60,560
		2,266,338	19,200	-	(864)	2,284,674

	Interest	January 1, 2010	Additions	Disposals	Write-off	December 31, 2010
		\$	\$	\$	\$	\$
Sakami	100%	120,720	-	-	(5,419)	115,301
Zeus	100%	138,796	6,032	-	-	144,828
Tansim	100%	45,308	1,404	-	-	46,712
Valmont	100%	110,400	-	-	-	110,400
Vulcain	100%	172,779	10,920	-	(52)	183,647
Lesperance	50%	15,495	-	-	-	15,495
Montclerg	51%	709,988	-	(709,988)	-	-
Matheson Pelangio	100%	27,141	-	-	-	27,141
Matheson JV	50%	1,613,455	40,079	-	(72,080)	1,581,454
Matheson-East	-	-	41,360	-	-	41,360
		2,954,082	99,795	(709,988)	(77,551)	2,266,338

8. Deferred exploration costs

	December 31, 2010	Additions	Disposal	Tax credits	Write-off	March 31, 2011
	\$	\$	\$	\$	\$	\$
Sakami	2,189,652	13,492	-	(16)	(4,320)	2,198,808
Zeus	1,517,384	689,294	-	(175,228)	-	2,031,450
Tansim	144,664	2,568	-	3,176	-	150,408
Valmont	216,509	80,666	-	(24,691)	-	272,484
Vulcain	1,271,962	5,946	-	(33)	(9,948)	1,267,927
Lesperance	158,694	600	-	(76)	-	159,218
Matheson Pelangio	72,283	106	-	-	-	72,389
Matheson, JV	772,207	15,239	-	-	-	787,446
	6,343,355	807,911	-	(196,868)	(14,268)	6,940,130

	January 1, 2010	Additions	Disposal	Tax credits	Write-off	December 31, 2010
	\$	\$	\$	\$	\$	\$
Sakami	2,184,130	5,615	-	(93)	-	2,189,652
Zeus	590,719	1,578,217	-	(651,552)	-	1,517,384
Tansim	88,129	87,752	-	(31,217)	-	144,664
Valmont	183,231	57,129	-	(23,851)	-	216,509
Vulcain	1,269,737	3,668	-	(251)	(1,192)	1,271,962
Lesperance	156,645	3,517	-	(1,468)	-	158,694
Montclerg	595,938	11,298	(607,236)	-	-	-
Matheson Pelangio	70,793	1,490	-	-	-	72,283
Matheson JV	864,882	666,536	-	-	(759,211)	772,207
	6,004,204	2,415,222	(607,236)	(708,432)	(760,403)	6,343,355

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

9. Capital stock

The Company is authorized to issue an unlimited number of common shares of no par value.

Changes in the Company's issued capital stock are as follows:

	Number	March 31, 2011 Amount \$	Number	December 31, 2010 Amount \$
Balance at beginning of year	116,230,186	22,003,881	86,924,133	14,047,345
Shares issued in consideration of acquisition of mining properties	40,000	19,200	219,526	59,200
Shares issued for cash				
Flow-through shares	-	-	6,520,000	2,000,000
Premium on flow-through shares	-	-	-	(241,000)
Private placements	-	-	17,568,750	6,365,000
Value of warrants granted	-	-	-	(1,818,908)
Exercise of:				
Stock options	310,000	47,750	540,000	78,600
Warrants	100,000	23,750	4,457,777	1,061,944
Amounts from contributed surplus:				
Exercise of warrants	-	4,517	-	407,050
Exercise of stock options	-	29,626	-	44,650
Balance at end of year	116,680,186	22,128,724	116,230,186,	22,003,881

On January 20, 2011, 75,000 common shares were issued following the exercise of 75,000 stock options at \$0.20 per share for an amount of \$15,000. Also, 100,000 common shares were issued following the exercise of 30,000 options at \$0.22 and 70,000 options at \$0.185 for an amount of \$19,550.

On January 25, 2011, 60,000 common shares were issued following the exercise of 60,000 stock options at \$0.22 per share.

On February 18, 2011, 25,000 common shares were issued following the exercise of 25,000 warrants at \$0.35 per share.

On February 24, 2011, the Company issued 150,000 common shares following the exercise of 150,000 options at \$0.10 per share.

On February 25, 2011, 40,000 common shares at \$0.48 per share were issued for the second payment for the Matheson-East property for an amount of \$19,200.

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

10. Options and warrants

Options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to officers, directors and employees of the Company as well as persons providing ongoing services to the Company. During the year, the Company changed the number of options that can be granted, increasing it to 9,839,129 options. The exercise price of options, established by the Board of directors, cannot be less than the market price of the Company's shares on the date preceding the date of grant. The options are vested gradually over a period of eighteen months.

A summary of the status of the Company's stock option plan as at March 31, 2011 is presented hereafter:

	March 31, 2011		December 31, 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance – January 1	6,215,000	0.23	5,285,000	0.20
Granted	-	-	2,055,000	0.29
Expired and cancelled	(181,800)	0.11	(585,000)	0.17
Exercised	(310,000)	0.15	(540,000)	0.15
Balance – end of period	5,723,200	0.22	6,215,000	0.23
Options exercisable at end of year	4,173,950	0.22	4,182,500	0.28

As of March 31, 2011, the balance of options available for grant under the plan is 1,316,629 (1,134,829 in 2010).

The exercise prices and the maturity dates of the options are shown in the following table :

Maturity Date	Exercise price \$	March 31, 2011	December 31, 2010
		Number of options	Number of options
January 31, 2011	0.110	-	181,800
July 20, 2011	0.160	40,000	40,000
September 29, 2011	0.350	150,000	150,000
October 25, 2011	0.360	100,000	100,000
February 26, 2012	0.260	800,000	800,000
July 17, 2012	0.220	710,000	800,000
November 21, 2012	0.180	110,000	110,000
May 13, 2014	0.110	218,200	218,200
May 13, 2014	0.160	400,000	400,000
June 29, 2014	0.100	250,000	400,000
November 1, 2014	0.190	660,000	660,000
November 5, 2014	0.400	150,000	150,000
November 15, 2014	0.190	400,000	400,000
July 7, 2015	0.140	400,000	400,000
August 29, 2015	0.185	210,000	280,000
October 25, 2015	0.360	1,125,000	1,125,000
		5,723,200	6,215,000

For stock options granted during the year, an amount of \$94,029 (\$63,671 in 2010) was recognized in the statement of operations and credited to contributed surplus.

The fair value of each option granted was estimated using the "Black-Scholes" pricing model with the following weighted-average assumptions for the awards granted during the year:

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

10. Options and warrants (continued)

Warrants

A summary of the status of the warrants as of March 31, 2011 is presented hereafter:

	March 31, 2011		December 31, 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance – January 1	15,352,264	0.40	6,027,666	0.25
Granted	-	-	13,782,375	0.42
Exercised	(100,000)	0.20	(4,457,777)	0.24
Balance – end of period	15,252,264	0.40	15,352,264	0.40

The exercise prices and the maturity dates of the warrants are shown in the following table:

Maturity date	Exercise price	March 31, 2011	December 31, 2010
		Number	Number
	\$		
December 31, 2010 (Shares to be issued)	0.15	-	75,000
September 16, 2011	0.20	275,000	275,000
September 16, 2011	0.25	2,750,000	2,750,000
October 18, 2011	0.35	1,469,889	1,494,889
June 16, 2012	0.50	5,750,000	5,750,000
June 16, 2012	0.40	828,000	828,000
June 20, 2012	0.40	2,520,000	2,520,000
June 23, 2012	0.50	1,425,000	1,425,000
June 28, 2012	0.25	234,375	234,375
		15,252,264	15,352,264

Contributed surplus

Changes in contributed surplus are as follows:

	March 31, 2011		December 31, 2010	
	Stock options	Warrants	Stock options	Warrants
	\$	\$	\$	\$
Balance – January 1	971,389	2,909,756	781,359	1,251,213
Awards	94,029	-	234,680	2,065,593
Exercise of securities	(29,626)	(4,517)	(44,650)	(407,050)
Balance – end of period	1,035,792	2,905,239	971,389	2,909,756

Matamec Explorations Inc.

Notes to interim consolidated financial statements

For the three months ended March 31, 2011 and 2010

11. Cash flow information

	Three months ended March 31	
	2011	2010
	\$	\$
Changes in non-cash working capital items		
Decrease (increase) sales tax receivable	(103,424)	10,028
Increase of other receivables	(8,103)	-
Decrease of prepaid expenses	69,838	8,169
Increase (decrease) of accounts payable and accrued charges	(251,492)	143,953
	<u>(293,181)</u>	<u>162,150</u>
No-cash transactions		
Shares issued for the acquisition of mining properties	40,000	19,200
Cost of mining property included in trade accounts payable and accrued liabilities	70,770	396,426
Supplementary cash flow information		
Mining taxes received	-	61,469

For the three months ended March 31, 2011, the Company's investments in property, plant and equipment amounted to \$11,520 (2010 – \$7,523 in 2010). Also, the Company accrued refundable tax credits of \$196,868 (\$396,516 in 2010).