

KINGMAN RESOURCES INC.

Condensed Interim Financial Statements

March 31, 2011
(Unaudited)

*These condensed interim financial statements have not been
reviewed by the Company's auditors*

(Expressed in Canadian Dollars)

Kingsman Resources Inc.
Condensed Interim Statement of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current			
Cash	\$ 134,373	\$ 129,691	\$ 210,912
Term deposits (note 5)	-	-	-
GST/HST receivable	1,877	25,223	1,585
Income tax receivable	17,718	17,718	16,461
Due from related parties	4,031	6,233	-
	157,999	178,865	228,958
Reclamation deposit	35,000	35,000	35,000
Mineral Property Interests (note 6)	1,392,187	1,389,632	1,067,103
	\$ 1,585,186	\$ 1,603,497	\$ 1,331,061
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 13,766	\$ 16,462	\$ 27,652
Due to related parties	120,200	88,200	13,049
	133,966	104,662	40,701
Shareholders' Equity			
Capital Stock (note 8)	6,097,693	6,097,693	5,719,477
Contributed Surplus	448,249	448,249	394,722
Deficit	(1,451,220)	(5,047,107)	(4,823,839)
	1,451,186	1,498,835	1,290,360
	\$ 1,585,186	\$ 1,603,497	\$ 1,331,061

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

Kingsman Resources Inc.
Condensed Interim Statement of Comprehensive Loss
For the three months ended March 31
(Unaudited – Expressed in Canadian Dollars)

	2011	2010
Expenses		
Salaries and consulting fees	\$ 22,000	\$ 24,000
Accounting and legal	9,000	9,000
Transfer agent and filing fees	9,333	8,472
Investor communications	3,206	2,014
Office and miscellaneous	2,633	2,883
Travel	1,392	493
Bank charges and interest, net	51	-
Operating Expenses	47,615	46,862
Net Loss and Comprehensive Loss for the Period	47,615	46,862
Deficit, Beginning of Period	5,095,557	4,823,839
Deficit, End of Period	\$ 5,143,172	\$ 4,870,701
Basic and Diluted Loss Per Share	\$ 0.00	\$ 0.00
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	29,477,518	22,813,832

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

Kingsman Resources Inc.
Condensed Interim Statement of Changes in Equity
For the three months ended March 31, 2011
(Unaudited – Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
Balance, January 1, 2010	27,126,435	5,719,477	394,722	(4,823,839)	1,290,360
Net loss for period	-	-	-	(46,862)	(46,862)
Balance, March 31, 2010	27,126,435	\$ 5,719,477	\$ 394,722	\$ (4,870,701)	\$ 1,243,498
Private placement	5,140,000	386,291	-	-	386,291
Warrants exercised	45,000	4,500	-	-	4,500
Agent warrants exercised	100,000	14,200	(4,200)	-	10,000
Issuance of shares for mineral property interests	255,000	21,675	-	-	21,675
Stock based compensation	-	-	57,727	-	57,727
Net loss for period	-	-	-	(224,856)	(224,856)
Balance, December 31, 2010	32,666,435	6,146,143	448,249	(5,095,557)	1,498,835
Net loss for period	-	-	-	(47,615)	(47,615)
Balance, March 31, 2011	32,666,435	\$ 6,146,143	\$ 448,249	\$ (5,143,172)	\$ 1,451,220

Kingsman Resources Inc.
Condensed Interim Statement of Cash Flows
For the three months ended March 31
(Unaudited – Expressed in Canadian Dollars)

	2011	2010
Operating Activities		
Net loss	\$ (47,615)	\$ (46,862)
Changes in non-cash working capital		
HST / GST receivable	23,346	894
Due to/from related parties	34,202	-
Accounts payable and accrued liabilities	(2,696)	27,082
	54,852	27,976
Cash Used in Operating Activities	7,237	(18,886)
Investing Activities		
Resource property interests	(2,555)	(1,748)
Cash Provided by (Used in) Investing Activities	(2,555)	(1,748)
Inflow (Outflow) of Cash	4,682	(20,634)
Cash, Beginning of Period	129,691	210,912
Cash, End of Period	\$ 134,373	\$ 190,278
Supplemental Cash Flow Information		
Shares issued for resource property interests	\$ -	\$ -
Agent warrants issued	\$ -	\$ -
Provincial mining tax credit receivable excluded from resource property expenditures	\$ -	\$ -

Kingsman Resources Inc.
Notes to the Condensed Interim Statements
For the three months ended March 31, 2011
(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The condensed interim financial statements of Kingsman Resources Inc. (“Kingsman” or the “Company”) for the three months ended March 31, 2011 were authorized for issue in accordance with a resolution of the directors on June 21, 2011. Kingsman is a publicly listed company incorporated in British Columbia with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange-Venture. The Company is principally engaged in the acquisition, exploration, development and mining of mineral properties.

The head office, principal address and registered and records office of the Company are located at 3177 Westmount Place, West Vancouver, BC, Canada, V7V 3G4.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its investment in the International Basin Property, Luxor Moly Property or Pathfinder Property contains mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the amounts shown for the investment in the International Basin Property, Luxor Moly Property or Pathfinder Property is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the investment in the International Basin Property, Luxor Moly Property or Pathfinder Property, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition of the investment in the International Basin Property, Luxor Moly Property or Pathfinder Property.

2. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s first IFRS interim financial statements for the first quarter of the period covered by the Company’s first IFRS annual financial statements for the year ended December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”).

The condensed interim financial statements were prepared on a going concern basis, under the historical cost convention. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company’s operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the condensed financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest,
- The company's assessment as to whether any impairment exists in the valuation of its assets,
- The company's determination of valuation allowance for deferred tax assets,
- The company's determination of accrued liabilities, and
- The inputs used in accounting for share purchase options in the condensed interim statement of comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the condensed interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1. The impact of the transition from previous GAAP to IFRS is explained in note 14.

The accounting policies have been applied consistently throughout the Company for purposes of these condensed interim financial statements.

a. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less

b. Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months.

Kingsman Resources Inc.
Notes to the Condensed Interim Statements
For the three months ended March 31, 2011
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4. SIGNIFICANT ACCOUNTING POLICIES - Continued

c. Exploration and Evaluation costs

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to ‘Mines under construction’. No amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

d. Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company adopted a policy whereby the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax basis. A portion of the future income tax assets that were not previously recognized are recognized as a recovery of future income taxes in the statements of comprehensive loss up to the amount of the deferred tax liability upon renunciation.

e. Financial Instruments

i. Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are included in this category of financial assets.

Kingsman Resources Inc.
Notes to the Condensed Interim Statements
For the three months ended March 31, 2011
(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

e. Financial Instruments- continued

i. Financial assets

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. Loans and receivables comprise trade and other receivables.

- Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

ii. Financial liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period of maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable, other payables, deferred credits, and loans.

- Derivative Financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

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4. SIGNIFICANT ACCOUNTING POLICIES - Continued

f. Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

g. Income taxes

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that they will probably 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 tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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 and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

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4. SIGNIFICANT ACCOUNTING POLICIES - Continued

h. Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the agreement to issue shares was conducted.

i. Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

j. 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.

5. EXPLORATION AND EVALUATION ASSETS

The following is a description of the Company's most significant property interest and related spending commitments:

(a) International Basin Property

In 2007, the Company was granted an option to acquire a 100% interest in the International Basin Property located 35 kilometres south of Golden, British Columbia, in the Slocan and Golden Mining Divisions.

To maintain the option in good standing, the Company is required to make payments to the optionors and to perform exploration work on the International Basin Property according to the following schedule:

Date	Payment	Shares	Exploration Work
2007 – on approval	⁽¹⁾ \$ 20,000	⁽²⁾ 90,000	\$ -
2008 - by September 30	⁽¹⁾ 20,000	⁽²⁾ 90,000	⁽³⁾ 150,000
2009 - by September 30	⁽¹⁾ 30,000	⁽²⁾ 90,000	⁽⁴⁾ 150,000
2010 - by September 30	⁽¹⁾ 40,000	⁽²⁾ 90,000	⁽⁴⁾ 150,000
2011 - by September 30	40,000	90,000	400,000
	\$ 150,000	450,000	\$ 1,000,000

⁽¹⁾Paid ⁽²⁾Issued ⁽³⁾Completed ⁽⁴⁾80% Completed

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Notes to the Condensed Interim Statements
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(Unaudited – Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS - Continued

(b) International Basin Property – continued

The shortfall of the spending to be completed by September 30, 2010 will be carried forward to 2011 by agreement with the optionors.

Upon completion of a bankable feasibility study, the Company is obligated to issue an additional 200,000 common shares to the optionors of the property.

The optionors of the property retain a 2% net smelter returns royalty (“NSR”). The Company has the option to purchase 1% of the royalty for \$1,500,000.

(c) Luxor Moly Property

In 2007, the Company was granted an option to acquire a 100% interest in the Luxor Moly Property located 28 kilometres northeast of Barriere, British Columbia, in the Kamloops Mining Division.

To maintain the option in good standing, the Company is required to make payments to the optionors and to perform exploration work on the Luxor Moly Property according to the following schedule:

Date	Payment	Shares	Exploration Work
2007 – on approval	⁽¹⁾ \$ 10,000	⁽²⁾ 50,000	\$ -
2007 - by December 31	⁽¹⁾ 10,000	⁽²⁾ 50,000	⁽³⁾ 100,000
2008 - by December 31	⁽¹⁾ 20,000	⁽²⁾ 75,000	⁽³⁾ 100,000
2009 - by December 31	⁽¹⁾ 30,000	⁽²⁾ 100,000	⁽³⁾ 100,000
2010 - by December 31	⁽¹⁾ 30,000	⁽²⁾ 125,000	⁽³⁾ 100,000
2011 - by December 31	-	-	⁽³⁾ 100,000
	\$ 100,000	450,000	\$ 500,000

⁽¹⁾Paid ⁽²⁾Issued ⁽³⁾Completed

Completion of a bankable feasibility study obligates the Company to issue an additional 200,000 common shares to the optionors of the property. The optionors of the property retain a 2% NSR. The Company has the option to purchase 1% of the royalty for \$1,500,000.

(d) Pathfinder Property

In 2007, the Company was granted an option to acquire a 100% interest in the Pathfinder Property located 20 kilometres north of Grand Forks, British Columbia, in the Boundary Mining Division.

To maintain the option in good standing, the Company is required to make payments to the optionors and to perform exploration work on the Pathfinder Property according to the following schedule:

Kingsman Resources Inc.
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(Unaudited – Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS – Continued

(c) Pathfinder Property - continued

Date	Payment	Shares	Exploration Work
2007 – on approval	⁽¹⁾ \$ 5,000	⁽²⁾ 40,000	\$ -
2008 - by July 1	⁽¹⁾ 5,000	⁽²⁾ 40,000	⁽³⁾ 50,000
2009 - by July 1	⁽¹⁾ 5,000	⁽²⁾ 40,000	⁽³⁾ 50,000
2010 - by July 1	⁽¹⁾ 10,000	⁽²⁾ 40,000	⁽³⁾ 50,000
2011 - by July 1	10,000	40,000	⁽³⁾ 50,000
	\$ 35,000	200,000	\$ 200,000

⁽¹⁾Paid ⁽²⁾Issued ⁽³⁾Completed

Completion of a bankable feasibility study obligates the Company to issue an additional 200,000 common shares to the optionors of the property. The optionors of the property retain a 2% NSR. The Company has the option to purchase 1% of the royalty for \$1,500,000.

The following schedule shows the property spending for the three months ended March 31, 2011 and the year ended December 31, 2010:

	International Basin Property	Luxor Moly Property	Pathfinder Property	Total
Balance, December 31, 2009	294,094	485,312	287,697	1,067,103
Property acquisition costs				
Cash and shares	47,650	40,625	13,400	101,675
Staking and recording	9,308	203	-	9,511
Property exploration costs				
Assays and sampling	-	5,912	-	5,912
Drilling and trenching	-	216,683	-	216,683
Mapping and compilation	2,359	4,107	-	6,466
Provincial mining tax credits	-	(17,718)	-	(17,718)
Total costs for the year	59,317	249,812	13,400	322,529
Balance, December 31, 2010	\$ 353,411	\$ 735,124	\$ 301,097	\$ 1,389,632
Property exploration costs				
Drilling and trenching	-	1,300	-	1,300
Mapping and compilation	-	1,255	-	1,255
Total costs for the period	-	2,555	-	2,555
Balance, March 31, 2011	\$ 353,411	\$ 737,679	\$ 301,097	\$ 1,392,187

Kingsman Resources Inc.
Notes to the Condensed Interim Statements
For the three months ended March 31, 2011
(Unaudited – Expressed in Canadian Dollars)

6. SHARE CAPITAL

- (a) Authorized
Unlimited number without par value
- (b) Issued

	Shares	Amount
Balance, December 31, 2009	27,126,435	\$ 5,719,477
For resource property interests	255,000	21,675
Private placements, net of issue costs	5,140,000	386,291
Warrant exercise	45,000	4,500
Broker warrant exercise	100,000	14,200
Balance, December 31, 2010 and March 31, 2011	32,666,435	\$ 6,146,143

During the year ended December 31, 2010:

- (i) Pursuant to three resource property option agreements, 255,000 shares were issued at a fair value of \$0.085 per share.
- (ii) On November 4, 2010 the Company closed a non-brokered private placement of 5,140,000 units at a price of \$0.08 per unit. Each unit consists of one (1) common share of the Company and one (1) share purchase warrant. Each warrant entitles the holder to purchase one (1) additional common share of the Company for a period of twenty-four (24) months at an exercise price of \$0.15. The warrants expire October 28, 2012. All securities issued pursuant to the placement are subject to restrictions on resale to March 1, 2011. The Company incurred share issuance costs of \$24,909.
- (iii) During the year ended December 31, 2010, 45,000 warrants valued at \$0.10 were exercised for proceeds of \$4,500 and 100,000 broker warrants valued at \$0.10 were exercised for proceeds of \$10,000. \$4,200 contributed surplus was reclassified to the share capital upon the exercise of 100,000 broker warrants.
- (iv) During the year ended December 31, 2010, 3,400,000 flow through shares previously issued at \$0.05 per share were renounced.
- (c) Contributed surplus

	March 31, 2011	December 31, 2010
Balance, beginning of year	\$ 448,249	\$ 394,722
Stock-based compensation	-	57,727
Fair value of broker warrants exercised	-	(4,200)
Balance, end of period	\$ 448,249	\$ 448,249

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6. SHARE CAPITAL - Continued

(d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	March 31, 2011		December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	8,995,000	\$ 0.13	3,900,000	\$ 0.10
Issued	-	-	5,140,000	\$ 0.15
Exercised	-	-	(45,000)	\$ 0.10
Outstanding, end of period	8,995,000	\$ 0.13	8,995,000	\$ 0.13

The following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants	
		March 31, 2011	December 31, 2010
June 29, 2011	\$ 0.10	3,855,000	3,855,000
October 28, 2012	\$ 0.15	5,140,000	5,140,000
		8,995,000	8,995,000
Weighted average outstanding life of warrants		1.01 years	1.25 years

(e) Agents Warrants

Agent's warrants transactions and the number of agent's warrants outstanding are summarized as follows:

	March 31, 2011		December 31, 2010	
	Number Of Agent's Warrants	Weighted Average Exercise Price	Number Of Agent's Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	80,000	\$ 0.10	180,000	\$ 0.10
Exercised	-	-	(100,000)	\$ 0.10
Outstanding, end of period	80,000	\$ 0.10	80,000	\$ 0.10

The following agent's warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Agent's Warrants	
		March 31, 2011	December 31, 2010
June 29, 2011	\$ 0.10	80,000	80,000
		80,000	80,000
Weighted average outstanding life of warrants		0.25 years	0.49 years

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7. SHARE-BASED PAYMENTS

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the TSX Venture Exchange. The expiry date for each option should be for a maximum term of five years.

Options granted to consultants not engaged in investor relations activities are granted for past services and vest immediately. Options granted to investor relations consultants vest according to TSX Venture Exchange policy.

The following is a summary of option transactions under the Company's stock option plan for the three months ended March 31, 2011 and the year ended December 31, 2010:

	March 31, 2011		December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	2,730,000	\$ 0.11	1,400,000	\$ 0.12
Granted	-	-	1,330,000	\$ 0.10
Expired	-	-	-	-
Outstanding and exercisable, end of period	2,730,000	\$ 0.11	2,730,000	\$ 0.11

The following table summarizes information about stock options outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options	
		March 31, 2011	December 31, 2010
June 11, 2013	\$ 0.13	800,000	800,000
May 22, 2014	\$ 0.10	600,000	600,000
August 10, 2015	\$ 0.10	1,330,000	1,330,000
		2,730,000	2,730,000
Weighted average outstanding life of options		3.46 years	3.71 years

The Company applies the fair value method in accounting for its stock options. Stock options granted during the three months ended March 31, 2011 resulted in stock-based compensation of \$nil (2010 - \$57,727) of which \$nil (2010 - \$nil) was capitalized to resource property interests. Of the compensation charged to operations, \$nil (2010 - \$31,251) relates to options granted to directors and \$nil (2010 - \$26,476) relates to options granted to employees and consultants.

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7. SHARE-BASED PAYMENTS - Continued

The fair value of options granted was determined using the Black-Scholes option pricing model, and the following weighted average assumptions:

:

	2011	2010
Risk-free interest rate	n/a	2.21%
Expected life of options (years)	n/a	5 years
Annualized volatility	n/a	123.77%
Dividends	n/a	0.00%
Expected annual forfeitures	n/a	0.00%
Fair value of stock	n/a	\$0.04

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

8. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic loss per share for the three months ended March 31, 2011 was based on the loss attributable to common shareholders of \$47,615 (2010 - \$223,268) and the weighted average number of common shares outstanding of 29,477,518 (2010 – 28,125,764) respectively.

Diluted loss per share did not include the effect of 2,730,000 stock options (2010 – 2,730,000), 8,995,000 warrants (2010 – 8,995,000), and 80,000 agent’s warrants (2010 – 80,000) as they are anti-dilutive.

9. RELATED PARTY TRANSACTIONS

The Company incurred the following fees and expenses in the normal course of operations.

Transactions	Three month periods ended March 31,	
	2011	2010
Salaries and consulting fees	22,000	22,000
Office expenses	2,500	2,500
Total	24,500	24,500
Related party balances		
Payable	120,200	32,076
Receivable	4,031	-

The amounts payable to directors of the Company represent non-interest bearing loans the Company borrowed from the directors. The loans are uncollateralized and are repayable on demand.

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10. SUBSEQUENT EVENTS UP TO JUNE 21, 2011

On May 18, 2011 the Company announced it has requested an amendment to their 2008 exploration permit from Cranbrook MEMPR, to helicopter diamond drill 1000 meters. The current planned drill program is designed to test the lateral and downdip continuity of some of the better mineralized veins and vein systems.

11. FIRST TIME ADOPTION OF IFRS

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

The accounting policies in Note 4 have been applied as follows:

- in preparing the condensed interim financial statements for the three months ended March 31, 2011;
- the comparative information for the three months ended March 31, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the three months ended March 31, 2010 and the financial statements for the year ended December 31, 2010 in accordance with IFRS 1 *First-time Adoption of international Financial Reporting Standards (IFRS 1)*, the Company applied the following optional exemptions from full retrospective application of IFRS.

- (a) Share-based payment transactions

The Company elected to use the IFRS 1 exemption whereby the liabilities for share-based payments that had vested or settled prior to January 1, 2010 were not required to be retrospectively restated.

IFRS requires the presentation of a reconciliation of statement of financial position, comprehensive loss and cash flows for prior period. The following represents the reconciliations from CAGAAP to IFRS for respective period of statements of financial position, comprehensive loss and cash flows:

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Reconciliation of Assets, Liabilities and Equity

	<u>As at January 1, 2010</u>			<u>As at March 31, 2010</u>			<u>As at December 31, 2010</u>		
	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS
ASSETS									
Non-current assets									
Reclamation Deposit	35,000	-	35,000	35,000	-	35,000	35,000	-	35,000
Mineral properties	1,067,103	-	1,067,103	1,068,851	-	1,068,851	1,389,632	-	1,389,632
	<u>1,102,103</u>	<u>-</u>	<u>1,102,103</u>	<u>1,103,851</u>	<u>-</u>	<u>1,103,851</u>	<u>1,424,632</u>	<u>-</u>	<u>1,424,632</u>
Current assets									
Prepaid expenses	-	-	-	-	-	-	6,233	-	6,233
Mining tax credit receivable	16,461	-	16,461	-	-	-	17,718	-	17,718
GST/HST receivable	1,585	-	1,585	17,152	-	17,152	25,223	-	25,223
Cash and cash equivalents	210,912	-	210,912	190,278	-	190,278	129,691	-	129,691
	<u>228,958</u>	<u>-</u>	<u>228,958</u>	<u>207,430</u>	<u>-</u>	<u>207,430</u>	<u>178,865</u>	<u>-</u>	<u>178,865</u>
TOTAL ASSETS	<u>1,331,061</u>	<u>-</u>	<u>1,331,061</u>	<u>1,311,281</u>	<u>-</u>	<u>1,311,281</u>	<u>1,603,497</u>	<u>-</u>	<u>1,603,497</u>

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Reconciliation of Assets, Liabilities and Equity

	<u>As at January 1, 2010</u>			<u>As at March 31, 2010</u>			<u>As at December 31, 2010</u>		
	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS (1)	IFRS
EQUITY									
Share Capital	5,719,477	-	5,719,477	5,719,477	-	5,719,477	6,097,693	48,450	6,146,143
Contributed surplus	394,722		394,722	394,722	-	394,722	448,249	-	448,249
Deficit	(4,823,839)	-	(4,823,839)	(4,870,701)	-	(4,870,701)	(5,047,107)	(48,450)	(5,095,557)
	1,290,360	-	1,290,360	1,243,498	-	1,243,498	1,498,835	-	1,498,835
LIABILITIES									
Due to related parties	13,049	-	13,049	-	-	-	-	-	-
Accounts payable and accrued liabilities	27,652	-	27,652	67,783	-	67,783	104,662	-	104,662
	40,701	-	40,701	67,783	-	67,783	104,662	-	104,662
TOTAL EQUITY AND LIABILITIES	1,331,061	-	1,331,061	1,311,281	-	1,311,281	1,603,497	-	1,603,497

(1) Under CAGAAP, the Company recorded a tax impact on renouncement of flow-through shares through a decrease in capital stock and the recognition of a future income tax liability, where a portion of the future income tax assets that were not previously recognized are recognized as a recovery of future income taxes in the statements of operations up to the amount of the future income tax liability. Under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made. As there is no premium paid upon the issuance of flow-through shares, \$nil is allocated to other liability and the Company debits previously recorded income tax recovery and credits share capital by \$48,450 in reconciling CAGAAP to IFRS.

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Reconciliation of Comprehensive Loss

	<u>Three Months Ended March 31, 2010</u>			<u>Year Ended December 31, 2010</u>			
	note	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS (1)	IFRS
Expenses							
Salaries and consulting fees		24,000	-	24,000	91,800	-	91,800
Stock based compensation		-	-	-	57,727	-	57,727
Accounting and legal		9,000	-	9,000	52,848	-	52,848
Investor relations		2,014	-	2,014	17,269	-	17,269
Travel		493	-	493	12,320	-	12,320
Office		2,883	-	2,883	17,043	-	17,043
Insurance		-	-	-	3,693	-	3,693
Transfer agent and filing fees		8,472	-	8,472	19,023	-	19,023
Interest, net		-	-	-	(5)	-	(5)
		67,783	-	67,783	271,718	-	271,718
Future income tax recovery		-	-	-	(48,450)	48,450	-
Net Loss and comprehensive loss		67,783	-	67,783	223,268	48,450	271,718

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Reconciliation of Cash Flows

	<u>Three Months Ended March 31, 2010</u>			<u>Year Ended December 31, 2010</u>			
	note	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS (1)	IFRS
Operating Activities							
Net loss		(46,862)	-	-	(223,268)	(48,450)	(271,718)
Item not involving cash							
Future income tax recovery		-	-	-	(48,450)	48,450	-
Stock-based compensation		-	-	-	57,727	-	57,727
		(46,862)	-	-	(213,991)	-	(213,991)
Changes in non-cash working capital							
HST / GST receivable		894	-	894	(23,638)	-	-
Prepaid expenses		-	-	-	(6,233)	-	-
Due to related parties		-	-	-	(13,049)	-	-
Accounts payable and accrued liabilities		27,082	-	27,082	76,673	-	-
		27,976	-	27,976	33,753	-	33,753
Cash Used in Operating Activities		(18,886)	-	(18,886)	(180,238)	-	(180,238)
Investing Activities							
Short-term investments		-	-	-	-	-	-
Resource property interests		(1,748)	-	(1,748)	(302,111)	-	(302,111)
Reclamation bonds		-	-	-	-	-	-
Cash Provided by (Used in) Investing Activities		(1,748)	-	(1,748)	(302,111)	-	(302,111)
Financing Activity							
Net proceeds from share issuance		-	-	-	401,128	-	401,128
Cash Provided by (Used in) Financing Activities		-	-	-	401,128	-	401,128
Inflow (Outflow) of Cash		(20,634)	-	(20,634)	(81,221)	-	(81,221)
Cash, Beginning of Period		210,912	-	210,912	210,912	-	210,912
Cash, End of Period		190,278	-	190,278	129,691	-	129,691