SHANE RESOURCES LTD.
Suite 212 – 116 Research Drive
Saskatoon, SK
S7N 3R3

SHANE RESOURCES LTD.

Unaudited Condensed Interim Financial Statements

for the six months ended June 30, 2011

SHANE RESOURCES LTD.

UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT

	June 30, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current			
Cash and equivalents	$ 77,636	$ 115,970	$ 276,533
Marketable securities (cost $1,250, $29,017 and $1,250 respectively)	2,917	3,255	31
Receivables	17,911	58,368	28,800
Prepaid expenses	4,292	15,144	17,165
	102,756	192,737	322,529
Property and equipment (Note 5)	-	-	1,862
Exploration and evaluation assets (Note 6)	435,100	435,100	435,100
	$ 537,856	$ 627,837	$ 759,491
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ 1,806	$ 22,264	$ 40,510
	1,806	22,264	40,510
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	6,670,238	6,670,238	6,670,238
Other equity reserve (Note 7)	502,503	502,503	360,680
Deficit	(6,636,691)	(6,567,168)	(6,311,937)
	536,050	605,573	718,981
	$ 537,856	$ 627,837	$ 759,491

Going concern (Note 1)
Measurement uncertainty (Note 6)
The accompanying notes are an integral part of the financial statements.

Approved and authorized by the Board on August 26, 2011:

"KYLE KOZUSKA"
Director

"MICHAEL DER"
Director

SHANE RESOURCES LTD.

UNAUDITED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30,

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Administration costs	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortization	$ -	$ 82	$ -	$ 164
Bank charges	231	193	431	415
Filing fees	5,095	5,190	12,842	12,985
Insurance	3,881	3,750	7,762	7,500
Management and consulting fees	19,150	18,750	28,300	37,500
Office expense	2,349	1,297	6,456	2,336
Premises expense	4,150	3,150	6,300	6,300
Professional fees	5,267	3,944	10,391	4,738
Promotion	1,545	2,535	3,090	5,140
Stock based compensation	-	-	-	65,000
Telecommunications	400	565	1,009	1,006
Transfer agent	674	626	5,616	3,175
Travel and accommodation	838	255	988	461
Operating costs for the period	(43,580)	(40,337)	(83,185)	(146,720)
Interest income	-	24	-	24
Other income	7,000	19,500	14,000	39,000
Gain (loss) on marketable securities	29	(11,258)	(338)	(15,278)
Write down of property and equipment	-	-	-	(773)
Net loss and comprehensive loss for the period	(36,551)	(32,071)	(69,523)	(123,747)
Deficit, beginning of the period	(6,600,140)	(6,403,613)	(6,567,168)	(6,311,937)
Deficit, end of period	$ (6,636,691)	$ (6,435,684)	$ (6,636,691)	$ (6,435,684)
Loss per share - basic and diluted	$ (0.001)	$ (0.001)	$ (0.003)	$ (0.005)
Weighted average common shares	26,240,750	26,240,750	26,240,750	26,240,750

The accompanying notes are an integral part of the financial statements.

SHANE RESOURCES LTD.

UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30,

	For the six months ended June 30, 2011 (unaudited)	June 30, 2010 (unaudited)
Cash flows used in operating activities		
Net loss for the period	$ (69,523)	$ (123,747)
Items not involving cash:		
Amortization	-	164
Stock-based compensation	-	65,000
Unrealized loss on marketable securities	338	15,278
Write-off of property and equipment	-	773
Non-cash working capital item changes:		
Receivables	40,457	11,331
Prepaid expenses	10,852	12,570
Payables and accrued liabilities	(20,458)	(38,250)
	(38,334)	(56,881)
Cash flows used in investing activities		
Purchase of marketable securities	-	(28,000)
	-	(28,000)
Decrease in cash and equivalents	(38,334)	(84,881)
Cash and equivalents, beginning of period	115,970	276,533
Cash and equivalents, end of period	$ 77,636	$ 191,652
Cash and equivalents comprised of:		
Cash	$ 77,636	$ 191,652

There were no non-cash transactions for the six months ending June 30, 2011 and 2010.
There were no non-cash transactions for the years ended December 31, 2010 and 2009.
The accompanying notes are an integral part of the financial statements.

SHANE RESOURCES LTD.

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	Number of Shares	Share Capital	Other Equity Reserve	Accumulated Deficit	Total Equity
Balance December 31, 2009 and January 1, 2010	**26,240,750**	**$ 6,670,238**	**$ 360,680**	**$ (6,311,937)**	**$ 718,981**
Loss for the period	-	-	-	(123,747)	(123,747)
Stock-based compensation	-	-	65,000	-	65,000
Balance June 30, 2010	**26,240,750**	**6,670,238**	**425,680**	**(6,435,684)**	**660,234**
Loss for the period	-	-	-	(131,484)	(131,484)
Stock-based compensation	-	-	76,823	-	76,823
Balance December 31, 2010	**26,240,750**	**6,670,238**	**502,503**	**(6,567,168)**	**605,573**
Loss for the period	-	-	-	(69,523)	(69,523)
Balance June 30, 2011	**26,240,750**	**6,670,238**	**502,503**	**(6,636,691)**	**536,050**

The accompanying notes are an integral part of the financial statements.

1. Going Concern

These condensed interim financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional equity financing. However, the low price of the Company's common shares makes it difficult to raise funds by private placements of shares.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. Nature of Operations

Shane Resources Ltd. is a corporation continued under the laws of Saskatchewan and has its Common Shares listed on the TSX Venture Exchange.

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain ore reserves which are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production from the properties of proceeds from disposition.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

3. Basis of Preparation

These condensed financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*. The condensed financial statements have been

3. Basis of Preparation (cont'd…)

prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). The accounting policies set out below have been applied consistently in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 10.

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The recoverability of receivables which are included in the condensed interim statements of financial position.

ii) The carrying value and the recoverability of mineral properties, which are included in the condensed interim statements of financial position.

iii) Estimates used in the calculation of share-based payments.

iv) The valuation allowance applied to deferred tax assets.

v) The estimated useful lives of equipment which are included in the statements of financial position and the related amortization included in the statements of comprehensive loss.

4. Significant Accounting Policies

Financial instruments

<u>Financial assets</u>

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

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred

4. Significant Accounting Policies (cont'd…)

Financial instruments (cont'd…)

principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

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

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

Financial liabilities

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

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and equivalents and marketable securities as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

4. Significant Accounting Policies (cont'd…)

Exploration and evaluation assets

Costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

Property and equipment

Property and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Exploration equipment	20%

4. Significant Accounting Policies (cont'd…)

Property and equipment (cont'd…)

Property and equipment that is withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Assets measured at historical cost less accumulated amortization and impairment losses. Amortization is charged on the declining balance basis over the useful lives of these assets. Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Cash and equivalents

Cash and equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Loss per share

The Company presents basic loss per share 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. Diluted loss per share does not adjust the loss attributable to common shareholders or the

4. Significant Accounting Policies (cont'd…)

Loss per share (cont'd…)

weighted average number of common shares outstanding when the effect is anti-dilutive.

Share based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

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 period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position 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 or taxable loss; nor differences relating to investments in subsidiaries 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 balance sheet date.

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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

4. Significant Accounting Policies (cont'd…)

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credit to other liabilities and included income at the same time the qualifying expenditures are made.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

Comprehensive Loss

Comprehensive loss reflects net loss and other comprehensive loss for the year. Other comprehensive loss includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

New Standards and Interpretations not yet adopted:

Effective January 1, 2013, the Company will be required to adopt IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classifications categories: amortized cost and fair value.

5. Property and equipment

Property and equipment consists of the following:

5. Property and equipment (cont'd…)

	Cost	Write-down	Accumulated Amortization	Net book value June 30, 2011, and December 31, 2010
Computer and office equipment	$ 8,791	$ 762	$ 8,029	$ -
Exploration equipment	2,454	619	1,835	-
	$ 11,245	$ 1,381	$ 9,864	$ -

	Cost	Write-down	Accumulated Amortization	Net book value January 1, 2010
Computer and office equipment	$ 8,791	$ -	$ 7,702	$ 1,089
Exploration equipment	2,454	-	1,681	773
	$ 11,245	$ -	$ 9,383	$ 1,862

During the year ended December 31, 2010, the Company wrote off all of its property and equipment.

6. Exploration and evaluation assets

The Company has acquired certain exploration and evaluation assets, the costs of which are as follows:

6. Exploration and evaluation assets (cont'd…)

	Brownell Lake	Munroe Lake	Pine East	Total
Balance January 1, 2010, December 31, 2010 and June 30, 2011	**$ 98,012**	**$ 172**	**$ 336,916**	**$ 435,100**

Cumulative Totals	Brownell Lake	Munroe Lake	Pine East	Total
Acquisition costs	$ 39,202	$ 172	$ 78,149	$ 117,523
Drilling	58,810	-	258,767	317,577
Balance June 30, 2011	**98,012**	**172**	**336,916**	**435,100**

A. Brownell Lake

The Company owns a 100% interest in 2 claims in the Brownell Lake area of Saskatchewan. The property hosts a long zone of Copper-zinc mineralization which has been explored by several companies.

B. Munroe Lake

The Company owns an 8% interest in the Munroe Lake area of Saskatchewan. The property was optioned to Wescan Gold Fields Inc., which deals with the Company on an arm's length basis, and which earned a 92% interest in the property by spending $246,627 on the property in 2008. No exploration activities have been conducted on the property.

C. Pine East

The Company owns a minimum 49% interest in this property, known as "Pine East" and Claude Resources Inc. ("Claude") owns a minimum 30% interest in the property, with the remaining interest subject to the terms of an option agreement dated June 7, 1999 (as amended). To date the Company has conducted a prospecting, stripping and trenching program on the property and Claude has conducted drill programs on this property.

Measurement Uncertainty

The Company has not experienced any property specific adverse impact to date on its operations but has had difficulty in raising sufficient equity capital to effectively explore or develop the Company's mineral property interests.

6. Exploration and evaluation assets (cont'd…)

Measurement Uncertainty (cont'd)

One or more of the issues described, or other factors beyond management's control, in future periods could adversely affect the Company's operations and could result in future potential or total write downs of the Company's recorded mineral property total interest of $435,100 as at June 30, 2011. Such write-down amounts could be material.

7. Share Capital and Other Equity Reserve

The Company did not issue any shares during the periods ending June 30, 2011, December 31, 2010 and January 1, 2010.

The authorized share capital of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series. As at June 30, 2011, the Company had 26,240,750 common shares outstanding, of which 150,000 (2010 – 150,000) were held in escrow.

Stock Options

The Company has established a stock-based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. Unless otherwise determined by the board of directors of the Company (the "Board"), the exercise price of options equals at least the closing price of the Common Shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term in accordance with TSX Venture Exchange policy.

A summary of the status of the Company incentive stock option plan as at June 30, 2011 is as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding January 1, 2010	600,000	0.50
Granted	1,300,000	0.11
Cancelled	(150,000)	0.50
Outstanding December 31, 2010 and June 30, 2011	1,750,000	0.21
Exercisable, June 30, 2011	1,750,000	0.21

7. Share Capital and Other Equity Reserve (cont'd…)

Stock Options (cont'd…)

Number of Shares Under Option	Exercise Price $	Expiry Date
150,000	0.25	December 18, 2012
150,000	0.50	December 18, 2012
150,000	0.75	December 18, 2012
1,300,000	0.11	January 15, 2020
1,750,000		

Options Granted

During the six months ended June 30, 2011 the Company granted no options. (June 30, 2010 – 1,300,000) The weighted average value of options granted in the period was $Nil (June 30, 2010 - $0.05). The Company recorded $Nil (June 30, 2010 - $65,000) in stock-based compensation expense on these options.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	June 30 2011	June 30 2010
Risk-free interest rate	N/A	3.37%
Expected life of options	N/A	10 years
Annualized volatility	N/A	215%
Expected forfeitures	N/A	0%
Dividend rate	N/A	0%

Warrants

The Company had no outstanding share purchase warrants as at June 30, 2011, December 31, 2010 and January 1, 2010.

8. Related Party Transactions

During the six months ended June 30, 2011 the Company incurred charges from directors or companies sharing common directors as follows:

	2011	2010
Management and consulting fees	$ 28,300	$ 37,500
Office expenses	2,232	2,146
Premises expense	6,000	6,000
Professional fees	-	1,588
Stock-based compensation	-	65,000
Travel	606	461
	$ 37,138	$ 112,695

During the period the Company received funds from companies sharing common directors as follows:

	2011	**2010**
Management and office administrative income	$14,000	$39,000

The related parties refer to BlackSun Inc. of which a director is an employee.

As at June 30, 2011, accounts payable and accrued liabilities is $nil (December 31, 2010 - $2,678, January 1, 2010 - $Nil) owing for professional fees to a limited liability partnership of which a director is an employee.

As at June 30, 2011 the accounts receivable includes $7,825 (December 31, 2010 - $30,713, January 1, 2010 - $10,238) due from United Uranium Corp. and $7,588 (December 31, 2010 - $27,300, January 1, 2010 $17,064) from Star Uranium Corp; companies sharing common directors.

The amounts charged to and from the Company for the services provided have been determined by negotiations among the parties. These transactions were in the normal course of operations and were measured at the exchange value which represented the amounts of consideration established and agreed by the related parties.

The amounts due to and from the related parties are non-interest bearing, with no fixed terms of repayment. The fair values of the amounts due to and from the related parties cannot be determined as there are no specific terms of repayment.

9. Financial and Capital Risk Management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair

9. Financial and Capital Risk Management (cont'd…)

value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, approximate carrying value, which is the amount payable on the statement of financial position. The Company's other financial instruments, cash and equivalents, and marketable securities, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and equivalents are all held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset-backed commercial paper.

The Company's accounts receivable consist mainly of receivables from related companies and GST/HST receivable due from the government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company endeavors to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligation.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

9. Financial and Capital Risk Management (cont'd…)

Market risk (cont'd)

a) Interest rate risk

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

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term nvestments included in cash and cash equivalents is minimal because these investments roll over daily.

b) Foreign currency risk

As at June 30, 2011, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The carrying amount of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. The Company does not have significant exposure to changing interest rates.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash and equivalent balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

9. Financial and Capital Risk Management (cont'd…)

Capital management (cont'd)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

The Company's objectives in managing its capital are to ensure the Company's ability to continue as a going concern to meet its capital expenditures in the exploration of its claims and to maintain a flexible capital structure of equity and debt financing to optimize the costs of capital with minimal risks. In the management of capital, the Company considers components of shareholder's equity and cash and equivalents to be capital.

The Company manages its capital structure with ongoing reviews and will modify the structure in light of economic conditions and operating environments. In adjusting its capital structure, the Company may need to issue new shares or debt instruments, bring in joint venture partners or make changes to its strategic investment assets.

To manage its capital, the Company prepares annual capital and operational budgets which are updated as necessary to account for changes the risk factors in the mining industry and economic conditions in the jurisdiction the Company operates.

There were no changes to the Company's approach to capital management during the period ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

10. First Time Adoption of IFRS

As stated in Note 3, these financial statements are for the period covered by the Company's second interim unaudited condensed financial statements prepared in accordance with IFRS. The accounting policies in Note 4 have been applied in preparing the condensed financial statements for the year ended December 31, 2010, and the opening IFRS statements of financial position as at January 1, 2010 (the "Transition Date").

In preparing the opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemption:

a) to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of financial position as at January 1, 2010, June 30, 2010, and December 31, 2010.

10. First Time Adoption of IFRS (cont'd)

There are also no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of comprehensive loss or cash flows for the periods ended June 30, 2010 or the year ended December 31, 2010.

11. Comparative Figures

Certain 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2011.