Lions Gate Metals Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three and six month periods ended June 30, 2011

CONTENTS

Expressed in Canadian Dollars

	June 30, 2011 $	December 31, 2010 $
Assets		
Current assets		
Cash and cash equivalents	**4,150,360**	367,713
Available-for-sale investments (Note 5)	**149,941**	145,400
Amounts receivable	**107,476**	121,800
Prepaid expenses	**90,032**	161,211
Total current assets	**4,497,809**	796,124
Non-current assets		
Loan receivable (Note 6)	**1**	1
Reclamation deposits (Notes 7 and 9)	**44,098**	44,002
Property, plant and equipment (Note 8)	**17,389**	-
Exploration and evaluation assets (Note 9)	**6,868,736**	5,231,629
Total non-current assets	**6,930,224**	5,275,632
Total assets	**11,428,033**	6,071,756
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**165,489**	198,393
Due to related parties	**-**	7,560
Other liabilities (Note 10)	**84,211**	-
Total current liabilities	**249,700**	205,953
Total liabilities	**249,700**	205,953
Shareholders' equity		
Share capital (Note 11)	**20,287,493**	15,819,452
Share purchase warrants (Note 11)	**3,166,114**	1,902,699
Contributed surplus (Note 11)	**2,222,515**	1,630,073
Accumulated other comprehensive loss/income	**98,698**	1,851
Accumulated deficit	**(14,596,487)**	(13,488,272)
Total shareholders' equity	**11,178,333**	5,865,803
Total liabilities and shareholders' equity	**11,428,033**	6,071,756

Expressed in Canadian Dollars

	Three Months Ended		Six Months Ended	
	June 30, 2011 $	June 30, 2010 $	June 30, 2011 $	June 30, 2010 $
Interest and other income	**4,370**	-	**4,466**	-
Expenses				
Accounting and audit	**23,282**	862	**31,920**	9,070
Advertising and promotion	**31,600**	1,309	**46,233**	33,153
Amortization (Note 8)	**4,815**	-	**4,815**	-
Bank charges and interest	**738**	220	**1,835**	1,110
Conferences and trade shows	**10,398**	-	**21,385**	2,390
Consulting and management fees (Note 13)	**39,500**	130,266	**96,475**	255,336
Director fees	**3,750**	-	**3,750**	25,250
Filing and transfer agent fees	**7,625**	(19,888)	**21,387**	23,302
General exploration	**-**	-	**2,750**	-
Insurance	**5,900**	5,858	**11,653**	11,653
Investor relations	**21,264**	-	**26,264**	-
Legal	**25,056**	36,269	**65,435**	137,753
Office, rent and telephone (Note 13)	**35,837**	27,744	**65,478**	60,201
Salaries and benefits	**63,628**	-	**106,547**	-
Stock based compensation	**146,074**	-	**544,409**	126,561
Travel and accommodation	**6,538**	246	**37,625**	28,784
Total expenses	**426,005**	182,886	**1,087,961**	714,563
Loss before undernoted items	**(421,635)**	(182,886)	**(1,083,495)**	(714,563)
Other income (expense)				
Interest expense	**-**	-	**(2,700)**	-
Write down of mineral property interests	**-**	(5,146)	**(2,050)**	(5,146)
Recovery of loan	**-**	-	**98,420**	-
Loss on sale of securities	**-**	(13,511)	**(115,847)**	(13,511)
Foreign exchange	**(154)**	133	**(2,543)**	(981)
Loss for the period	**(421,789)**	(201,410)	**(1,108,215)**	(734,201)
Other comprehensive income				
Fair value gains/(losses) on available-for-sale investments	**(22,225)**	(129,106)	**96,847**	(391,146)
Total other comprehensive income	**(22,225)**	(129,106)	**96,847**	(391,146)
Total comprehensive loss for the period	**(444,014)**	(330,516)	**(1,011,368)**	(1,125,347)
Loss per common share, basic and diluted (Note 15)	**(0.02)**	(0.03)	**(0.05)**	(0.11)

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

Expressed in Canadian Dollars

	Share capital $	Share purchase warrants $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance at January 1, 2010	**12,096,545**	**1,687,299**	**1,617,893**	**68,171**	**(11,918,547)**	**3,551,361**
Loss for the period	-	-	-	-	(734,201)	(734,201)
Stock options issued	-	-	126,561	-	-	126,561
Options exercised	213,400	-	-	-	-	213,400
Exercised options reversal	123,422	-	(123,422)	-	-	-
Private placement – flow-through	1,080,000	-	-	-	-	1,080,000
Share issue costs	(104,820)	-	-	-	-	(104,820)
Change in fair value of investments	-	-	-	(391,147)	-	(391,147)
Balance at June 30, 2010	**13,408,547**	**1,687,299**	**1,621,032**	**(322,976)**	**(12,652,748)**	**3,741,154**
Loss for the period	-	-	-	-	(835,524)	(835,524)
Private placements	34,600	-	-	-	-	34,600
Mineral property interest issuances	2,414,000	-	-	-	-	2,414,000
Share issue costs	(37,695)	-	-	-	-	(37,695)
Private placement - warrants	-	215,400	-	-	-	215,400
Stock options issued	-	-	9,041	-	-	9,041
Write down of investments	-	-	-	(147,424)	-	(147,424)
Change in fair value of loan & interest	-	-	-	4,870	-	4,870
(Loss) Gain on sale of investments	-	-	-	(72,833)	-	(72,833)
Change in fair value of investments	-	-	-	540,214	-	540,214
Balance at December 31, 2010	**15,819,452**	**1,902,699**	**1,630,073**	**1,851**	**(13,488,272)**	**5,865,803**
Loss for the period	-	-	-	-	(1,108,215)	(1,108,215)
Private placement	5,031,200	-	-	-	-	5,031,200
Flow-through share issuance	1,000,000	-	-	-	-	1,000,000
Flow-through liability allocation	(84,211)	-	-	-	-	(84,211)
Stock options issued	-	-	592,442	-	-	592,442
Warrants issued	(1,263,415)	1,263,415	-	-	-	-
Mineral property interest issuances	70,625	-	-	-	-	70,625
Share issue costs	(286,158)	-	-	-	-	(286,158)
Change in fair value of investments	-	-	-	96,847	-	96,847
Balance at June 30, 2011	**20,287,493**	**3,166,114**	**2,222,515**	**98,698**	**(14,596,487)**	**11,178,333**

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

Expressed in Canadian Dollars

	Six Months Ended	
	June 30, 2011 $	**June 30, 2010 $**
Cash flows from operating activities		
Loss for the period	**(1,108,215)**	(734,201)
Adjustments to reconcile loss to net cash used in operating activities:		
Foreign exchange loss	**2,543**	981
Stock based compensation	**544,409**	126,561
Loss (Gain) on sale of available-for-sale investments	**115,847**	13,511
Writedown of mineral property interests	**2,050**	5,146
Amortization	**4,815**	-
Net change in non-cash working capital balances	**(98,568)**	72,118
Total cash outflows from operating activities	**(537,119)**	(515,884)
Cash flows from investing activities		
Acquisition of exploration and evaluation assets	**(1,379,532)**	(117,157)
Acquisition of property, plant and equipment	**(22,204)**	-
Purchase of reclamation bond	**-**	(32,000)
Proceeds from sale of available-for-sale investments	**105,275**	5,000
Acquisition of available-for-sale investments for cash	**(128,815)**	-
Total cash outflows from investing activities	**(1,425,276)**	(144,157)
Cash flows from financing activities		
Proceeds from common share issuance	**5,031,200**	-
Proceeds from flow-through share issuance	**1,000,000**	1,080,000
Proceeds from the exercise of options	**-**	213,400
Payments of share issuance costs	**(286,158)**	(104,820)
Total cash inflows from financing activities	**5,745,042**	1,188,580
Total increase in cash during the period	**3,782,647**	528,539
Cash and cash equivalents at beginning of period	**367,713**	569,470
Cash and cash equivalents at end of period	**4,150,360**	1,098,009
Supplemental cash flow information		
Income taxes paid	**-**	-
Interest paid	(2,700)	-

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

1. NATURE OF OPERATIONS

Lions Gate Metals (the "Company") was incorporated under the Canada Business Corporations Act on March 28, 1980, and has continued as a company under the Business Corporations Act of British Columbia. The common shares of the Company are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "LGM", as a Tier 1 mining issuer. The Company is in the process of exploring its mineral property interests and has not yet determined whether these property interests contain reserves that are economically recoverable.

The Company has not generated revenue from operations. The Company incurred a net loss of $1,108,215 during the six months ended June 30, 2011 and, as of that date the Company's deficit was $14,596,487. However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. Accordingly, the Company's condensed consolidated interim financial statements are presented on a going concern basis, which assume that the Company will continue to realize its assets and discharge its liabilities in the normal course of business.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for mineral property interests and their related deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The address of the Company's corporate office and principal place of business is #880 – 609 Granville Street, Vancouver, British Columbia, Canada.

2. BASIS OF PREPARATION

a) **Statement of Compliance**

The consolidated financial statements of the Company for the year ending December 31, 2011 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). These condensed consolidated interim financial statements for the six month period ended June 30, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. As these condensed consolidated interim financial statements are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements.

The June 30, 2011 condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 25, 2011.

b) **Basis of Measurement**

The condensed consolidated interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company has adopted IFRS with a date of transition of January 1, 2010, the details of which are described in the interim condensed consolidated financial statements for the three months ended March 31, 2011. Under IFRS 1 'First-time Adoption of International Financial Reporting Standards', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements follow the same accounting policies and methods of their application as the Company's first condensed consolidated interim financial statements prepared in accordance with IAS 34 and IFRS and as such should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2011.

IFRS Standards, Amendments and Interpretations Not Yet Effective

IFRS 9	*Financial Instruments*
IFRS 7 (Amendment)	*Financial Instruments : Disclosure*
IAS 12 (Amendment)	*Income Taxes*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 27 (Amendment)	*Separate Financial Statements*
IAS 28 (Amendment)	*Investments in Associates and Joint Ventures*

The Company anticipates that the application of these standards and amendments will not have a material impact on the results and financial position of the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Lions Gate Metals Inc. makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized will be charged to profit or loss in the period the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

iv) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

Expressed in Canadian Dollars

5. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments consists of an investment in common shares of public and private companies, and therefore there is no fixed maturity date or coupon rate. The fair value of the listed available-for-sale public company investments has been determined directly by reference to published price quotations in an active market. Private company investments are carried at historical cost until significant events indicate that revaluation is necessary.

	June 30, 2011			December 31, 2010		
Available-for-sale investments	# of shares	Original Cost $	Fair Value $	# of shares	Original Cost $	Fair Value $
Copper One Inc.	20,000	14,584	13,000	20,000	14,584	9,400
Crescent Resources Corp.	88,000	62,368	20,241	400,000	283,489	136,000
Atlantis Gold Mines Corp.*	400,000	100,000	100,000	-	-	-
Catalyst Copper Corp.	167,000	28,815	16,700	-	-	-
		205,767	149,941		298,073	145,400

* Denotes private company.

6. LOAN RECEIVABLE

In November, 2008, the Company loaned $400,000 U.S. (the “Principal Sum”) to a third party borrower. As security, the borrower provided a promissory note which acknowledged itself indebted to the Company and promised to pay on or before May 15, 2009 the Principal Sum, together with interest thereon at the rate of fifteen percent, payable at maturity. On May 20, 2009, the Company received $100,000 U.S. and agreed to extend the payment terms to July 15, 2009. The third party borrower did not make payment on or before July 15, 2009 and the $300,000 U.S. plus $60,000 U.S. in interest remained outstanding. The Company communicated with the third party weekly, and during the year ended December 31, 2009, determined to write the loan down to $1 due to concerns with respect to collectability.

During the year ended December 31, 2010, the repayment terms included in the promissory note were amended. The balance of the principal sum and accrued interest was agreed to be repaid to the Company in six equal installments of $60,000 U.S. commencing March 5, 2010, and concluding with a final payment on August 27, 2010. The Company received no repayments during the year ended December 31, 2010.

On February 24, 2011, the Company received $100,000 U.S. from the borrower and recorded this as a recovery in its consolidated statement of operations. If necessary, the Company may commence legal action to recover any balance owing in respect of the loan.

Expressed in Canadian Dollars

7. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation bonds represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in GICs.

8. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment
Cost	$
At December 31, 2010	-
Additions	22,204
Disposals	-
At June 30, 2011	22,204
Accumulated Amortization	
At December 31, 2010	-
Amortization charge	4,815
Disposals	-
At June 30, 2011	4,815
Net book value	
At June 30, 2011	17,389

Expressed in Canadian Dollars

9. EXPLORATION AND EVALUATION ASSETS

Mineral Property Interests (Omineca Mining Division of BC)	Balance December 31, 2010 $	2011 Costs Incurred $	Write-Down for Valuation $	Balance June 30, 2011 $
Poplar mineral property - 100% interest	787,205	29,625	-	816,830
Kelly Creek mineral property - 100% interest	1	-	-	1
Hudson Bay Mountain mineral property - 100% interest	1,160,245	-	-	1,160,245
Copperline mineral property - 60% interest	1,630,760	-	-	1,630,760
ROK – Coyote mineral property - 75% interest	-	234,000	-	234,000
	3,578,211	**263,625**	**-**	**3,841,836**

Deferred Exploration Expenditures

Poplar	Balance December 31, 2010 $	2011 Costs Incurred $	Write-Down for Valuation $	Balance June 30, 2011 $
Airborne survey	334,129	-	-	334,129
Assays/Metallurgy	32,891	6,464	-	39,355
Camp costs	228,999	248,610	-	477,609
Consulting	416,184	160,899	-	577,083
Drilling	297,579	524,074	-	821,653
Environmental	94,545	11,111	-	105,656
Field expenditures and personnel	291,257	162,194	-	453,451
Geophysical/I.P. magnetic survey	99,435	141,994	-	241,429
Maps and reports	813	1,418	-	2,231
Miscellaneous	58,113	7,200	-	65,313
Telecommunications	5,460	2,566	-	8,026
Community Relations/Traditional use study	-	45,608	-	45,608
Travel and accommodation	70,382	13,326	-	83,708
Mining exploration tax credits claimed	(286,369)	-	-	(286,369)
	1,643,418	1,325,463	-	2,968,882
Hudson Bay Mountain				
Consulting	10,000	15,803	-	25,803
Camp costs	-	5,945	-	5,945
Field expenditures and personnel	-	7,315	-	7,315
ROK - Coyote				
Consulting & Community Relations	-	19,713	(2,050)	17,663
Miscellaneous	-	1,292	-	1,292
	1,653,418	1,375,531	(2,050)	3,026,899
Total	**5,231,629**	**1,639,156**	**(2,050)**	**6,868,736**

Expressed in Canadian Dollars

Mineral Property Interests (Omineca Mining Division of BC)	Balance January 1, 2010 $	2010 Costs Incurred $	Write-Down for Valuation $	Balance December 31, 2010 $
Poplar mineral property - 100% interest	661,214	125,991	-	787,205
Kelly Creek mineral property - 100% interest	1	16,000	(16,000)	1
Hudson Bay Mountain mineral property - 100% interest	125,000	1,086,959	(51,714)	1,160,245
Copperline mineral property - 60% interest	-	1,630,760	-	1,630,760
Total	**786,215**	**2,859,710**	**(67,714)**	**3,578,211**

Deferred Exploration Expenditures	Balance January 1, 2010 $	2010 Costs Incurred $	Write-Down for Valuation $	Balance December 31, 2010 $
Poplar				
Airborne survey	322,406	11,723	-	334,129
Assays	29,301	3,590	-	32,891
Camp costs	191,826	37,173	-	228,999
Consulting	307,322	108,862	-	416,184
Drilling	297,579	-	-	297,579
Environmental	85,232	9,313	-	94,545
Field expenditures and personnel	291,057	200	-	291,257
Geophysical/I.P. magnetic survey	95,335	4,100	-	99,435
Line cutting	34,201	-	-	34,201
Maps and reports	423	390	-	813
Miscellaneous	20,626	3,286	-	23,912
Telecommunications	2,103	3,357	-	5,460
Travel and accommodation	65,138	5,244	-	70,382
Mining exploration tax credits claimed	-	(286,369)	-	(286,369)
	1,742,549	**(99,131)**	**-**	**1,643,418**
Hudson Bay Mountain				
Consulting	-	12,094	(2,094)	10,000
Field expenditures and personnel	-	945	(945)	-
	1,742,549	(86,092)	(3,039)	1,653,418
Total	**2,528,764**	**2,773,618**	**(70,753)**	**5,231,629**

The impairment assessment of exploration and evaluation assets resulted in write-downs of the Company's deferred exploration expenditures of $2,050 for the six months ended June 30, 2011 (June 30, 2010 - $5,146).

Title to mineral property interests involve 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 characteristics of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of them are in good standing.

Management reviewed the valuation of the mineral property interests and in previous years took the decision to write down acquisition costs to the cash outlays for its interests due to the lack of funds available at the time to further progress the interests. All of the mineral property interest costs and deferred exploration expenditures incurred with respect to the Poplar, Hudson Bay Mountain and Copperline mineral property interests will continue to be capitalized in accordance with the Company's disclosed basis of accounting. It is management's full intention to keep all of its current mineral property interests in good standing.

Poplar

By an agreement dated April 20, 2004, the Company was granted an option to acquire a 50% interest in 26 mineral claims, known as the Poplar mineral property interest, situated in the Omineca Mining Division of B.C. Consideration paid to exercise the option totaled $147,777, share issuances of 40,000 common shares and aggregate exploration expenditures in excess of $275,000.

In December 2007, the Company finalized terms with Hathor Exploration Limited to grant the Company an option to acquire the remaining 50% interest in the Poplar mineral property interest by issuing 240,000 common shares in stages and by making annual payments of $75,000 in cash or shares, with reference to the initial payment which was made in December, 2005. The Company continues to make its obligated annual $75,000 payments and has previously issued the 240,000 common shares, with the final 190,000 shares being issued by the Company in December 2007 to exercise the option.

The optionor of the mineral property interests retains a 2% net smelter return royalty ("NSR").

During the year ended December 31, 2005, the Company paid $11,000 for a reclamation bond pursuant to regulatory requirements against reclamation obligations relating to exploration work on the Poplar mineral property interest. To date, the Company has purchased an additional $33,098 in reclamation bonds for a total of $44,098.

During the year ended December 31, 2008, the Company staked 44,963 additional hectares in the area adjacent to the Poplar mineral property interest. These mineral claim holdings are 100% owned by the Company and all mineral claims are current and in good standing.

On April 15, 2009 the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest in sixteen mineral claims south of Poplar Lake. The Company will earn its 100% interest in the property by issuing 10,000 of its common shares upon transfer of the claims to the Company, 20,000 common shares on the first anniversary of the transfer of claims to the Company, 30,000 common shares on the second anniversary of the transfer of claims to the Company and 40,000 common shares on the third anniversary of the transfer of claims to the Company. Additionally, should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $1,000,000 less any NSR amounts previously paid. On April 30, 2009 the Company issued 10,000 of its common shares in respect of this agreement and valued these shares at $9,500 and on July 29, 2010, the Company issued 20,000 shares and valued these shares at $11,200.

On May 25, 2009 the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest on three mineral claims south of Poplar Lake. The Company will earn its 100% interest in the property interest by issuing 2,500 of its common shares upon transfer of the claims to the Company, 5,000 common shares on the first anniversary of the transfer of claims to the Company, 7,500 common shares on the second anniversary of the transfer of claims to the Company and 15,000 common shares on the third anniversary of the transfer of claims to the Company. Additionally, should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $100,000 in the form of a 1% NSR or a one-time only buy-out by the Company of $100,000 less any NSR amounts previously paid. On May 25, 2009 the Company issued 2,500 of its common shares in respect of this agreement and valued the shares at $2,000, and on July 29, 2010, the Company issued 5,000 shares and valued these shares at $2,800.

On August 20, 2009 the Company announced that The Office of the Wet'suwet'en, representing the interests of five Clans and thirteen Houses, and the senior executive of the Company have concluded a Memorandum of Understanding ("MoU"). The MoU recognized that both parties to the MoU are committed to a respectful, consultative relationship with regards to the Company's mineral exploration activities on Wet'suwet'en territories.

On signing the MoU, the Company paid the Office of the Wet'suwet'en $10,000 and is obligated to make annual $10,000 payments until such time as the MoU is terminated by either party. The Company's 2010 spring exploration program on its Poplar property interest was abandoned due to unresolved internal issues of political representation and jurisdiction between the Wet'suwet'en Heredity Chiefs and a particular House group with the Wet'suwet'en Nation. This issue was raised on April 6, 2010 by a number of individuals who attended the site of the Company's planned exploration activities. Further discussion with the Unis'tot'en have occurred, and the Company subsequently paid $10,000 to the Unis'tot'en and is currently funding a traditional use study of the Poplar area of geographical interest. Subsequent to the year ended December 31, 2010, the Company commenced a drilling program of approximately 5,500 metres, which was completed on April 13, 2011. Several First Nations personnel were employed on this program. Discussions with affected First Nations groups are ongoing with respect to a Company proposal to conduct a further exploration program in the third quarter of 2011.

Kelly Creek

By an agreement dated July 26, 2004, the Company was granted an option to acquire an undivided 100% interest in what are now 6 mineral claims, known as the Kelly Creek mineral property interest, situated in the Omineca Mining Division of B.C. Terms of the agreement were the payment of $20,000 and the issuance of 100,000 common shares of the Company to be issued in various stages, with the final 40,000 common shares being issued in July, 2007. The optionor retains a 2% NSR, in respect of these mineral claims, with the Company being granted the right to purchase 1% of this royalty for consideration of $1,000,000.

The Kelly Creek mineral property interest is 100% owned by the Company and all related mineral claims are current and in good standing. Management has elected at this time to carry this interest at a nominal value.

Hudson Bay Mountain

In May 2005, the Company acquired a 100% interest in certain mineral claims known as the Hudson Bay Mountain mineral property interest located near Smithers, British Columbia. The initial acquisition agreement required the issuance of 460,000 common shares (valued at $690,000) and six annual payments of $25,000 beginning upon acquisition.

On July 29, 2010, the Company announced that it had entered into an agreement to acquire additional claims, known as the Mason claims, surrounding its existing mineral property interest on Hudson Bay Mountain. The Mason claims are located on Hudson Bay Mountain, a short distance west of Smithers, B.C. The addition of these claims increases the Company's claims on Hudson Bay Mountain to 82 tenures totaling over 26,000 hectares. Pursuant to a sale and purchase agreement entered into between the Company and the vendor of the Mason claims, the Company acquired a 100% interest in the property interest by (i) issuing to the vendor 1,300,000 common shares of the Company, and valued the shares at $780,000; (ii) paying a total of $250,000 cash ($150,000 at the closing of the acquisition and $100,000 on September 13, 2010); and (iii) granting the vendor a 2% net smelter returns royalty on the Mason claims. As part of this second agreement, the vendor agreed to waive the final $25,000 payment obligation from the initial agreement. The vendor will retain a 2% NSR in respect of the initial claims.

The acquisition cost schedule is as follows:

Expressed in Canadian Dollars

Date	Cash Payment $	Share Issuance $	Charge to Operations $	Balance $
May 11, 2005		690,000 (issued)	(690,000)	-
May 13, 2005	25,000 (paid)			25,000
April 26, 2006	25,000 (paid)			50,000
April 26, 2007	25,000 (paid)			75,000
April 26, 2008	25,000 (paid)			100,000
April 26, 2009	25,000 (paid)			125,000
April 26, 2010	Waived (see July 29 agreement)			125,000
July 29, 2010		780,000 (issued)		905,000
July 29, 2010	150,000 (paid)			1,055,000
September 13, 2010	100,000 (paid)			1,155,000
December 31, 2010	5,245 (paid)			1,160,245

The Hudson Bay Mountain mineral property interest is 100% owned by the Company and all mineral claims are current and in good standing.

Copperline

On July 29, 2010 the Company entered into an agreement to acquire a 60% interest in the Copperline mineral property interest in British Columbia. The Copperline property surrounds Skutsil Knob at the south end of the Driftwood Range, 25 km northwest of Takla Lake, and about 120 km northeast of Smithers, B.C. Pursuant to the sale and purchase agreement, the Company has acquired a 60% undivided beneficial and recorded interest in the Copperline mineral property interest in consideration for the issuance to the vendor of a total of 2,700,000 common shares (issued) in the share capital of the Company, and valued the shares at $1,620,000.

The remaining 40% interest in the mineral property interest is held by Max Minerals Ltd. (TSXV: MJM) and following the acquisition of the 60% interest, the Company has assumed the vendors' rights and obligations pursuant to an existing joint venture with Max Minerals Ltd.

A portion of the claims comprising the Copperline property interest is subject to a 1.5% net smelter returns royalty held by Cominco Ltd. Kleinebar Resources Ltd. (“Kleinebar”). Kleinebar also holds a 0.5% net smelter returns royalty on the part of the property interest subject to the Cominco royalty, and a 1.25% net smelter returns royalty on the balance of the property interest. The Kleinebar royalty can be purchased at any time for $500,000.

ROK-Coyote

On January 21, 2010, the Company entered into a letter of intent ("LOI"), as amended, with Firesteel Resources Inc. ("Firesteel") for an option to acquire a 75% interest in the ROK-Coyote mineral property interest (the "Property") situated in the Stikine Arch region of north-western B.C. comprising 19 contiguous claims covering 6,891 hectares. Pursuant to the terms of the LOI, the Company is to be granted an option (the "Option") to acquire a seventy-five percent (75%) interest in the Property in consideration for the issuance of an aggregate of $496,000 in cash, an aggregate exploration expenditures commitment of $2,329,000 and the issuance of 50,000 common shares over a period of four years (the "Option Period"). During the Option Period, the Company will be the operator on the Property.

A $22,000 cash finder's fee (paid) will be payable on TSXV acceptance of a formal option agreement.

Any common shares issued pursuant to the Option shall be subject to a pooling arrangement providing for the release of 25% of such shares on acceptance and 25% every three months thereafter. The Company shall also have a first right to repurchase or arrange for the purchase of any of its shares to be issued to Firesteel.

Firesteel retains the right to acquire a five percent (5%) interest in the Property for $200,000 at any time following the date which is three years after the Option is accepted for filing by the TSXV and is prior to a production decision being made by the Company concerning the Property. In the event Firesteel elects to exercise this right, the Company's rights pursuant to the Option would be reduced to a 70% interest in the Property. Firesteel will also be granted a 2% net smelter return royalty ("Royalty") on the Property, subject to the Company's right to purchase ½ of such royalty (1%) for $1,000,000 at any time within 240 days of commencement of commercial production. The Property consists of two blocks earned or under option by Firesteel from previous claim holders, each with 2% royalty obligations; one block in an area of common interest with a 0.5% royalty obligation; and a fourth block with no previous royalty obligation.

In Q1 2011, the Company entered into a formal option agreement as contemplated by the LOI, which agreement was subsequently accepted for filing by the TSXV.

In connection with this acceptance, the Company satisfied its initial obligations by paying Firesteel $171,000, which has been credited against the cash payment and exploration expenditure commitment obligations pursuant to the Option, and issuing 50,000 of its common shares at a value of $41,000 to Firesteel.

Expressed in Canadian Dollars

10. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

Flow-through Shares

	Issued on June 18, 2010 $	Issued on March 10, 2011 $	Total $
Balance at December 31, 2010	**-**	**-**	**-**
Liability incurred on flow-through shares issued	-	84,211	84,211
Balance at June 30, 2011	**-**	**84,211**	**84,211**

On June 18, 2010, the Company completed a brokered private placement, consisting of the issue and sale of 1,200,000 flow-through units at a price of $0.90 per flow-through unit and 312,500 common share units at a price of $0.80 per unit, for aggregate gross proceeds of $1,830,000. Each flow-through unit consisted of one flow-through common share and one-half of one transferable share purchase warrant, with each whole warrant entitling the holder to acquire one non-flow-through common share of the Company for $1.00 at any time within two years after the date the FT Units are issued. As the market value was equal to the price of the flow-through units, no liability was incurred on issuance of the flow-through shares.

As at March 2011, the Company had fulfilled its expenditure commitment to incur exploration expenditures in relation to flow-through share financing in 2010.

On March 10, 2011, the Company completed a two-tranche brokered private placement, consisting of the issue and sale of 1,052,632 flow-through shares at a price of $0.95 per flow-through share and 6,289,000 common share units at a price of $0.80 per unit, for aggregate gross proceeds of $6,031,200. Each common share unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $1.20 per share for a period of two years after the closing of the offering. The flow-through liability was calculated using the residual method.

To date, the Company's flow-through share commitments are as follows:

	$
Balance at December 31, 2010	**987,204**
Proceeds from March 10, 2011 issuance	1,000,000
Qualifying expenditures	(1,285,128)
Balance at June 30, 2011	**702,076**

The Company's minimum mineral property interest payment requirements on the Poplar property over the next five years and thereafter is $75,000 per year.

Expressed in Canadian Dollars

11. SHARE CAPITAL AND RESERVES

a) **Common Shares**

The Company is authorized to issue an unlimited number of common shares, issuable in series.

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company.

The following is a summary of changes in common share capital from December 31, 2010 to June 30, 2011:

	Number of Shares	Issue Price $	Amount $
Balance at December 31, 2010	**16,231,694**		**15,819,452**
Shares issued via private placement	6,289,000	0.80	5,031,200
Flow-through share issuance	1,052,632	0.95	1,000,000
Flow-through liability allocation	-	-	(84,211)
Fair value of share purchase warrants	-	-	(1,263,415)
Shares issued pursuant to mineral property interest agreements (January 7, 2011)	50,000	0.82	41,000
Shares issued pursuant to mineral property interest agreements (April 29, 2011)	30,000	0.80	24,000
Shares issued pursuant to mineral property interest agreements (May 25, 2011)	7,500	0.75	5,625
Less share issue costs	-	-	(286,158)
Balance at June 30, 2011	**23,660,826**		**20,287,493**

b) **Contributed Surplus**

The following is a summary of changes in contributed surplus from December 31, 2010 to June 30, 2011:

	June 30, 2011 $	December 31, 2010 $
Opening Balance	1,630,073	1,617,893
Share-Based Payments (Note 12)	592,442	12,180
Contributed Surplus	**2,222,515**	**1,630,073**

Expressed in Canadian Dollars

c) **Share Purchase Warrants**

The following is a summary of changes in warrants from December 31, 2010 to June 30, 2011:

	Number of Warrants	Amount $
Balance December 31, 2010	**6,349,951**	**1,902,699**
Issue of warrants	**3,419,818**	**1,263,415**
Exercised warrants	-	-
Balance as at June 30, 2011	**9,769,769**	**3,166,114**

As at June 30, 2011, the Company had outstanding warrants as follows:

Number of warrants	Exercise price $	Expiry
4,393,702	0.72	06/25/2012
1,200,000	0.72	05/23/2012
600,000	1.00	06/30/2012
156,249	1.00	07/13/2015
2,207,000	1.20	03/04/2013
937,500	1.20	03/10/2013
275,318	0.82	09/04/2012

On March 10, 2011, the Company completed a two-tranche brokered private placement, consisting of the issue and sale of 1,052,632 flow-through shares at a price of $0.95 per flow-through share and 6,289,000 common share units at a price of $0.80 per unit, for aggregate gross proceeds of $6,031,200. Each common share unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $1.20 per share for a period of two years after the closing of the offering. The Company paid commission of $230,228 and issued 275,318 broker compensation warrants exercisable at $0.82 per share expiring September 4, 2012 valued at $117,623.

d) **Nature and Purpose of Equity and Reserves**

The reserves recorded in equity on the Company's balance sheet include 'Share Purchase Warrants', 'Contributed Surplus', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants net of amounts transferred on exercising of options.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments net of amounts realized and recorded in current operations.

'Accumulated Deficit' is used to record the Company's accumulated results from operations net of any capital distributions.

Expressed in Canadian Dollars

12. SHARE-BASED PAYMENTS

a) **Option Plan Details**

The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. A maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant, less any discount permitted by the TSXV at terms of up to five years. The majority of stock options vest immediately on the date of grant unless otherwise required by the TSXV, however, a four month hold period applies to all shares issued under each stock option, commencing on the date of grant.

Other terms and conditions are as follows: no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

The following is a summary of changes in options from December 31, 2010 to June 30, 2011:

				During the Period					
Grant Date	Expiry Date	Exercise Price ($)	Opening Balance	Granted	Exercised	Expired/ Forfeited	Closing Balance	Vested and Exercisable	Unvested
06/27/2006	06/26/2011	1.10	111,000	-	-	(111,000)	-	-	-
09/16/2006	09/15/2011	1.10	39,000	-	-	-	39,000	39,000	-
06/23/2008	06/22/2013	1.12	350,000	-	-	(125,000)	225,000	225,000	-
07/23/2008	07/22/2013	1.40	10,000	-	-	-	10,000	10,000	-
04/01/2009	03/31/2014	0.72	125,000	-	-	(50,000)	75,000	75,000	-
09/18/2009	09/17/2014	1.07	75,000	-	-	(50,000)	25,000	25,000	-
01/16/2010	01/15/2015	1.10	150,000	-	-	-	150,000	150,000	-
01/01/2011	12/31/2015	0.80	-	125,000		(125,000)	-	-	-
01/04/2011	01/03/2016	0.80	-	804,000	-	(10,000)	794,000	794,000	-
04/12/2011	04/11/2016	0.90	-	135,000	-	-	135,000	135,000	-
04/28/2011	04/27/2016	0.80	-	150,000	-	-	150,000	50,000	100,000
04/28/2011	04/27/2016	0.80	-	100,000	-	-	100,000	100,000	-
06/08/2011	06/07/2016	0.80	-	100,000	-	-	100,000	0	100,000
			860,000	1,414,000	-	(471,000)	1,803,000	1,603,000	200,000
Weighted Average Exercise Price			$ 1.05	$ 0.81	$ -	$ 0.97	$ 0.88	$ 0.89	$ 0.80

Expressed in Canadian Dollars

b) **Fair Value of Options Issued During the Period**

The weighted average fair value at grant date of options granted during the period ended June 30, 2011 was $0.45 per option (year-ended December 31, 2010: $0.33).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

The model inputs for options granted during the quarter ended June 30, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
04/12/2011	04/11/2016	$0.85	$0.90	1.740%	3 years	93.59%	-%
04/28/2011	04/27/2016	$0.80	$0.80	1.700%	3 years	89.87%	-%
06/08/2011	06/07/2016	$0.70	$0.80	1.640%	3 years	83.81%	-%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

No options were exercised during the period ended June 30, 2011. The weighted average share price at the date of exercise of options during the year-ended December 31, 2010 was $1.08.

c) **Benefit Expense Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions recognized as part of employee benefit expense during the three months ended June 30, 2011 were $146,074 (3 months ended June 30, 2010: $Nil). For the six month period ended June 30, 2011, $544,409 was recognized as part of employee benefit expense (6 months ended June 30, 2010: $126,561).

d) **Amounts Capitalized Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions that were capitalized during the six month period ended June 30, 2011 as part of exploration and evaluation activities were $48,033 (6 months ended June 30, 2010: $Nil). These expenses were capitalized to the Poplar consulting account.

e) **Weighted Average Remaining Life**

The weighted average remaining life of the outstanding options at June 30, 2011 is 4.01 years (6 months ended June 30, 2010: 3.41 years).

Expressed in Canadian Dollars

13. RELATED PARTY TRANSACTIONS

During the quarter ended June 30, 2011, the Company entered into related-party transactions with the following individuals:

Arni Johannson	CEO & Chairman
Michael Sweatman	CFO
Blair McIntyre	President
Andrew Gourlay	VP of Exploration

In addition, the Company entered into related-party transactions with the following corporations:

Canadian Nexus Ventures Ltd. ("CNV")	Corporation controlled by CEO
MDS Management Ltd. ("MDS")	CFO exercises significant influence over corporation

All related party transactions were within the normal course of business and have been recorded at amounts agreed to by the transacting parties. The following is a summary of the Company's related party transactions during the period:

a) **Consulting Fees**

For the three months ended June 30, 2011, the Company paid or accrued consulting fees totaling $54,150 plus HST (three months ended June 30, 2010: $92,566) to directors, officers, and companies subject to their influence. The consulting fees consisted of $27,188 to the VP of Exploration, $18,000 to the President, and $8,962 to MDS.

For the six months ended June 30, 2011, the Company paid or accrued consulting fees totaling $134,788 plus HST (six months ended June 30, 2010: $195,102) to directors, officers, and companies subject to their influence.

b) **Administrative Expenses**

The Company paid or accrued administrative expenses totaling $32,451 (three months ended June 30, 2010: $33,445) which are disclosed as office, rent and telephone, accounting and audit, and legal fees in the Company's consolidated statement of operations, to related companies. These costs were reimbursements for various administrative and overhead expenses which consisted of the following: $11,100 for office rent (June 30, 2010 - $11,100), $3,100 related to shared office consultants (June 30, 2010 - $13,350), $2,423 related to telephone expenses (June 30, 2010 - $2,423) and the balance of $15,828 (June 30, 2010 - $6,572) related to general office and administration expenses. All administrative expenses were reimbursed to CNV.

For the six month period ended June 30, 2011, the Company paid or accrued administrative expenses totaling $54,633 (six months ended June 30, 2010: $76,191).

c) **Director Loan**

During the first quarter, the Company received a loan from the CEO for $50,000. The loan bore interest at prime plus two percent, is unsecured, non-interest bearing and is due on demand. Interest of $329 was accrued for the three months ended June 30, 2011 and totaled $616 for the six months ended June 30, 2011 (three and six months ended June 30, 2010 - $Nil). The loan and associated interest was repaid in full on May 12, 2011.

Expressed in Canadian Dollars

d) **Key Management Compensation**

Key management personnel compensation comprised:

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
	$	$	$	$
Short term employee benefits and director fees	108,938	67,500	220,876	160,250
Share-based payments	45,972	-	328,883	126,561
	154,910	**67,500**	**549,759**	**286,811**

e) **Substantial Shareholder**

John Icke, a director of the Company, is also the President and CEO of Resinco Capital Partners (“Resinco”). Resinco is a greater than 10% shareholder of the Company. For the three and six months ended June 30, 2011, Resinco was reimbursed $13,602 for joint expenses incurred in relation to the Company’s European roadshow (three and six months ended June 30, 2010 - $5,201).

14. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has three reportable operating segments, being that of acquisition and exploration and evaluation activities for the following properties:

	Poplar Property	Hud Bay Property	Copperline Property	All Other Segments	Total
	$	$	$	$	$
Balance at December 31, 2010	**2,430,623**	**1,170,245**	**1,630,760**	**1**	**5,231,629**
Exploration costs	1,325,464	29,063	-	21,005	1,375,532
Acquisitions	29,625	-	-	234,000	263,625
Write-offs	-	-	-	(2,050)	(2,050)
Balance at June 30, 2011	**3,785,712**	**1,199,308**	**1,630,760**	**252,956**	**6,868,736**

As at June 30, 2011, accounts payable and accrued liabilities of $109,366 (December 31, 2010 - $55,967) are owed on the Poplar property, while $nil (December 31, 2010 - $nil) are owed on the Hudson Bay Property, the Copperline Property, and all other segments. All expenses related to the projects are capitalized, as detailed above.

Expressed in Canadian Dollars

15. LOSS PER SHARE

	For three months ended		For six months ended	
Weighted Average Number of Common Shares:	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Basic	23,646,993	10,707,383	21,042,208	10,700,824
Dilutive Effect of Stock Options and Warrants	-	-	-	-
Diluted	23,646,993	10,707,383	21,042,208	10,700,824
Loss per share:	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Comprehensive loss for period	$ (444,014)	$ (330,516)	$ (1,011,368)	$ (1,125,347)
Basic and Diluted Weighted Average Number of Common Shares	23,646,993	10,707,383	21,042,208	10,700,824
Loss Per Share	**$ (0.02)**	**$ (0.03)**	**$ (0.05)**	**$ (0.11)**

16. EVENTS AFTER THE REPORTING DATE

Appointment of Director

On July 6, 2011, the Company appointed Mr. Richard Schroeder to the Board of Directors. Mr. Schroeder, CA, will chair the Company's Audit Committee. In connection with Mr. Schroeder's appointment, the Company granted 100,000 incentive stock options of the Company pursuant to the Company's Stock Option Plan. The options vest immediately and are exercisable for a period of five years at a price of $0.80 per share.

17. FINANCIAL INSTRUMENTS

International Financial Reporting Standard 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include: cash and cash equivalents, amounts receivable, available-for-sale investments, loans receivable, reclamation deposits, accounts payable and accrued liabilities and due to related parties. The carrying value of cash and cash equivalents, amounts receivable, reclamation deposits, accounts payable and accrued liabilities approximates their fair values.

Categories of Financial Instruments

	Category	June 30, 2011 $	December 31, 2010 $
Cash and cash equivalents	Loans and receivables	4,150,360	367,713
Amounts receivable	Loans and receivables	107,476	121,800
Investments	Available-for-sale	149,941	145,400
Loans receivable	Available-for-sale	1	1
Reclamation deposits	Loans and receivables	44,098	44,002
Accounts payable and accrued liabilities	Other financial liabilities	165,489	198,392
Due to related parties	Other financial liabilities	-	7,560

Risks Arising from Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including credit risk, foreign exchange risk, liquidity risk and interest rate risk.

(a) Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company's excess cash and cash equivalents are held through large Canadian financial institutions and are invested in either short-term GICs or savings accounts. Management believes the risk of loss is remote.

(b) Foreign exchange risk

The Company holds cash and cash equivalents that are denominated in U.S. dollars and which are marked to market at each reporting period. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(c) 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 has implemented a budgeting process which is reviewed regularly to help determine the funding requirements of the Company's exploration and overhead requirements. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for the foreseeable future. The Company believes that the current cash reserves will be sufficient to meet its obligations as they become due. The Company has no credit facilities as of June 30, 2011.

(d) 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 significant loss as a result of a decline in the fair market value of cash equivalents is limited due to the relatively short maturity of the investments.

18. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, available-for-sale investments, common shares, stock options and share purchase warrants as capital. As the Company is in the exploration and evaluation stage, its principal source of funds for its operations is from the issuance of common shares. The issuance of common shares requires approval of the Board of Directors. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its properties for the benefit of its stakeholders. The Company uses stock options primarily to retain and provide future incentives to key employees and members of the management team. The granting of stock options is primarily determined by the Board of Directors.

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND COMPREHENSIVE LOSS/INCOME TO IFRS

IFRS 1 requires an entity to reconcile comparable figures for prior periods. The changeover of the statements of equity and total comprehensive income is shown on the following pages. There were no changes to the statement of cash flows as a result of the changeover.

Expressed in Canadian Dollars

RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT JUNE 30, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Share Capital	$	$	$
Balance, beginning of period	12,096,545	-	12,096,545
Private Placement – Flow-through	1,080,000	-	1,080,000
Exercise of options	213,400	-	213,400
Reversal of contributed surplus on option exercise	123,422	-	123,422
Share issue costs	(104,820)	-	(104,820)
Balance, end of period	13,408,547		13,408,547
Warrants			
Balance, beginning of period	1,687,299	-	1,687,299
Balance, end of period	1,687,299	-	1,687,299
Contributed Surplus			
Balance, beginning of period	1,617,893	-	1,617,893
Fair value of options granted	126,561	-	126,561
Reversal of contributed surplus on option exercise	(123,422)	-	(123,422)
Balance, end of period	**1,621,032**	-	**1,621,032**
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of period	68,171	-	68,171
Change in fair value of marketable securities	(391,147)	-	(391,147)
Balance, end of period	**(322,976)**	-	**(322,976)**
Deficit			
Balance, beginning of period	(11,918,547)	-	(11,918,547)
Net Loss	(734,201)	-	(734,201)
Balance, end of period	**(12,652,748)**	-	**(12,652,748)**
Total Shareholders' Equity	**3,741,154**	-	**3,741,154**

Expressed in Canadian Dollars

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS/INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2010

	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Accounting and audit	862	-	862
Advertising and promotion	(15,175)	-	(15,175)
Bank charges and interest	855	-	855
Conferences and trade shows	-	-	-
Consulting and management fees	130,266	-	130,266
Director fees	-	-	-
Filing and transfer agent fees	(19,888)	-	(19,888)
Insurance	5,858	-	5,858
Legal	36,269	-	36,269
Meals and entertainment	16,484	-	16,484
Office, rent and telephone	27,744	-	27,744
Stock based compensation	-	-	-
Travel and accommodation	246	-	246
	183,521	-	183,521
Net loss before undernoted items	(183,521)	-	(183,521)
Other Income (expense)			
Interest income	635	-	635
Foreign exchange	133	-	133
Loss on sale of marketable securities	(13,511)	-	(13,511)
Write-down of mineral property interests	(5,146)	-	(5,146)
Loss for the period	**(201,410)**	**-**	**(201,410)**
Other comprehensive income, net of tax			
Fair value gains / (losses) on available-for-sale investments	(129,106)		(129,106)
Total other comprehensive income, net of tax	**(129,106)**	**-**	**(129,106)**
Total comprehensive income (loss) for the period attributable to owners of the parent	**(330,516)**	**-**	**(330,516)**
Loss per common share, basic and diluted	**(0.03)**	**-**	**(0.03)**

Expressed in Canadian Dollars

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS/INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2010

	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Accounting and audit	9,070	-	9,070
Advertising and promotion	16,669	-	16,669
Bank charges and interest	1,110	-	1,110
Conferences and trade shows	2,390	-	2,390
Consulting and management fees	255,336	-	255,336
Director fees	25,250	-	25,250
Filing and transfer agent fees	23,302	-	23,302
Insurance	11,653	-	11,653
Legal	137,753	-	137,753
Meals and entertainment	16,484	-	16,484
Office, rent and telephone	60,201	-	60,201
Stock based compensation	126,561	-	126,561
Travel and accommodation	28,784	-	28,784
	714,563	-	714,563
Net loss before undernoted items	(714,563)	-	(714,563)
Other Income (expense)			
Interest income	-	-	-
Foreign exchange	(981)	-	(981)
Loss on sale of marketable securities	(13,511)	-	(13,511)
Write-down of mineral property interests	(5,146)	-	(5,146)
Loss for the period	**(734,201)**	**-**	**(734,201)**
Other comprehensive income, net of tax			
Fair value gains / (losses) on available-for-sale investments	(391,146)		(391,146)
Total other comprehensive income, net of tax	**(391,146)**	**-**	**(391,146)**
Total comprehensive income (loss) for the period attributable to owners of the parent	**(1,125,347)**	**-**	**(1,125,347)**
Loss per common share, basic and diluted	**(0.11)**	**-**	**(0.11)**