Deer Horn Metals Inc.

(formerly Golden Odyssey Mining Inc.)

Interim Consolidated Financial Statements
For the Nine Months Ended April 30, 2011

Notice to Readers: Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statement of the Company have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company and have not been reviewed by the Company's independent auditor.

Deer Horn Metals Inc.
Consolidated Balance Sheets

As at	April 30, 2011 (unaudited)	July 31, 2010
	$	**$**
Assets		
Current assets		
Cash	**3,382,120**	6,939
Receivables	**21,186**	12,295
	3,403,306	19,234
Mineral properties (note 5)	**11,000**	11,000
Equipment (note 7)	**2,570**	2,122
Reclamation deposit (note 8)	**117,994**	80,883
	3,534,870	113,239
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**131,589**	925,192
	131,589	925,192
Shareholders' deficiency		
Share capital (note 9)	**10,226,980**	6,042,177
Contributed surplus (note 9)	**3,971,854**	2,772,011
Deficit	**(10,795,549)**	(9,626,141)
	3,403,285	(811,953)
	3,534,870	113,239

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"signed" Tyrone Docherty
Tyrone Docherty

"signed" Tony Fogarassy
Tony Fogarassy

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

Deer Horn Metals Inc.
Consolidated Statements of Loss, Comprehensive Loss and Deficit
(unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
General and administrative expenses				
Amortization	**323**	637	**1,808**	2,065
Exploration expenses (note 6)	**19,017**	20,790	**45,473**	1,840,773
Foreign exchange loss	**-**	-	**-**	9,150
Investor relations and shareholder information	**183,849**	44,111	**295,075**	76,074
Office	**20,578**	12,924	**33,339**	32,232
Professional fees	**8,379**	1,676	**14,402**	39,201
Regulatory and filing fees	**42,237**	11,508	**58,530**	25,107
Rent	**5,378**	4,170	**13,913**	12,625
Salaries and management fees	**87,434**	48,000	**227,434**	145,003
Stock-based compensation (note 9)	**351,294**	76,406	**507,668**	294,896
Travel	**3,194**	-	**6,340**	101
Loss before other items and income taxes	**721,683**	220,222	**1,203,982**	2,477,227
Other items	**-**	-	**-**	-
Mining tax credit	**-**	55,000	**-**	55,000
Foreign exchange gain	**-**	6,349	**-**	-
Gain on settlement of debt	**-**	-	**34,768**	-
	-	61,349	**34,768**	-
Loss before income taxes	**(721,683)**	(158,873)	**(1,169,213)**	(2,422,227)
Net loss and comprehensive loss	**(721,683)**	(158,873)	**(1,169,213)**	(2,422,227)
Deficit, beginning of period	**(10,073,866)**	(9,328,513)	**(9,626,141)**	(7,065,159)
Deficit, end of period	**(10,795,549)**	(9,487,386)	**(10,795,354)**	(9,487,386)
Basic loss per share	**(0.01)**	(0.005)	**(0.02)**	(0.01)
Weighted average shares outstanding	**58,072,633**	52,369,807	**62,887,700**	52,369,807

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

Deer Horn Metals Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2011	2010	**2011**	2010
	$	$	$	$
Operating activities				
Loss for the period	(721,683)	(158,873)	(1,169,213)	(2,422,227)
Items not affecting cash:				
Stock-based compensation	351,294	76,406	507,668	294,896
Amortization	795	637	1,485	2,065
Unrealized foreign exchange loss	-	(4,907)	-	(6,203)
Changes in non-cash working capital balances:				
Receivables	15,495	67,250	(8,891)	(28,535)
Prepaid expenses	-	-	-	28,000
Accounts payable and accrued liabilities	(397,600)	(237,723)	(796,920)	625,970
Cash flows provided from operating activities	(751,699)	(257,210)	(1,465,871)	(1,506,074)
Investing activities				
Reclamation deposit	(54,444)	2,947	(37,111)	12,051
Cash flows used in investing activities	(54,444)	2,947	(37,111)	12,051
Financing activities				
Issuance of common shares	3,394,000	271,450	5,128,552	1,451,482
Share issuance costs	(221,900)		(243,450)	
Cash flows provided by financing activities	3,172,100	271,450	4,885,102	1,451,482
Increase in cash during period	2,365,957	17,187	3,395,181	(42,541)
Cash, beginning of period	1,016,163	39,175	6,939	98,803
Cash, end of period	3,382,120	56,362	3,382,120	56,362

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Metals Inc. (the "Company") was incorporated under the Canada Business Corporations Act on April 16, 2004 under the name "Golden Odyssey Mining Inc.". On January 20, 2011, shareholders of the Company approved a name change and it commenced trading as Deer Horn Metals Inc. on January 27, 2011. The Company's principal activity is the acquisition and exploration of mineral properties. The Company has not yet determined whether the properties contain ore reserves which are economically recoverable.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on its ability to receive continued financial support, complete equity financings, or generate profitable operations in the future. The financial statements do not include any adjustments to assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

	April 30, 2011	July 31, 2010
Deficit	$(10,795,549)	$ (9,626,141)
Working capital (deficit)	$ 3,271,717	$ (905,958)

Additional funding of the company is required to continue operations and to acquire mineral property interests. The Company is seeking capital through share issuances and continued support from related parties and creditors. There is no such assurance that such funding will be available.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Golden Odyssey Exploration Inc., a company incorporated in Nevada, United States of America. All inter-company transactions and balances have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses reported for the year. Significant estimates include fair value of financial instruments, stock-based compensation, reclamation liabilities, future income taxes, and the impairment of assets. Actual results could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Mineral properties

The Company records its interest in mineral properties at cost. Direct costs related to the acquisition of mineral properties, less recoveries, are capitalized until such time as the properties are either put into commercial production, sold, determined not to be economically viable, or abandoned. If the property is placed into production, the acquisition costs will be amortized over the estimated life of the related property. If it is determined that the carrying value of a property exceeds its net recoverable amount as determined by management, a provision for the decline in value is charged to operations in the period that such determination is made.

Exploration costs are charged to operations as incurred unless the deferral criteria are met and it is probable that any deferred costs will be recovered from future operations of the related project.

(d) Equipment

Equipment is recorded at cost. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates:

Computer equipment	20% straight line

(e) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it occurs and/or when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to operations using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revision to either the timing or the amount of the original estimate of undiscounted cash flow. Upon settlement of the liability, a gain or loss is charged to operations if the actual costs incurred to discharge the retirement obligation differ from the liability recorded in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

(g) Foreign currency translation

The accounts of foreign operations are translated into Canadian dollars by the temporal method, as follows:

(i) Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date;
(ii) Non-monetary items, except those items which are carried at market value are translated at historical exchange rates; and
(iii) Revenue and expense items are translated at the rate of exchange approximating those in effect at the time they occur.

Gains and losses arising on foreign currency translation are included in operations in the year.

(h) Stock-based compensation

The Company recognizes stock-based compensation expense for the estimated fair value of equity-based instruments granted to both employees and non-employees.

Accordingly, compensation costs attributable to stock options or similar equity instruments granted to employees are measured at the fair value using the Black-Scholes option pricing model, at the grant date, and expensed over the expected vesting period. Transactions in which goods or services are received from non-employees in exchange for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Provided that they are not anti-dilutive, diluted earnings or loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. For the years presented, this calculation proved to be anti-dilutive.

(j) Future income taxes

Future income taxes are recorded using the asset and liability method under which future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(k) Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders.

When the company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

(l) Mining tax credits

The Company accounts for tax credits on eligible exploration expenditures as a deduction from its mineral properties interests, on a property by property basis, and will be charged to operations on the same basis as the deferred acquisition and exploration and development expenditures. The exploration tax credits are accrued in the year when the exploration expenditures are incurred, provided there is reasonable assurance that the tax credits will be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. Under this standard, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. The Company has implemented the following classifications for its financial instruments:

(i) Cash has been classified as held-for-trading.
(ii) Receivables have been classified as loans and receivables and measured at amortized cost.
(iii) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.
(iv) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

(n) Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources, such as any unrealized gains and losses in financial assets classified as available for sale. Other comprehensive income, is added to the shareholders' equity section of the balance sheet. The Company had no "other comprehensive income or loss" transactions during the years presented and no opening or closing balances for "accumulated other comprehensive income or loss".

(o) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. NEW ACCOUNTING STANDARDS

Effective August 1, 2009, the Company adopted the following CICA standards:

Goodwill and intangible assets

CICA Handbook Section 3064 "Goodwill and intangible assets" which replaces the existing Section 3062 "Goodwill and other intangible assets" and CICA Handbook Section 3450 "Research and development costs" establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous CICA Handbook Section 3062. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Financial instruments – disclosures

CICA Handbook Section 3862, "Financial instruments – disclosures" was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair 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.

See note 14 for relevant disclosures.

International Financial Reporting Standards (``IFRS``)

The Accounting Standards Board has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective for periods beginning on or after January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement, and disclosure. The transition date of the Company will be August 1, 2011 and will require restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

Business Combinations

The CICA issued Handbook Section 1582 *Business Combinations,* which replaces CICA Handbook Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. Early adoption is permitted. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. This standard is not expected to have a material impact on the financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations (continued)

CICA Handbook Section 1601 *Consolidated Financial Statements* and CICA Handbook Section 1602 *Non-Controlling Interests.* These new sections will replace CICA Handbook Section 1600 *Consolidated Financial Statements* and establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination, and is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Early adoption is permitted. This standard is not expected to have a material impact on the Company's financial statements.

5. MINERAL PROPERTIES

Title to mineral properties 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 conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, all properties are in good standing.

Mineral property costs as at April 30, 2011 are set out below:

	Deerhorn	Dome South	Total
	$	$	$
Balance, July 31, 2009 and 2010	**8,250**	**2,750**	**11,000**
Additions:			
	-	-	-
Balance, April 30, 2011	**8,250**	**2,750**	**11,000**

Dome South

In November 2008, the Company entered into an option agreement with a company related by virtue of common directors, to acquire a 50% interest in the Dome South property, located near Smithers, British Columbia.

To acquire its interest in the property, the Company is required to incur $1,000,000 in exploration expenditures as follows:

1) Incur $500,000 by November 15, 2009 (incurred)
2) Incur an additional $500,000 by November 15, 2011

5. MINERAL PROPERTIES (continued)

Deerhorn

In August 2009, the Company entered into an option agreement with a company related by virtue of common directors, to acquire an initial 50% interest in the Deerhorn property, located in north western British Columbia.

To acquire its interest, the Company is required to incur $5,000,000 in exploration expenditures as follows:

1) Incur $400,000 by August 12, 2010 (incurred)
2) Incur an additional $1,100,000 by August 12, 2011 (incurred)
3) Incur an additional $1,500,000 by August 12, 2012
4) Incur an additional $2,000,000 by August 12, 2013

After the Company has acquired the initial 50% interest, it may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

6. EXPLORATION EXPENSES

The following is a summary of mineral property expenditures for the nine months' ended April 30, 2011:

	Deerhorn	Dome South	TOTAL
Assays and sampling	17,235	-	17,235
Geological consulting	1,575	807	2,382
Reports, drafting and maps	629	-	629
Other	-	25,227	25,227
Total exploration expenses	**$ 19,439**	**$ 26,034**	**$ 45,473**

The following is a summary of mineral property expenditures for the year ended July 31, 2010:

	Deerhorn	Dome South	OTHER	TOTAL
Assays and sampling	35,330	-	-	35,330
Camp and field expense	27,873	-	-	27,873
Drilling and field support	1,353,975	-	-	1,353,975
Equipment rental	177,774	-	-	177,774
Geological consulting	54,626	500	-	55,126
Miscellaneous[1]	72,401	18,540	-	90,941
Reports, drafting and maps	29,264	2,994	-	32,258
Travel and accommodation	144,231	-	-	144,231
BC Mining Exploration tax credit	-	(55,000)	-	(55,000)
Recovery of reclamation liability (note 8)	-	-	(99,933)	(99,933)
Total exploration expenses	**$ 1,895,474**	**$ (32,966)**	**$ (99,933)**	**$ 1,762,575**

[1] Miscellaneous expense includes claim renewal fees, supplies, geophysics and administrative costs relating to exploration programs.

7. EQUIPMENT

	April 30, 2011		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	$	$
Computer equipment	16,066	13,496	2,570
	16,066	**13,496**	**2,570**

	July 31, 2010		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	$	$
Computer equipment	14,759	12,637	2,122
	14,759	**12,637**	**2,122**

8. RECLAMATION DEPOSIT AND LIABILITY

The reclamation liability is as follows:

	$
Balance – July 31, 2008	**102,492**
Accretion	3,519
Revaluation due to changes in exchange rates	5,639
Balance – July 31, 2009	**111,650**
Expenditures incurred	(11,717)
Recovery of reclamation liability	(99,933)
Balance – July 31, 2010	**-**

The Company's asset retirement obligations related to the Palmetto, Morningstar, Anchor, Mexican Hill, JDS, Golden Shirene, White Rock, and Washiki properties that were written off during the year ending July 31, 2008. Future undiscounted cash flows with respect to these obligations amount to $Nil (July 31, 2010 - $Nil). These obligations arose as a result of legal requirements to remove surface disturbances arising from drilling and field work undertaken prior to July 31, 2008. The estimated future cash flows were discounted using a risk-adjusted interest rate of 10%.

The Company provided non-interest bearing cash bonds amounting to US$41,106 (April 30, 2010 - US$60,139) in favour of the U.S. Bureau of Land Management as a reclamation deposit relating to the above noted properties.

Additionally, the Company has provided deposits totalling $79,000 (2010 - $19,000) as security against potential future reclamation work related to its British Columbia mineral properties.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Issued and outstanding

Authorized

Unlimited Common shares
Unlimited Preferred shares, issued in series

Issued:

	Common shares		Contributed Surplus
	Number of shares	Amount $	Amount $
Balance – July 31, 2009	**48,179,759**	**4,578,868**	**2,357,342**
Issued through private placement	3,713,028	426,146	137,348
Issued through private placement	1,283,000	175,182	17,268
Issued through private placement	1,100,000	99,360	10,640
Issued on exercise of options	1,200,000	120,000	-
Issued on exercise of warrants	3,850,000	577,500	-
Transferred from contributed surplus upon exercise of options	-	81,176	(81,176)
Transferred from contributed surplus upon exercise of warrants	-	84,903	(84,903)
Stock-based compensation	-	-	415,492
Tax benefits renounced to flow-through share subscribers	-	(99,000)	-
Share issue costs	-	(1,958)	-
Balance – July 31, 2010	59,325,787	6,042,177	2,772,011
Issued through private placement	14,060,000	216,011	486,988
Issued through private placement	21,595,000	4,092,221	226,779
Issued on exercise of options	53,379	10,676	-
Issued on exercise of warrants	575,000	87,750	-
Transferred from contributed surplus upon exercise of options	-	8,127	(8,124)
Transferred from contributed surplus upon exercise of warrants	-	13,468	(13,468)
Stock-based compensation	-	-	507,668
Share issue costs	-	(243,450)	-
Balance – April 30, 2011	**95,609,166**	**10,226,980**	**3,971,854**

i) On December 19, 2008, the Company completed a private placement of 2,800,000 flow-through shares at a price of $0.05 per share for gross proceeds of $140,000.

ii) On January 30, 2009, the Company issued 1,508,260 common shares valued at $75,413 towards settlement of debt of $89,574 resulting in a gain of $14,161.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

iii) On April 14, 2009, the Company completed a non-brokered private placement of 6,200,000 Units at a price of $0.10 per unit for gross proceeds of $620,000. Each unit consists of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.15 for a period of six months. The warrants were attributed a value of $136,727.

iv) On July 17, 2009, the Company completed a non-brokered private placement of 1,000,000 flow-through common shares at a price of $0.20 per common share for gross proceeds of $200,000.

v) On December 3, 2009, the Company completed a non-brokered private placement of 3,713,028 units for aggregate proceeds of $563,494. The Company issued 1,091,757 flow-through shares at a price of $0.18 per share for proceeds of $196,516 and 2,621,271 non-flow through units at a price of $0.14 per unit for gross proceeds of $366,978. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable into one common share at a price of $0.17 for a period of two years. The warrants were attributed a value of $137,348.

vi) On May 3, 2010, the Company completed a non-brokered private placement of 1,283,000 units at a price of $0.15 per unit for aggregate proceeds of $192,450. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.18 for a period of one year. The warrants were attributed a value of $17,268.

vii) On June 22, 2010, the Company completed a non-brokered private placement of 1,100,000 units at $0.10 per unit for gross proceeds of $110,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.15 for a period of one year. The warrants were attributed a value of $10,640.

viii) On September 28, 2010, the Company completed a non-brokered private placement of 14,060,000 Units at a price of $0.05 per unit for gross proceeds of $703,000. Each unit consists of once common share and one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.10 for a period of two years. The warrants were attributed a value of $486,989.

ix) On February 17, 2011, the Company completed a non-brokered private placement of 21,595,000 Units at a price of $0.20 per unit for gross proceeds of $4,319,000. Each unit consists of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.30 for a period of twelve months. The warrants were attributed a value of $226,779.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Warrants

Warrant transactions are as follows:

	Broker warrants, charged to share issue costs	Share purchase warrants, charged to share capital	Total
	Number of shares	Number of shares	Number of shares
Balance – July 31, 2009	**-**	**6,200,000**	**6,200,000**
Exercised	-	(3,850,000)	(3,850,000)
Expired	-	(2,350,000)	(2,350,000)
Issued pursuant to private placements	-	3,812,771	3,812,771
Balance – July 31, 2010	**-**	3,812,771	3,812,771
Issued pursuant to private placement	-	35,655,000	35,655,000
Exercised	-	(575,000)	(575,000)
Balance – April 30, 2011	**-**	38,892,771	38,892,771

The fair value of the share purchase warrants issued during the nine months ended April 30, 2011 and recorded as contributed surplus was $713,767 (July 31, 2010 - $165,256) and was estimated at the date of issue using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Apr. 30, 2011
Dividend yield	Nil
Expected volatility	109% - 110%
Risk free rate of return	1.36% - 1.42%
Expected life	1 - 2 years

The exercise price and expiry dates of the warrants outstanding as at April 30, 2011 are set out below:

Exercise price	Number outstanding	Expiry date
$0.17	2,546,271	December 4, 2011
$0.18	641,500	May 3, 2011
$0.15	50,000	June 22, 2011
$0.10	14,060,000	September 28, 2012
$0.30	21,595,000	February 24, 2012
$0.22 (weighted average)	38,892,771 (total)	

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the Plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years. Vesting occurs in accordance with the stock option plan.

The Company charges stock based compensation costs to operations over the vesting period. Total stock-based compensation expense in the nine months ended April 30, 2011 amounted to $507,668 (July 31, 2010 – $415,492). The fair value of the compensation expense for year is included within contributed surplus.

The fair value has been recognized in stock-based compensation expense over the vesting period.

Options transactions are summarized as follows:

	Number	Exercise price
		$
Balance – July 31, 2008	**3,120,000**	**0.22**
Issued March 2009	1,500,000	0.10
Issued July 2009	500,000	0.22
Cancelled	(12,500)	0.15
Cancelled	(75,000)	0.27
Cancelled	(312,500)	0.31
Exercised	(450,000)	0.10
Balance – July 31, 2009	**4,270,000**	0.18
Issued August 2009	850,000	0.22
Issued May 2010	2,500,000	0.10
Cancelled	(275,000)	0.30
Exercised	(1,200,000)	0.10
Expired	(612,500)	0.17
Balance – July 31, 2010	5,532,500	0.16
Granted	300,000	0.10
Granted	2,750,000	0.25
Exercised	(53,379)	0.20
Expired	(41,621)	0.20
Expired	(430,000)	0.27
Balance – April 30, 2011	8,057,500	0.19 (weighted average)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Options (continued)

The exercise price and remaining contractual life of options outstanding and options exercisable at April 30, 2011 are as follows:

Exercise price	Expiry date	Number outstanding	Number exercisable	Remaining contractual life (years)
$0.30	Jan. 2, 2012	20,000	20,000	0.7
$0.39	Jan 2, 2012	150,000	150,000	0.7
$0.27	April 27, 2012	125,000	125,000	1.0
$0.31	Aug. 6, 2012	187,500	187,500	1.4
$0.10	May 29, 2013	175,000	175,000	2.2
$0.10	Mar. 9, 2014	500,000	500,000	3.0
$0.22	July 14, 2014	500,000	500,000	3.3
$0.22	August 28, 2014	850,000	850,000	3.4
$0.10	May 21, 2015	2,500,000	2,500,000	4.1
$0.10	October 8, 2015	300,000	74,970	4.4
$0.25	March 11, 2016	2,750,000	2,750,000	4.9
$0.18 (weighted average)		**8,057,500**	**7,832,470**	**3.9**

The fair values of the options outstanding in the years ended July 31, 2010 and 2009 were estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	**2009**
Dividend yield	Nil	Nil
Expected volatility	110%	111%
Risk free rate of return	2.63%	2%
Expected life	5.0 years	2.4 years

10. RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these financial statements comprise:

	Apr. 30, 2011
Management fees paid or accrued to the President or controlled company	$ 190,000
Management fees paid or accrued to the former CFO or controlled company	-
Management fees paid or accrued to the current CFO or controlled company	22,500
Exploration costs paid or accrued to private companies controlled by a directors	-
Management fees paid or accrued to directors	-

Included in accounts payable is $Nil (2010 - $673,511) due to directors or officers, or to companies controlled by directors or officers. The amounts due are non-interest bearing, unsecured and have no stated terms of repayment.

10. RELATED PARTY TRANSACTIONS (continued)

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by related parties.

11. CAPITAL MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares. 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, acquire or dispose of assets or adjust the amount of cash.

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 seeks to place its cash with reputable financial institutions. Accordingly, the Company believes that it is exposed to minimal credit risks at the current time.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash is based on level 1 of the fair value hierarchy. The fair value of reclamation deposit is based on level 2 of the fair value hierarchy. The fair values of receivables, accounts payable and accrued liabilities approximate their fair value because of the short term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

Credit Risk

Credit risk arises from non-performance by counterparties of contractual financial obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company's cash was invested in established Canadian banking and federal institutions and the receivable was due from the Canadian federal government, so collection of accounts is relatively certain.

Liquidity Risk

Liquidity is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining sufficient cash to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short term and long term obligations. The Company is seeking additional financing.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(continued)

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Currency Risk

The Company operates in Canada and presently has exposure to foreign exchange risk with respect to its reclamation deposit. The Company does not consider this exposure to be significant.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal risk as it does not carry interest bearing debt liabilities.

Commodity Price Risk

The ability of the Company to find and develop mineral properties and the future profitability of the Company are directly related to the market price of base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.