SECOVA METALS

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Secova Metals Corp.

We have audited the accompanying consolidated financial statements of Secova Metals Corp. which comprise the consolidated balance sheets as at June 30, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Secova Metals Corp. as at June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

NEXIA INTERNATIONAL

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Secova Metals Corp. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

October 17, 2011

SECOVA METALS CORP.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30

	2011	2010
ASSETS		
Current		
Cash	$ 757,616	$ 1,186,808
Receivables	4,859	12,921
Reclamation bonds (Note 3)	-	55,692
Prepaid expenses	-	5,350
	762,475	1,260,771
Mineral properties (Note 3)	575,447	597,033
Equipment (Note 4)	-	887
	$ 1,337,922	$ 1,858,691
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 35,465	$ 189,063
Shareholders' equity		
Capital stock (Note 5)	7,879,960	7,879,960
Contributed surplus (Note 5)	2,920,302	2,885,917
Deficit	(9,497,805)	(9,096,249)
	1,302,457	1,669,628
	$ 1,337,922	$ 1,858,691

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Bryan Slusarchuk" Director *"Michael Williams"* Director

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

SECOVA METALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEAR ENDED JUNE 30

	2011	2010
EXPENSES		
Amortization	$ 887	$ 379
Filing fees and transfer agent	23,030	23,057
Insurance	-	6,048
Investor relations	19,250	69,263
Office and sundry	34,900	74,943
Printing and advertising	5,279	7,497
Professional fees	109,600	129,602
Property investigation costs	104,424	187,594
Rent	44,476	47,287
Stock-based compensation (Note 5)	34,385	125,794
Telephone	5,843	5,752
Trade shows and shareholder communication	2,810	23,951
Travel	16,672	2,986
Loss before other items	(401,556)	(704,153)
OTHER ITEMS		
Write-off mineral property (Note 3)	-	(733,866)
Mineral property recovery (Note 3)	-	8,670
	-	(725,196)
Net loss and comprehensive loss for the year	(401,556)	(1,429,349)
Deficit, beginning of year	(9,096,249)	(7,666,900)
Deficit, end of year	$ (9,497,805)	$ (9,096,249)
Basic and diluted loss per share	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding	35,722,631	35,641,261

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

SECOVA METALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (401,556)	$ (1,429,349)
Items not affecting cash:		
Amortization	887	379
Write-off mineral property	-	733,866
Mineral property recovery	-	(8,670)
Stock-based compensation	34,385	125,794
Change in non-cash working capital items:		
Decrease in receivables	8,062	192,293
(Increase) decrease in prepaid expense	5,350	(5,350)
(Increase) decrease in reclamation bond	55,692	(55,692)
Increase (decrease) in accounts payable and accrued liabilities	(139,996)	74,678
Net cash used in operating activities	(437,176)	(372,051)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(14,800)	(536,917)
Cost recovery of expenditures on mineral properties	22,784	1,748,237
Net cash provided by investing activities	7,984	1,211,320
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	-	30,000
Share issue costs	-	(20,651)
Net cash provided by financing activities	-	9,349
Change in cash during the year	(429,192)	848,618
Cash, beginning of year	1,186,808	338,190
Cash, end of year	$ 757,616	$ 1,186,808

Supplemental disclosure with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Secova Metals Corp. (the "Company") is an exploration stage company incorporated under the Canada Business Corporations Act.

The Company is in the process of acquiring and exploring its mineral properties in Canada and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Secova Metals Corp. (Arizona). Significant inter-company transactions and balances have been eliminated on consolidation.

Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, estimated useful lives for equipment, valuation allowance applied against future income tax assets, government grants and stock-based compensation.

Mineral properties

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties (cont'd…)

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transactions. Translation gains and losses are reflected in the statement of operations for the year.

Government assistance and tax credits

Government assistance is recorded as either a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company.

Tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the applicable government agency.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

Equipment

Equipment, consisting of computer equipment, is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at 30% per annum.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes the fair value of compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 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.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

Financial instruments

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired. There were no transitional adjustments as a result of the application of the financial instrument accounting policies. The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as held-for-trading.

b) Receivables have been classified as loans and receivables and measured at amortized cost.

c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd…)

Disclosures are required 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 9 for relevant disclosures.

Future accounting pronouncements

Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning July 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

International financial reporting standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be July 1, 2010 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. The Company has begun assessing the adoption of IFRS for 2011, and is considering the accounting policy choices available under IFRS.

3. MINERAL PROPERTIES

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

3. MINERAL PROPERTIES

The Company's mineral properties consist of:

	Otish Mountain Basin
Acquisition costs:	
Balance, June 30, 2011 and 2010	$ 185,000
Exploration costs:	
Balance, June 30, 2010	412,033
Assay	574
Fees and licences	624
	1,198
Cost recoveries	(22,784)
Balance, June 30, 2011	390,447
Total costs	$ 575,447

	Fortune Uranium	Otish Mountain Basin	Gold Coin Property	Total Mineral Properties
Acquisition costs:				
Balance, June 30, 2009	$ 28,400	$ 185,000	$ -	$ 213,400
Option payments	3,500	-	18,973	22,473
	31,900	185,000	18,973	235,873
Write-off	(31,900)	-	(18,973)	(50,873)
Balance, June 30, 2010	-	185,000	-	185,000
Exploration costs:				
Balance, June 30, 2009	264,782	526,228	-	791,010
Assay	-	-	47,771	47,771
Drilling	-	-	202,667	202,667
Equipment	-	-	1,126	1,126
Fees and licences	-	-	14,009	14,009
Field expenses	1,500	-	31,370	32,870
Geological consulting	-	-	103,744	103,744
Project management	-	-	11,024	11,024
Report preparation	-	-	3,480	3,480
Transportation	-	-	1,520	1,520
	1,500	-	416,711	418,211
Cost recoveries	-	(114,195)	-	(114,195)
Write-off	(266,282)	-	(416,711)	(682,993)
Balance, June 30, 2010	-	412,033	-	412,033
Total costs	$ -	$ 597,033	$ -	$ 597,033

3. MINERAL PROPERTIES (cont'd…)

Otish Mountain Basin, Quebec

During fiscal 2007 the Company acquired a 100% interest in the Otish Mountain mineral claims located in Quebec in consideration for $40,000 and 225,000 common shares valued at $145,000. During fiscal 2011 the Company recognized a mineral property recovery of $22,784 (2010 - $114,195) as a result of government tax credits.

Gold Coin Property, Arizona

The Company entered into an option agreement to earn a 100% interest in the Gold Coin Property, located in Arizona. To earn its interest the Company was required to pay an aggregate of US$1,000,000 over a ten year period of which US$15,000 (CAD$15,884) has been paid. Additional property was staked for $18,973. Due to unfavourable results the Company cancelled the option agreement and consequently wrote-off acquisition and exploration costs of $435,684.

In fiscal 2010, the Company paid reclamation bonds of $55,692 on this property which were fully recovered in fiscal 2011.

Mont Laurier (Renard Creek), Quebec

The Company acquired a 100% interest in certain claims by staking and entered into an option agreement to earn a 100% interest in certain additional claims in Renard Creek, Quebec pursuant to which the Company paid $50,000 and issued 250,000 common shares at a value of $25,000 in fiscal 2005, paid $25,000 and issued 150,000 common shares at a value of $75,000 in fiscal 2006, issued 300,000 common shares at a value of $222,000 in fiscal 2007 and issued 300,000 common shares at a value of $93,000 during fiscal 2008. During fiscal 2009 the Company issued an additional 250,000 common shares at a value of $10,000 in order to earn its interest.

Due to unfavorable results the Company abandoned drilling on one section of the property and consequently wrote-off acquisition and exploration costs of $5,258,651 during fiscal 2008 and $10,000 during fiscal 2009 to operations. During fiscal 2009 the Company recognized a mineral property recovery of $1,734,051 as a result of government tax credits, of which $1,625,372 was received during the fiscal year ended June 30, 2010.

Fortune Uranium Property, Quebec

During fiscal 2008 the Company entered into an option agreement to earn a 100% interest in the Fortune Uranium Property, Quebec. To earn its interest the Company is required to pay an aggregate of $25,000 and issue an aggregate of 160,000 common shares over two years and incur $150,000 of work expenditures over three years. Pursuant to the agreement the Company paid $7,000 and issued 50,000 common shares valued at $11,500 during fiscal 2008 and issued 50,000 common shares valued at $2,500 during fiscal 2009. Due to unfavorable results the Company cancelled the option agreement and consequently wrote-off acquisition and exploration costs of $298,182 during fiscal 2010. The Company also recognized a mineral property recovery of $8,670 in fiscal 2010 as a result of government tax credits. As the property was written off during the year ended June 30, 2010, this recovery was recorded in operations for fiscal 2010.

4. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 3,880	$ 3,880	$ -	$ 3,880	$ 2,993	$ 887

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Issued and Outstanding:			
Balance at June 30, 2009	35,422,631	$ 7,841,008	$ 2,769,075
Stock options exercised	300,000	38,952	(8,952)
Stock-based compensation	-	-	125,794
Balance at June 30, 2010	35,722,631	7,879,960	2,885,917
Stock-based compensation	-	-	34,385
Balance at June 30, 2011	35,722,631	$ 7,879,960	$ 2,920,302

Stock options and warrants

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding and exercisable, June 30, 2009	529,855	$ 0.32	1,880,000	$ 0.14
Granted	-	-	2,050,000	0.15
Exercised	-	-	(300,000)	0.10
Expired/cancelled	(529,855)	0.32	(80,000)	0.50
Outstanding, June 30, 2010	-	-	3,550,000	0.14
Granted	-	-	750,000	0.10
Expired/cancelled	-	-	(730,000)	0.18
Outstanding and exercisable, June 30, 2011	-	$ -	3,570,000	$ 0.12

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

The following incentive stock options were outstanding at June 30, 2011:

	Number of Shares	Exercise Price	Expiry Date
Options	300,000	$ 0.15	October 13, 2011[(1)]
	1,100,000	0.10	May 25, 2014
	1,420,000	0.15	July 7, 2014
	750,000	0.10	June 7, 2016

[(1)]Subsequent to June 30, 2011, these options expired unexercised.

The Company has a stock option plan 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, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years with vesting determined by the board of directors.

Stock-based compensation

The Company granted 750,000 (2010 – 2,050,000) options with a weighted-average fair value per option of $0.04 (2010 - $0.07) to directors, employees and consultants. During fiscal 2011, 850,000 (2010 – 1,925,000) options became fully vested and exercisable. Using the Black-Scholes option pricing model to determine fair-value, total stock-based compensation recognized in the statement of operations, comprehensive loss and deficit for the year ended June 30, 2011 was $34,385 (2010 - $125,794).

The following weighted average assumptions were used for valuing the stock options granted during the year:

	2011	2010
Risk-free interest rate	2.25%	1.75%
Expected life	4.0 Years	2.4 Years
Expected volatility	89.12%	100.21%
Dividend rate	0.00%	0.00%

Escrowed shares

As at June 30, 2011, the Company has included in issued share capital 2,189,485 common shares subject to an escrow agreement that may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

6. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2011	2010
Loss before income taxes	$ (401,556)	$ (1,429,349)
Expected income tax recovery	$ (110,428)	$ (418,085)
Other items	(19,236)	(50,204)
Stock-based compensation not deductible for income tax purposes	9,456	36,795
Write-down of mineral properties	-	214,656
Unrecognized benefits of non-capital losses and resource pools	120,208	216,838
Future income tax recovery	$ -	$ -

Amounts of future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carryforwards	$ 433,590	$ 468,805
Share issue costs and other	38,367	66,872
Mineral properties	809,798	804,401
	1,281,755	1,340,078
Valuation allowance	(1,281,755)	(1,340,078)
Net future income tax liability	$ -	$ -

The Company has approximately $1,734,000, in non-capital losses, which may be carried forward and applied against taxable income in future years. These losses, if not utilized, expire through 2031. The Company also has, subject to certain restrictions, mineral property resource expenditures available to reduce future years' taxable income.

7. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties as follows:

a) Paid or accrued $33,000 (2010 - $38,500) in property investigation costs (2010 - geological consulting fees for mineral property exploration costs) to an officer of the Company.

b) Paid or accrued $30,000 (2010 - $27,500) for accounting fees to an officer of the Company.

c) Paid or accrued $23,500 (2010 - $22,500) for legal fees to an officer of the Company.

7. RELATED PARTY TRANSACTIONS (cont'd…)

Included in accounts payable and accrued liabilities is $14,979 (2010 – $92,739) due to a management company controlled by the spouse of a former director and $3,132 (2010 - $Nil) due to a director of the Company.

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

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for fiscal 2011.

The significant non-cash transactions for fiscal 2010 consisted of the Company:

a) incurring mineral property expenditures of $13,602 through accounts payable;

b) incurring contributed surplus on exercise of options of $8,952.

	2011	2010
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at June 30, 2011, the Company had a cash balance of $757,616 (2010 - $1,186,808) to settle current liabilities of $35,465 (2010 - $189,063). To maintain liquidity, the Company is currently investigating financing opportunities. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

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

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada and its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at June 30, 2011 and 2010, the Company did not have any investments in investment grade short-term deposit certificates.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies, primarily through the Company's subsidiary located in the USA. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US Dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

c) Price risk

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

10. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. Capital is comprised of the Company's cash and shareholders' equity. As at June 30, 2011, the Company's shareholders' equity was $1,302,457 (2010 - $1,669,628). The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.