TORO RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months ended March 31, 2011

(Unaudited)

TORO RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months ended March 31, 2011

NOTICE

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, Canada
May 25, 2011

"William Galine "
William Galine

"Ronald J. Atlas"
Ronald J. Atlas

TORO RESOURCES CORP.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	MARCH 31, 2011	JUNE 30, 2010
ASSETS		
Current		
Cash	**$ 726,034**	$ 691,850
Amounts receivable	**17,698**	4,425
Prepaid expenses	**9,298**	10,000
	753,030	706,275
Equipment (Note 6)	**1,420**	-
Mineral Property And Deferred Exploration Expenditures (Note 7)	**536,963**	141,031
	$ 1,291,413	$ 847,306
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 22,512**	$ 32,664
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	**2,142,266**	1,480,576
Contributed Surplus	**154,910**	118,100
Deficit	**(1,028,275)**	(784,034)
	1,268,901	814,642
	$ 1,291,413	$ 847,306

Approved on behalf of the Board of Directors

"William C. Galine"	"Ronald Atlas"
Director	Director

The accompanying notes form an integral part of these financial statements

TORO RESOURCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010	NINE MONTHS ENDED MARCH 31, 2011	NINE MONTHS ENDED MARCH 31, 2010
Revenue	**$ -**	$ -	**$ -**	$ -
Expenses				
Amortisation	**130**	-	**130**	-
Consulting fees	**15,000**	6,041	**45,000**	6,041
Foreign exchange loss	**2,389**	246	**3,182**	334
Office and miscellaneous	**7,437**	2,471	**25,716**	3,447
Management fees	**12,000**	-	**18,500**	-
Professional fees	**12,535**	32,831	**51,332**	43,888
Regulatory fees	**9,520**	900	**11,320**	2,700
Rent	**7,824**	-	**13,707**	-
Shareholder communications	**2,180**	-	**8,255**	-
Stock based compensation	**33,400**	88,000	**41,000**	88,000
Transfer and filing fees	**4,174**	1,745	**13,696**	9,972
Travel	**2,365**	257	**12,406**	257
	(108,954)	(132,491)	**(244,244)**	(154,639)
Loss Before The Following Items	**(108,954)**	(132,491)	**(244,244)**	(154,639)
Interest Income	**-**	3	**3**	18
Net Loss and Comprehensive Loss For The Period	**$ (108,954)**	$ (132,488)	**$ (244,241)**	$ (154,621)
Loss Per Common Share, Basic and diluted	**$ (0.01)**	$ (0.02)	**$ (0.01)**	$ (0.02)
Weighted Average Number Of Common Shares	**21,153,636**	8,462,367	**19,563,038**	7,040,157

The accompanying notes form an integral part of these financial statements

TORO RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2011	2010	**2011**	2010
Cash Provided By (Used In):				
Operating Activities				
Net loss for the period	**$ (108,954)**	$ (132,488)	**$ (244,241)**	$ (154,621)
Items not affecting cash				
Amortisation	**130**	-	**130**	-
Stock based compensation	**33,400**	88,000	**41,000**	88,000
	(75,424)	(44,488)	**(203,111)**	(66,621)
Net changes in non-cash operating working capital items:				
Amounts receivable	**(6,481)**	(1,671)	**(13,273)**	96
Prepaid expenses	**182**	(5,000)	**702**	(5,000)
Accounts payable and accrued liabilities	**(7,298)**	23,415	**(2,821)**	9,906
	(89,021)	(27,744)	**(218,503)**	(61,619)
Cash Flows From Investing Activities				
Purchase of equipment	**(1,550)**	-	**(1,550)**	-
Mineral property and deferred development expenditures	**(137,280)**	(39,786)	**(350,763)**	(50,648)
	(138,830)	(39,786)	**(352,313)**	(50,648)
Cash Flows From Financing Activities				
Common Shares issued for cash	**495,000**	300,000	**605,000**	300,000
Share subscriptions received	**-**	150,000	**-**	150,000
Due to related party	**-**	1,000	**-**	1,000
	495,000	451,000	**605,000**	451,000
Net Increase In Cash and Cash Equivalents	**267,149**	383,470	**34,184**	338,733
Cash and Cash Equivalents, Beginning Of Period	**458,885**	32,645	**691,850**	77,382
Cash and Cash Equivalents, End Of Period	**$ 726,034**	$ 416,115	**$ 726,034**	$ 416,115
Supplemental Cash Flow Information				
Interest paid	**$ -**	$ -	**$ -**	$ -
Income tax paid	**$ -**	$ -	**$ -**	$ -

(Continued)

The accompanying notes form an integral part of these financial statements

TORO RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010	NINE MONTHS ENDED MARCH 31, 2011	NINE MONTHS ENDED MARCH 31, 2010
Supplementary Disclosure For Non-Cash Investing And Financing Activities				
Transfer of fair value from contributed surplus to share capital on exercise of options	**$ -**	$ -	**$ 4,190**	$ -
Fair value of shares issued pursuant to mineral property agreement	**$ 52,500**	$ 25,000	**$ 52,500**	$ 25,000
Fair value of shares issued as finders fees pursuant to mineral property agreement	**$ -**	$ 10,200	**$ -**	$ 10,200
Fair value of shares issued as finders fees pursuant to financing	**$ -**	$ 33,000	**$ -**	$ 33,000

The accompanying notes form an integral part of these financial statements

TORO RESOURCES CORP.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Three and Nine Months ended March 31, 2011

(Unaudited)

	SHARE CAPITAL		CONTRIBUTED	ACCUMULATED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	SURPLUS	DEFICIT	EQUITY
Balance June 30, 2009	6,332,938	$ 603,876	$ -	$ (543,674)	$ 60,202
Shares issued for cash at $0.05	6,000,000	300,000	-	-	300,000
Shares issued for cash at $0.15	3,669,998	550,500	-	-	550,500
Shares issued as finders fees pursuant to private placements	493,700	73,925	-	-	73,925
Share issue costs	-	(82,925)	-	-	(82,925)
Shares issued for mineral property	250,000	25,000	-	-	25,000
Shares issued as finders fees pursuant to mineral property acquisition agreement	102,000	10,200	-	-	10,200
Fair value of stock options vesting in period	-	-	118,100	-	118,100
Net loss for the year	-	-	-	(240,360)	(240,360)
Balance June 30, 2010	16,848,636	1,480,576	118,100	(784,034)	814,642
Shares issued on exercise of stock options	50,000	9,190	(4,190)	-	5,000
Shares issued on exercise of share purchase warrants	6,000,000	600,000	-	-	600,000
Shares issued for mineral property	250,000	52,500	-	-	52,500
Fair value of stock options vesting in period	-	-	41,000	-	41,000
Net loss for the year	-	-	-	(244,241)	(244,241)
Balance March 31, 2011	**23,148,636**	**$ 2,142,266**	**$ 154,910**	**$ (1,028,275)**	**$ 1,268,901**

The accompanying notes form an integral part of these financial statements

TORO RESOURCES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months ended March 31, 2011
(Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements of Toro Resources Corp. (the "Company") for the three and nine months ended March 31, 2011 have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended June 30, 2010, except as described below. The note disclosures included below are incremental to those included with the annual consolidated financial statements. The consolidated financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's annual report for the year ended June 30, 2010.

2. NATURE OF BUSINESS AND GOING CONCERN

a) Nature of Business

The Company was incorporated under the Business Corporations Act of British Columbia on June 25, 2005 as 0728888 BC Ltd. The Company changed its name to Toro Resources Corp. on November 3, 2005. It is listed on the Canadian National Stock Exchange ("CNSX"). The Company is in the process of acquiring mineral properties for exploration to determine whether these properties contain economically recoverable ore reserves. The recoverability of any amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production.

b) Going Concern

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern and assume the realization of assets and discharge of liabilities in the normal course of business. The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current financial equity market conditions, the challenging funding environment and the low price of the Company's common shares make it difficult to raise funds by private placements of shares. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. There is no assurance that the Company will be successful with any financing ventures. It is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives, there is no assurance that any such activity will generate funds that will be available for operations. These financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the results of the Company, Toro Resources Corp. (“TRC”) and its wholly owned subsidiary company Toro Resources Inc. (“TRI”), a company incorporated in Nevada USA on March 9, 2010.

All significant intercompany balances and transactions have been eliminated in the consolidation.

b) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change, with maturities within three months, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. At March 31, 2011 and June 31, 2010 the Company held no cash equivalents.

c) Mineral Properties and Deferred Exploration Expenditures

The cost of mineral property interests and their related direct exploration expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred exploration expenditures will be amortized on a unit of production basis over the estimated useful life of the properties following the commencement of production, or written off if the properties are sold, allowed to lapse or abandoned.

Costs include the cash consideration and the fair market value of common shares issued on the acquisition of mineral property interests. The recorded costs of mineral property interests and deferred exploration expenditures represent costs incurred, and are not intended to reflect present or future values. The Company does not accrue the estimated future costs of maintaining its mineral property interests in good standing.

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property costs. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Recently Issued Accounting Pronouncements

i) Section 1582, Business Combinations

Section 1582 applies prospectively to the Company's business combinations on or after January 1, 2011. Early adoption of this recommendation is permitted. This section replaces Section 1581, "Business Combination", and harmonizes the Canadian accounting standards with International Financial Reporting Standards ("IFRS"). Under the new guidance, the purchase price used in a business combination will be the new fair value of the shares exchanged at their market price on the date of the exchange.

Currently, when shares are issued, they are valued based on the market price for a reasonable period before and after the date the acquisition is agreed upon and announced. Under the new guidelines, all acquisition costs are expensed where currently they are capitalized as part of the acquisition costs. There are also a number of other differences between the new guidelines and current GAAP. The Company does not expect the adoption of this pronouncement to impact the financial statements.

ii) Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests

Section 1601 and 1602 change the accounting and reporting of ownership in interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position (balance sheet) within equity, but separately from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income or loss. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interest of the non-controlling owners. The Company does not expect the adoption of these pronouncements to impact its financial statements in fiscal 2011.

iii) International financial reporting standards ("IFRS")

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Recently Issued Accounting Pronouncements (continued)

iii) International financial reporting standards ("IFRS") (continued)

The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the fiscal year ended on or before June 30, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. NEWLY ADOPTED ACCOUNTING POLICY

Equipment Amortization

Computer Equipment is recorded at cost and amortized over its estimated useful life at the following rate: - 50% straight line.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

a) Financial Assets and Liabilities

The fair values of cash, amounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments. There are no differences between the carrying values and the fair values of any financial assets or liabilities.

b) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The types of risk exposure and the way in which such exposure is managed are provided as follows:

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial Instrument Risk Exposure and Risk Management (continued)

i) Credit Risk

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions.

ii) Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. The Company believes that its sources of financing will be sufficient to cover the expected short and long term cash requirements.

iii) Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, and commodity price risk.

iv) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar ("CDN$"). Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

iv) Foreign Currency Risk (Continued)

The Company holds a 100% interest in its subsidiary Toro Resources Inc. ("TRI") which operates in the United States of America. TRI has transactions which are recorded in the US Dollar ("USD$"). As a result, the Company is subject to foreign currency and exchange risk on the translation of these transactions and year end balances to the reporting currency. Any gains or losses arising in the period are included in operations for the year.

As at March 31, 2011 and June 30, 2010, a 1% strengthening in the USD relative to the CDN$ does not have a significant impact on the net loss for the year.

Any unrealized translation adjustments arising at period end are included in operating loss for the period.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial Instrument Risk Exposure and Risk Management (continued)

The Mineral property contract (Note 7(b)) is denominated in US Dollars, and accordingly, changes in the exchange rate will affect the Company's future cash outflows pursuant to this agreement. As at March 31, 2011, a 1% strengthening in the USD$ relative to the CDN$ would result in future cash outflows increasing by approximately CDN$54,000.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

Financial assets and liabilities denominated in currencies other than the Canadian dollar are as follows:

	FINANCIAL ASSETS	FINANCIAL LIABILITIES
US dollars	$ 105,824	$ 7,083

v) Interest Rate Risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity. Fluctuations in interest rates affect the value of cash.

c) Hedging

This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

6. PROPERTY AND EQUIPMENT

	MARCH 31, 2011		
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**
Computer equipment	**$ 1,550**	**$ 130**	**$ 1,420**

	JUNE 30, 2010		
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**
Computer equipment	**$ -**	**$ -**	**$ -**

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Mineral properties and deferred exploration expenditures comprise:

	MARCH 31, 2011	JUNE 30, 2010
Deer Creek, Idaho, USA	**$ -**	$ -
Morgan Peak, Arizona, USA	**536,963**	141,031
Total	**$ 536,963**	$ 141,031

a) Deer Creek, Idaho, USA

	JUNE 30 2010
Acquisition Costs	
Balance, Beginning of Year	$ 1
Additions	-
Write offs and impairment provisions during the year	(1)
Balance, End of Period	-
Exploration Costs	
Balance, Beginning of Period	-
Property taxes and assessments	-
Write offs and impairment provisions during the year	-
Balance, End of Period	-
Total	$ -

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

On July 30, 2005, as amended August 5, 2009, the Company entered into an agreement to acquire a mineral lease, for an area of interest containing 4 mining claims located in Lemhi County, Idaho, U.S.A. The lease expires on July 30, 2025. In order for the lease to remain in good standing the Company is required to pay the annual government property maintenance and rental fees, and make annual payments to the optionor in accordance with the following schedule:

	CASH COMPENSATION (US $)	SHARE CONSIDERATION (NUMBER OF SHARES)
Upon stock exchange approval	$ 5,000 (paid)	200,000 (issued)
On or before July 30, 2006	$ 5,000 (paid)	40,000 (issued)
On or before July 30, 2007	$ 5,000 (paid)	75,000 (issued)
On or before July 30, 2008	$ 1,000 (paid)	-

The lease entitles the Company to explore, develop and mine the property for gold, silver and other valuable minerals. The Company is entitled to purchase the property outright at any time up to within 60 days of a bankable feasibility study or when ore production commences for the sum of US$2,000,000 and 500,000 common shares of the Company, less any royalty payments made to the date of acquisition.

The agreement is subject to a 2.5% net smelter returns royalty. During the year ended June 30, 2006 the company acquired an additional 61 lode mineral claims, which are subject to the terms of the mineral lease agreement.

During the year ended June 30, 2009, the Company abandoned these additional claims, and wrote off $22,437 of mineral property acquisition costs and $27,175 of deferred development expenditures which had been incurred in relation the claims. On June 30, 2009, the Company performed its annual review of its property holdings and recorded a mineral property impairment provision of $80,488, and a deferred exploration impairment provision of $13,757 resulting in the carrying cost of the property being $1. On June 30, 2010, the Company abandoned the property and recorded a further mineral property impairment of $1.

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

b) Morgan Peak, Arizona, USA

	MARCH 31, 2011	JUNE 30, 2010
Acquisition Costs		
Balance, Beginning of Period	**$ 70,448**	$ -
Additions	**82,587**	70,448
Balance, End of Period	**153,035**	$ 70,448
Exploration Costs		
Balance, Beginning of Period	**70,583**	-
Assessments and fees	**28,601**	18,664
Consulting and engineering	**241,056**	39,032
Drilling	**3,407**	-
Field and Travel	**27,666**	604
Office	**6,094**	2,607
Reports and Maps	**5,471**	8,274
Storage	**1,050**	1,402
Balance , End of Period	**383,928**	70,583
Total	**$ 536,963**	$ 141,031

On December 10, 2009, the Company entered into a letter of intent with MinQuest Inc. (“MinQuest”) to acquire a 100% undivided interest in the Morgan Peak Property in Arizona, USA, comprising 101 unpatented mineral claims covering a total of 2020 acres. As part of this agreement, MinQuest has assigned its previous agreement with another party for claims in the property to the Company.

Upon execution of the letter of intent, the Company paid to MinQuest a $10,862 (US$10,000) non-refundable deposit

On February 1, 2010, the Company entered into a definitive mineral property agreement (denominated in US$) with MinQuest respecting the option to acquire a 100% interest in the property subject to a 3% Net Smelter Royalty. At this time the non-refundable deposit became part of the amount due upon signing the agreement. Subsequent to the finalization of the agreement, MinQuest became a related party as its President was appointed as a director of TRI.

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

b) Morgan Peak, Arizona, USA (continued)

On March 10, 2010, the Company assigned all its rights and obligations pursuant to the mineral contract to its wholly owned subsidiary, TRI, a Company incorporated in Nevada.

In order to earn the interest, the Company is required to issue an aggregate of 3,000,000 shares of common stock and TRI is required to make cash payments to MinQuest totalling US$1,000,000, and incur an aggregate of US$4,300,000 in exploration expenditures as follows:

	CASH COMPENSATION (US $)	SHARE CONSIDERATION (NUMBER OF SHARES)	EXPLORATION EXPENDITURES
Upon signing the agreement	$ 20,000	250,000	$ -
On or before February 1, 2011	20,000	250,000	250,000
On or before February 1, 2012	25,000	300,000	350,000
On or before February 1, 2013	30,000	350,000	450,000
On or before February 1, 2014	40,000	400,000	500,000
On or before February 1, 2015	50,000	450,000	750,000
On or before February 1, 2016	50,000	500,000	1,000,000
On or before February 1, 2017	50,000	500,000	1,000,000
On or before February 1, 2018	715,000	-	-
	$ 1,000,000	3,000,000	$ 4,300,000

Also, TRI is required to make cash payments totalling US$665,000 to another party as follows:

	CASH COMPENSATION (US $)
Upon signing the agreement	$ 10,000
December 5, 2010	10,000
December 5, 2011	25,000
December 5, 2012	30,000
December 5, 2013	40,000
December 5, 2014	50,000
December 5, 2015	50,000
December 5, 2016	50,000
December 5, 2017	400,000
	$ 665,000

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

b) Morgan Peak, Arizona, USA (continued)

As at March 31, 2011, the Company has paid $62,119 (US$60,000) and issued 500,000 common shares with an aggregate fair value of $77,500 pursuant to the agreement. The Company also issued 102,000 common shares with a fair value of $10,200 as finders' fees in respect of the transaction.

During the year ended June 30, 2010, the Company staked a further 28 claims in the surrounding area to the main property, and during the period to March 31, 2011, the Company staked an additional 28 claims in the surrounding area to the main property.

8. SHARE CAPITAL

a) Authorized:

Unlimited voting common shares without par value

Unlimited non-voting preferred shares with a par value of $1 each (none issued)

b) Issued and Outstanding - Common Shares:

During the nine month period ended March 31, 2011, the Company issued:

i) 6,000,000 common shares pursuant to the exercise of share purchase warrants for aggregate proceeds of $600,000.

ii) 50,000 common shares pursuant to the exercise of stock options for gross proceeds of $5,000.

iii) 250,000 common shares pursuant to the Morgan Peak mineral property agreement with a fair value of $52,500

8. SHARE CAPITAL (continued)

c) Share Purchase Warrants

As at March 31, 2011, share purchase warrants outstanding for the purchase of common shares are as follows:

NUMBER OF WARRANTS	EXERCISE PRICE PER WARRANT	EXPIRY DATE
1,835,001	$ 0.30	April 28, 2012

A summary of changes in share purchase warrants for the nine months ended March 31, 2011 and the year ended June 30, 2010 is presented below:

	NINE MONTHS ENDED MARCH 31, 2011		YEAR ENDED JUNE 30, 2010	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of period	**7,835,001**	**$ 0.15**	-	$ -
Granted	**-**		7,835,001	0.15
Exercised	**(6,000,000)**	**0.10**	-	-
Balance, end of period	**1,835,001**	**$ 0.30**	7,835,001	$ 0.15

d) Escrow Shares

As at March 31, 2011 no common shares were held in escrow. (June 30, 2010 – 510,002)

9. STOCK BASED COMPENSATION

The Company has a stock option plan that provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual. The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing market price of the Company's shares on the day immediately prior to the award date, less any discount which may be permitted by the exchange on which the Company is listed. Options have a maximum term of five years.

As at March 31, 2011, Stock options granted for the purchase of common shares were as follows:

NUMBER OF OPTIONS	EXERCISE PRICE PER SHARE	NUMBER EXERCISABLE AT MARCH 31 2011	EXPIRY DATE
1,000,000	$ 0.10	1,000,000	March 4, 2015
200,000	$ 0.18	200,000	June 3, 2015
50,000	$ 0.18	50,000	August 31, 2015
200,000	0.20	250,000	March 23, 2016
1,450,000		1,450,000	

A summary of changes in stock options for the nine months ended March 31, 2011 and the year ended June 30, 2010 is presented below:

	NINE MONTHS ENDED MARCH 31, 2011		YEAR ENDED JUNE 30, 2010	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of period	**1,250,000**	**$ 0.11**	**-**	**$ -**
Granted	**250,000**	**0.20**	**1,250,000**	**0.11**
Exercised	**(50,000)**	**0.10**	**-**	**-**
Balance, end of period	**1,450,000**	**$ 0.13**	**1,250,000**	**$ 0.11**

9. STOCK BASED COMPENSATION (continued)

Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. During the nine months ended March 31, 2011, the Company recorded $41,000 (nine month period ended March 31, 2010 - $88,000) in stock based compensation for options granted.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	NINE MONTHS ENDED MARCH 31,	
	2011	2010
Risk free interest rate	**2.51%**	2.53%
Expected life	**5 years**	5 years
Expected volatility	**122%**	122%
Expected dividend yield	**-**	-
Weighted average of fair value of options granted	**$0.16**	0.08

10. RELATED PARTY TRANSACTIONS

The following related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Amounts due to and from related parties were non-interest bearing, unsecured and had not fixed terms of repayment.

In addition to those related party transactions disclosed elsewhere in the financial statements the Company incurred the following transactions and balances:

a) Included in accounts payable is $382 (June 30, 2010 - $352) due to a director for expense reimbursement, $5,153 (June 30, 2010 - $4,609) due to a related individual for consulting services and amounts aggregating $393 (June 30, 2010 - $8,375) due to Companies with a common director.

b) During the nine month periods ended March 31, 2011 and 2010, the Company accrued or was charged the following amounts by directors, and companies with a common director or officer:

10. RELATED PARTY TRANSACTIONS (Continued)

	NINE MONTHS ENDED MARCH 31, 2011		NINE MONTHS ENDED MARCH 31, 2010
Income Statement Items			
Consulting fees	$	**-**	$	1,041
Management fees		**18,500**		-
Office expenses		**6,764**	$	-
Professional fees		**2523**		
Rent		**6,225**		-
Stock based compensation		**33,400**		67,047
Travel		**1,380**		-
	$	**68,792**		68,088

	NINE MONTHS ENDED MARCH 31, 2011		NINE MONTHS ENDED MARCH 31, 2010	
Balance Sheet Items				
Mineral property acquisition		**82,587**		-
Deferred exploration expenditures	$	**113,100**	$	7,498

11. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) On March 4, 2010 the Company entered into a consulting agreement with Opus 3 Inc., which expired on September 4, 2010. The agreement was extended for a further six months subsequent to the year end. The consultants have been retained to identify potential mineral property targets and to assist with strategic marketing and with general corporate development. Remuneration to the consultant consists of 200,000 stock options exercisable at $0.10 until March 4, 2015, and $5,000 payable on a month to month basis.

b) On January 3, 2011, the Company entered into an Agreement with M3 Engineering & Technology Corporation ("M3") whereby M3 was contracted to perform a Scoping Study Report for the Company on the Morgan Creek for a cost of up to US$30,000. As of March 31, 2011 the Company has incurred $6,410 pursuant to this agreement.

The Company has no other significant contractual obligations or commitments with any parties respecting executive compensation, consulting arrangements, rental premises or other matters, except as disclosed elsewhere in these notes.