



VIPER GOLD LTD.
(Formerly LeBoldus Capital Inc.)
CONDENSED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended
June 30, 2011 and 2010
(Unaudited)

(Expressed in Canadian Dollars)

Notice to Readers:

These unaudited condensed financial statements of Viper Gold Ltd. ("the Company") have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Obligations

Viper Gold Ltd.			
Condensed Interim Statements of Financial Position			
<i>(Expressed in Canadian Dollars)</i>			
<i>(Unaudited)</i>			
		As at	As at
		June 30,	December 31,
	Notes	2011	2010
			<i>(Note 14)</i>
Assets			
Current assets			
Cash		\$ 758,889	\$ 1,323,599
Amounts receivable		23,735	18,609
Prepaid expenses and deposits		39,383	9,076
		822,007	1,351,284
Equipment	5	2,640	1,051
Exploration and evaluation assets	6	1,054,266	330,982
Total assets		\$ 1,878,913	\$ 1,683,317
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 394,784	\$ 83,886
Shareholders' Equity			
Share capital	7	1,447,051	1,375,051
Warrants	7	422,583	422,583
Share-based payments reserve		183,896	44,582
Deficit		(569,401)	(242,785)
Total equity		1,484,129	1,599,431
Total liabilities and equity		\$ 1,878,913	\$ 1,683,317
<i>Going concern (note 2)</i>			
<i>Commitments and contingencies (note 12)</i>			
Approved on Behalf of the Board:			
<i>Joseph Del Campo</i>		<i>Paul C. Davis</i>	
Director		Director	
<i>The accompanying notes are an integral part of these condensed interim financial statements.</i>			

Viper Gold Ltd.					
Condensed Interim Statements of Loss and Comprehensive Loss					
<i>(Expressed in Canadian Dollars)</i>					
<i>(Unaudited)</i>					
		For the three months ended		For the six months ended	
		June 30,		June 30,	
	Notes	2011	2010	2011	2010
			<i>(Note 14)</i>		<i>(Note 14)</i>
Continuing operations					
Expenses					
Share-based payments	8	\$ -	\$ -	\$ 139,314	\$ -
General and administrative expenses		41,550	8,548	112,779	18,867
Professional and consulting fees		62,087	(345)	74,315	155
Amortization		104	-	208	-
Interest (income)		-	(76)	-	(130)
		103,741	8,127	326,616	18,892
Net loss and comprehensive loss for the period					
		\$ (103,741)	\$ (8,127)	\$ (326,616)	\$ (18,892)
Basic and diluted loss per share	9	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares		12,005,000	3,000,000	11,890,000	2,381,215
<i>The accompanying notes are an integral part of these condensed interim financial statements.</i>					

Viper Gold Inc.							
Condensed Interim Statements of Changes in Equity							
<i>(Expressed in Canadian Dollars)</i>							
<i>(Unaudited)</i>							
	<i>Notes</i>	Capital stock		Warrants	Share-based payments reserve	Deficit	Total Equity
		Number of shares	Amount				
Balance at December 31, 2010		11,705,000	\$ 1,375,051	\$ 422,583	\$ 44,582	\$ (242,785)	\$ 1,599,431
Issued to Duran for mineral properties	7 (a)(ii)	300,000	72,000	-	-	-	72,000
Share-based payments	8	-	-	-	139,314	-	139,314
Net loss		-	-	-	-	(326,616)	(326,616)
Balance at June 30, 2011		12,005,000	\$ 1,447,051	\$ 422,583	\$ 183,896	\$ (569,401)	\$ 1,484,129
Balance at January 1, 2010		2,500,000	\$ 231,926	\$ -	\$ 20,255	\$ (90,782)	\$ 161,399
Issued on private placement	7 (a)(i)	2,000,000	200,000	-	-	-	200,000
Share issuance cost		-	(11,790)	-	-	-	(11,790)
Net loss		-	-	-	-	(18,892)	(18,892)
Balance at June 30, 2010		4,500,000	\$ 420,136	\$ -	\$ 20,255	\$ (109,674)	\$ 330,717

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

Viper Gold Ltd.			
Condensed Interim Statements of Cash Flows			
<i>(Expressed in Canadian Dollars)</i>			
<i>(Unaudited)</i>			
		For the six months ended	
		June 30,	
	Notes	2011	2010
			<i>(Note 14)</i>
Cash flows from operating activities			
Net loss for the period		\$ (326,616)	\$ (18,892)
Adjustments to reconcile net loss to net cash flows:			
Non-cash adjustments:			
Amortization		208	-
Share-based payments	8	139,314	-
		(187,094)	(18,892)
Working capital adjustments:			
Increase in amounts receivable		(5,126)	(3,121)
Increase in prepaid expenses		(30,307)	-
Increase in accounts payable and accrued liabilities		310,898	12,538
		88,371	(9,475)
Net cash flows (used in) from operating activities			
Cash flows from investing activities			
Purchase of equipment		(1,797)	-
Addition to exploration and evaluation assets		(651,284)	-
Deferred charges		-	(78,674)
Refund of Kinetex purchase agreement		-	25,000
(Deposit) on Duran option agreement		-	(25,457)
		(653,081)	(79,131)
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds on private placement - gross	7 (a)(i)	-	200,000
Share issue costs		-	(11,789)
		-	188,211
Net cash flows from financing activities			
Net (decrease) increase in cash and cash equivalents			
		(564,710)	99,605
Cash and cash equivalents - Beginning of the period		1,323,599	155,466
		\$ 758,889	\$ 255,071
Cash and cash equivalents - End of the period			
Supplemental information:			
Common shares issued for interest in exploration properties	7 (b)(ii)	\$ 72,000	\$ -
<i>The accompanying notes are an integral part of these condensed interim financial statements.</i>			

Viper Gold Ltd.

(Formerly LeBoldus Capital Inc.)

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2011 and 2010

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS

Viper Gold Ltd. (formerly LeBoldus Capital Inc.) (the "Company") was incorporated in Canada pursuant to the provisions of the Business Corporations Act (Alberta) on January 29, 2008. Until August 19, 2010, the Company was classified as a capital pool company as defined by TSX Venture Exchange (the "TSXV") Policy 2.4. During the year ended December 31, 2010, the Company completed its Qualifying Transaction, namely, the optioning of the Corongo Property as described in Note 6. The Company is a public corporation whose shares are listed and posted for trading on the TSXV under the symbol "VPR" (formerly "LEB"). The Company is in the business of acquiring and exploring mineral properties with a view to developing mineable deposits of precious and base metals.

The address of the Company's executive office is: First Canadian Place, Suite 5700, 100 King Street West, Toronto, Ontario, M5X 1C7, Canada.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. The Company's interests in the Corongo Property is located outside of Canada and is subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, and political uncertainties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory and environmental requirements.

2. GOING CONCERN

The Company is in the development stage and has entered into an option agreement providing for the right to acquire a 50% interest in certain mineral claims in Peru, from which no revenue has yet been generated. The exploration and development of mineral properties involves significant financial risk, with recoverability of costs incurred being subject to future profitable production from economically recoverable reserves and/or financing through issuance of shares or sale of property interests.

These condensed interim financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in these condensed interim financial statements. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet ongoing administration expenses and related liabilities as they fall due.

Viper Gold Ltd.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using the accounting policies the Company expects to adopt in its financial statements as at and for the year ending December 31, 2011. The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed interim financial statements as were followed in the preparation of the unaudited condensed interim financial statements for the three months ended March 31, 2011.

The unaudited condensed interim financial statements for the three months ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian generally accepted accounting principles ("Canadian GAAP"). Accordingly, these unaudited condensed interim financial statements for the three and six months ended June 30, 2011 should be read in conjunction with the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP, as well as the unaudited condensed interim financial statements for the three months ended March 31, 2011.

The accounting policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of August 22, 2011, the date the Board of Directors approved these statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

(b) Basis of preparation

These condensed interim financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis. In addition, these financial statements are prepared using the accrual basis of accounting except for cash flow information.

(c) Accounting standards issued but not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these condensed interim financial statements.

- IFRS 9, *Financial Instruments*, addresses the classification and measurement of financial assets;
- IFRS 10, *Consolidated Financial Statements*, builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company;
- IFRS 11, *Joint Arrangements*, establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;

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- IFRS 12, *Disclosure of Interest in Other Entities*, provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities;
- IFRS 13, *Fair Value Measurement*, defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

None of these standards are expected to have a significant effect on the financial statements of the Company.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

- i. the recoverability of exploration and evaluation assets which are included in the condensed interim statement of financial position;
- ii. the inputs used in accounting for valuation of warrants and options which are included in the condensed interim statement of financial position;
- iii. the inputs used in accounting for share purchase option expense in the condensed interim statement of loss and comprehensive loss;
- iv. the nil provision for asset retirement obligations which is included in the condensed interim statement of financial position; and
- v. the nil provision for income taxes which is included in the condensed interim statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed interim statement of financial position at June 30, 2011.

5. EQUIPMENT

	Cost	Accumulated depreciation	Net book value
As at June 30, 2011	\$ 3,056	\$ 416	\$ 2,640
As at December 31, 2010	\$ 1,259	\$ 208	\$ 1,051
As at January 1, 2010	\$ -	\$ -	\$ -

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6. EXPLORATION AND EVALUATION ASSETS

	Balance January 1, 2010	2010 Additions	Balance December 31, 2010	2011 Additions	Balance June 30, 2011
Corongo Property	\$ -	\$ 330,982	\$ 330,982	\$ 723,284	\$ 1,054,266

On March 17, 2010, the Company entered into an option agreement ("Option Agreement") with Duran Ventures Inc. ("Duran"), an arm's length resources company, and its subsidiary Minera Aguila de Oro S.A.C. ("Minera"), providing for the right to acquire a 50% interest in certain mineral claims comprising a prospective gold property known as the Corongo Property in Peru. The Option Agreement was subsequently amended June 22, 2010 and again on August 5, 2010. The Option Agreement, as amended, provides for the acquisition of a 50% interest in certain mineral claims comprising the Corongo Property in consideration for: (i) the payment of US\$25,000 (paid) in cash upon execution of the Agreement, (ii) the Company incurring not less than US\$1,000,000 in exploration expenditures on the Corongo Property (US\$918,597 incurred) prior to March 10, 2012; and (iii) the issuance of 1,000,000 common shares in the capital of the Company as to: (a) 300,000 common shares on or prior to the closing of the Qualifying Transaction (issued and valued at \$45,000); (b) 300,000 common shares on or prior to March 10, 2011 (issued and valued at \$72,000); and (c) 400,000 common shares on or prior to March 10, 2012. The Company is the operator of the project.

The right of the Company to acquire a 50% interest in the Corongo Property is an option only. The Company is not required to complete any cash payments, exploration expenditures or share issuances under the Option Agreement and may terminate its option at any time without further obligation to Duran under the Option Agreement.

7. SHARE CAPITAL AND OTHER EQUITY

(a) Authorized, issued and outstanding shares

Authorized:

- unlimited number of common shares without par value
- unlimited number of preferred shares issuable in series

Issued:

- 12,005,000 and 11,705,000 common shares as at June 30, 2011 and December 31, 2010, respectively.

(i) Private placements

On February 25, 2010, the Company issued 2,000,000 common shares at a price of \$0.10 per share for gross aggregate proceeds of \$200,000.

On August 17, 2010, the Company issued a total of 1,750,000 units at a price of \$0.20 per unit for gross proceeds of \$350,000. Each unit consisted of one common share and one common share purchase warrant of the Company with each warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.40 per share for a period of 24 months from the closing of the offering, subject to acceleration in certain circumstances. Directors and officers of the Company subscribed for an aggregate of 300,000 units for gross proceeds of \$60,000 pursuant to this financing.

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On December 17, 2010, the Company issued a total of 5,155,000 units at a price of \$0.25 per unit for gross proceeds of \$1,288,750. Each unit consisted of one common share and one common share purchase warrant of the Company with each warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 24 months from the closing of the offering, subject to acceleration in certain circumstances.

(ii) *Shares issued for mineral exploration properties*

On August 17, 2010, the Company issued 300,000 common shares valued at \$0.15 per share based on the price of the financing that closed August 17, 2010, to Duran under the Option Agreement described in note 6. On March 10, 2011, the Company issued another 300,000 common shares valued at \$0.24 per share (being the market value on the date of issue) to Duran pursuant to the Option Agreement.

(b) *Warrants*

Details of common share purchase warrants outstanding at June 30, 2011 are as follows:

	Number of Warrants	Exercise price	Expiry date
Share purchase warrants			
Issued on private placement	1,750,000	\$0.40	August 17, 2012
Issued on private placement	5,155,000	\$0.30	December 17, 2012
Agents' compensation warrants			
prospectus	104,000	\$0.20	August 17, 2011
prospectus	409,200	\$0.25	December 17, 2011
	<u>7,418,200</u>		

Common share purchase warrant transactions during the six month period ending June 30, 2011 and for the year ended December 31, 2010 are as follows:

	June 30, 2011			December 31, 2010		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding – beginning of the year	7,418,200	\$0.32	\$ 422,583	-	-	-
Issued	-	-	-	7,418,200	\$0.32	\$ 477,027
Less: issue costs			-			(54,444)
Outstanding – end of the period	7,418,200	\$0.32	\$ 422,583	7,418,200	\$0.32	\$ 422,583

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The fair value of the 1,750,000 warrants and 104,000 finders' warrants issued in connection with the private placement that closed on August 17, 2010 has been estimated at \$81,094 and \$4,919 respectively, using the Black-Scholes option pricing model. The following weighted average assumptions were used: Risk-free interest rate – 1.39%; Expected volatility – 100%; Expected dividend yield – nil; Expected life – 2 years and 1 year, respectively.

The grant date fair value of the 5,155,000 warrants and 409,200 finders' warrants issued in connection with the private placement that closed on December 17, 2010 has been estimated at \$370,088 and \$20,926 respectively, using the Black-Scholes option pricing model. The following weighted average assumptions were used: Risk-free interest rate – 1.63%; Expected volatility – 100%; Expected dividend yield – nil; Expected life – 2 years and 1 year, respectively.

The weighted average remaining contractual life of the issued and outstanding warrants as at June 30, 2010 was 1.26 years.

(c) Share-based payments reserve

Share-based payments reserve is primarily comprised of entries relating to share based payments and exercise of options.

8. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of common stock options shall not exceed 10% of the issued and outstanding common shares of the Company, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of options granted under the plan shall not be lower than the exercise price permitted by the TSX Venture Exchange, and all options granted under the plan will have a term not to exceed five years.

A summary of the status of the Plan as at June 30, 2011 and as at December 31, 2010, and changes during periods ended on those dates is presented below:

	June 30, 2011		December 31, 2010	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding – beginning of the year	500,000	\$0.20	350,000	\$0.20
Granted	581,000	\$0.38	250,000	\$0.20
Expired	-	-	(100,000)	\$0.20
Outstanding – end of the period	1,081,000	\$0.29	500,000	\$0.20

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As at June 30, 2011, the Company had stock options issued to directors, officers and employees of the Company outstanding as follows:

Date of grant	Number of options	Exercisable	Exercise price	Expiry date
July 10, 2008	250,000	250,000	\$0.20	July 10, 2013
August 17, 2010	200,000	200,000	\$0.20	August 17, 2015
October 1, 2010	50,000	37,500	\$0.20	October 1, 2015
January 26, 2011	481,000	462,250	\$0.40	January 26, 2016
March 29, 2011	100,000	100,000	\$0.26	March 29, 2016
	1,081,000	1,049,750		

On August 17, 2010, the Company granted options to two directors of the Company to acquire an aggregate of 200,000 options, exercisable at a price of \$0.20 per common share for a period of five years from the date of grant. The options vested immediately upon grant.

On October 1, 2010, the Company granted options to a consultant to acquire an aggregate of 50,000 options, exercisable at a price of \$0.20 per share for a period of five years from the date of grant. The options vest in four equal tranches every quarter with the first tranche having vested on December 31, 2010.

On January 26, 2011, the Company granted a total of 481,000 stock options to directors, officers and a consultant of the Company, exercisable at a price of \$0.40 per common share for a period of five years from the date of grant. The 456,000 options granted to directors and officers vested immediately. The 25,000 options granted to the consultant vest as to $\frac{1}{4}$ on each of the 3rd, 6th, 9th, and 12th month anniversaries of the date of grant.

On March 29, 2011, the Company granted options to a director of the Company to acquire an aggregate of 100,000 stock options, exercisable at a price of \$0.26 per common share for a period of five years from the date of grant, all of which vested immediately.

The fair value of the options granted in the six months ended June 30, 2011 was estimated to be \$139,314 (six months ended June 30, 2010 - \$nil). This amount was recognized as a share-based payment expense in the six months ended June 30, 2011 as substantially all of the options vested immediately (2010 - \$nil). The related credit is included in the share-based payments reserve.

The fair value of the options granted was estimated determined using the Black-Scholes option pricing model, using the following range of assumptions:

	<u>2011</u>	<u>2010</u>
Risk-free interest rate	2.20% - 2.56%	2.03% - 2.18%
Expected life	5 years	5 years
Expected volatility	100%	100%
Dividend yield	nil	nil
Exercise price	\$0.20 - \$0.40	\$0.20
Grant date fair value per option	\$0.20 - \$0.25	\$0.13

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9. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of ordinary shares in issue during the period.

	For the three months		For the six months	
	ended June 30,		ended June 30,	
	2011	2010	2011	2010
Net loss attributable to common shareholders	\$ (103,741)	\$ (8,127)	\$ (326,616)	\$ (18,892)
Weighted average number of ordinary shares in issue	12,005,000	3,000,000	11,890,000	2,381,215
Basic loss per share	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.01)

(b) Diluted

Diluted loss per share has not been presented as issued and outstanding warrants and options are considered to be anti-dilutive.

10. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

(a) Credit risk management

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivables. Cash is held with a reputable Canadian financial institution, from which management believes the risk of loss is remote. Financial instruments included in amounts receivable consists of harmonized sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

(b) Liquidity risk

As at June 30, 2011, the Company had working capital of \$427,223 (December 31, 2010 - \$1,267,398). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to productions costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control.

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(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is required to make all exploration expenditures required under the Option Agreement in US dollars (Note 6). As at June 30, 2011, the Company had cash balances of \$457,579 (December 31, 2010 - \$ Nil) in U.S. dollars.

Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately \$23,000 in the six month period ended June 30, 2011.

The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

(e) 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 cash balances and currently does not carry interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. It is management's opinion that the Company is not exposed to significant interest rate risk.

(f) Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

(g) Fair value of financial assets and liabilities

The book values of the cash, amounts receivable, and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

The fair values together with the carrying amounts shown in the statements of financial position are as follows:

	As at June 30, 2011		As at December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	\$ 758,889	\$ 758,889	\$1,323,599	\$1,323,599
Amounts receivable	23,735	23,735	18,609	18,609
Accounts payable and accrued liabilities	(394,784)	(394,784)	(83,886)	(83,886)
Unrecognized (losses) / gains		\$ -		\$ -

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(Unaudited)

11. CAPITAL RISK MANAGEMENT

The Company defines capital as Shareholders' Equity which at June 30, 2011 was \$1,484,129 (December 31, 2010 - \$1,599,431). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at June 30, 2011, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the six month period ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

12. COMMITMENTS AND CONTINGENCIES

(a) Consulting agreements

On October 1, 2010, the Company engaged Advanture Capital Partners Inc. ("Advanture") to provide investor relations, corporate communications and marketing services. The agreement with Advanture was for an initial term of six months beginning October 1, 2010 and it was extended for a further six months. The Company is committed to monthly cash payments of \$6,500. A grant of 50,000 stock options in the capital of the Company at an exercise price of \$0.20 per share was made to Advanture, effective October 1, 2010. Another grant of 25,000 stock options in the capital of the Company at an exercise price of \$0.40 per share was made to Advanture, effective January 26, 2011.

On October 27, 2010 (effective August 17, 2010), the Company entered into a consulting agreement with Paul C. Davis, the Company's President and Chief Executive Officer, to provide management services to the Company. The Company will pay Mr. Davis a per diem rate of \$650 to a maximum of \$4,000 monthly, along with a vehicle allowance of \$55 per day to a maximum of \$330 per month. The agreement is for a one year term, expiring August 31, 2011.

(b) Office lease commitment

On February 14, 2011, the Company entered into a lease agreement for office space commencing May 1, 2011. The term of the lease is for a period of two years, expiring on April 30, 2013. As part of the agreement, the Company paid a rental deposit of \$1,233 to be applied to the first rental payment due and an additional \$1,253 to be held as a security deposit. Future minimum rental payments under this lease are as follows:

July 1, 2011 – December 31, 2011	\$ 7,400
January 1, 2012 – December 31, 2012	\$14,954
January 1, 2013 – April 1, 2013	<u>\$ 3,758</u>
	<u>\$26,112</u>

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(c) Environmental matters

The Company currently has an exploration property interest in Peru. The enforcement of environmental regulation in Peru is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations.

The Company's exploration activities are subject to various federal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

13. COMPENSATION OF KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS

The remuneration of directors and members of key management personnel during the six months ended June 30, 2011 and 2010 was as follows:

	2011	2010
Aggregate compensation	\$ 23,400	\$ Nil
Share-based payments	\$133,092	\$ Nil
	<u>\$156,492</u>	<u>\$ Nil</u>

The directors and key management were awarded the following share options under the employee share option plan during the six months ended June 30, 2011:

Date of grant	Number of options	Exercise price	Expiry
January 26, 2011	456,000	\$0.40	January 26, 2016
March 29, 2011	100,000	\$0.26	March 29, 2016

During the six months ended June 30, 2011, the Company incurred legal fees in the amount of \$21,855 (2010 - \$24,347) from a law firm of which a director is a partner, of which \$3,770 (December 31, 2010 - \$62,662) is included in accounts payable.

During the six-month period ended June 30, 2011, a director and an officer of the Company was paid a total of \$23,400 (2010 - \$nil) for services rendered, of which \$3,900 (December 31, 2010 - \$6,356) is included in accounts payable.

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.

See also Note 7 for a description of related party share subscriptions.

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14. TRANSITION TO IFRS

As stated in Significant Accounting Policies Note 3 (a), these condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies set out in the Significant Accounting Policies section have been applied in preparing the condensed interim financial statements for the six months ended June 30, 2011, the comparative information presented in these financial statements for the six months ended June 30, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's date of transition).

The Company has followed the recommendations in IFRS-1 *First-time adoption of IFRS*, in preparing its transitional statements.

IFRS Optional exemptions

IFRS-1 provides specific one-time choices and mandates specific one-time exceptions with respect to first-time adoption of IFRS.

- Property, plant and equipment - IFRS 1 provides a one-time choice of measuring property, plant and equipment at its fair value as deemed cost at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. For the purpose of subsequent measurement, the Company has elected to apply the cost model for property, plant & equipment rather than the fair value model available under IFRS. In preparing its opening IFRS statement of financial position, the Company has not adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as there were no differences identified.
- Share-based payments - IFRS 2, *Share-based Payments*, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

Mandatory exceptions to retrospective application

Estimates: Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

Other IFRS-1 exemptions and mandatory exceptions have not been discussed above as they are not applicable to the Company.

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Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

i. Share-based payments

IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010; and,
- From January 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the Company's policy.

Recognition of Expense

Canadian GAAP - Often in practice expense is recognized on a straight line basis over vesting period. Forfeitures may be recognized as they occur.

IFRS - Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award. Forfeiture estimates are recognized in the current period and revised for actual experience in subsequent periods. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis.

The effects of the foregoing differences have had an immaterial impact on the Company as a substantial portion of the Company's options vest immediately and are recognized as an expense immediately at date of grant.

Forfeitures

Canadian GAAP – Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No adjustments were required.

ii. Contributed surplus

Canadian GAAP – Amounts recorded for expired, unexercised stock options and warrants remained in contributed surplus.

IFRS – On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments and warrants whereby the amounts recorded for expired, unexercised stock options and warrants are transferred to deficit. No adjustments were required.

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iii. Impairments

Recoverable Amount

Canadian GAAP - A recoverability test is performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the asset does not recover its carrying value, an impairment loss is calculated as the excess of the asset's carrying amount over its fair value.

IFRS – The impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount, where recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. No adjustments were required.

Reversal of Impairment

Canadian GAAP - Reversal of impairment losses is not permitted.

IFRS - Reversal of impairment losses is required for assets other than goodwill if certain criteria are met. No adjustments were required.

Explanation of differences impacting the Company's financial statements including IFRS 1 First-Time Adoption of International financial Reporting Standards

IFRS 1 requires the Company to reconcile equity, comprehensive income and cash flows for prior periods. In preparing its opening IFRS consolidated statement of financial position, the Company has not adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as there were no differences identified. An explanation of how the transition from Canadian GAAP to IFRS would affected the Company's financial position, financial performance and cash flows, if there were any differences, would be set out in the following tables. The tables are unaudited.

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Reconciliation of equity:

	January 1, 2010			June 30, 2010			December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets									
Current assets									
Cash	\$155,466	-	\$155,466	\$255,071	-	\$255,071	\$ 1,323,599	-	\$ 1,323,599
Amounts receivable	2,579	-	2,579	5,699	-	5,699	18,609	-	18,609
Deffered charges	-	-	-	78,674	-	78,674	-	-	-
Prepaid expenses and deposits	25,000	-	25,000	25,457	-	25,457	9,076	-	9,076
	183,045	-	183,045	364,901	-	364,901	1,351,284	-	1,351,284
Equipment	-	-	-	-	-	-	1,051	-	1,051
Mineral exploration properties	-	-	-	-	-	-	330,982	-	330,982
Total assets	\$183,045	-	\$183,045	\$364,901	-	\$364,901	\$ 1,683,317	-	\$ 1,683,317
Liabilities and Shareholders' Equity									
Current liabilities									
Accounts payable and accrued liabilities	\$ 21,646	-	\$ 21,646	\$ 34,184	-	\$ 34,184	\$ 83,886	-	\$ 83,886
Shareholders' Equity									
Share Capital	231,926	-	231,926	420,136	-	420,136	1,375,051	-	1,375,051
Warrants	-	-	-	-	-	-	422,583	-	422,583
Share-based payments reserve	20,255	-	20,255	20,255	-	20,255	44,582	-	44,582
Deficit	(90,782)	-	(90,782)	(109,674)	-	(109,674)	(242,785)	-	(242,785)
Total equity	161,399	-	161,399	330,717	-	330,717	1,599,431	-	1,599,431
Total liabilities and equity	\$183,045	-	\$183,045	\$364,901	-	\$364,901	\$ 1,683,317	-	\$ 1,683,317

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Reconciliation of loss and comprehensive loss for the three and six months period ended June 30, 2010 and year ended December 31, 2010:

	Three months period ended June 30, 2010			Six months period ended June 30, 2010			Year ended December 31, 2010		
	Canadian	Effect of		Canadian	Effect of		Canadian	Effect of	
	GAAP	Transition to IFRS	IFRS	GAAP	Transition to IFRS	IFRS	GAAP	Transition to IFRS	IFRS
Continuing Operations									
Expenses									
General and administrative expenses	\$ 8,548	-	\$ 8,548	\$ 18,867	-	\$ 18,867	\$ 76,922	-	\$ 76,922
Share-based payments	-	-	-	-	-	-	24,327	-	24,327
Professional and consulting fees	(345)	-	(345)	155	-	155	50,719	-	50,719
Interest (income)	(76)	-	(76)	(130)	-	(130)	(173)	-	(173)
Amortization	-	-	-	-	-	-	208	-	208
	8,127	-	8,127	18,892	-	18,892	152,003	-	152,003
Net loss and comprehensive loss for the period	\$ (8,127)	-	\$ (8,127)	\$ (18,892)	-	\$ (18,892)	\$(152,003)	-	\$(152,003)
Basic and diluted loss per share	\$ (0.00)		\$ (0.00)	\$ (0.01)		\$ (0.01)	\$ (0.03)		\$ (0.03)
Weighted average number of common shares	3,000,000		3,000,000	2,381,215		2,381,215	5,154,712		5,154,712

15. SUBSEQUENT EVENTS

On August 8, 2011, the Company announced the staking of 369 units, representing approximately 5,900 hectares of prospective unpatented mining claims approximately 50 kilometres to the east of Timmins, Ontario, Canada. The Company holds a 100% interest in the staked mining claims, which are valid for two years from the date of recording, and can be held for additional years by completing a minimum of \$400 of work per 16 hectare unit per year.

On August 15, 2011, the Company entered into a property option agreement with a local prospector (the "Vendor"), whereby the Company can acquire an undivided 100% interest in certain unpatented mining claims known as the Campbell Lake Property, consisting of 96 claim units representing approximately 1,500 hectares in Northeastern Ontario. The Company can earn a 100% interest over a two year period by making option payments totaling \$100,000 and issuing 600,000 common shares. The Vendor will retain a 2% Net Smelter Royalty, 1% of which can be purchased by the Company for \$1 million. The transaction is subject to approval by the TSX Venture Exchange.