

# Chantrell Ventures Corp.

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended June, 2011 and 2010

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements of Chantrell Ventures Corp. are the responsibility of the management and Board of Directors of the Company.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Paul A. Parisotto,  
President, CEO and CFO

## **NOTICE TO READER**

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim financial statements for the three and six month periods ended June 30, 2011 and 2010 have not been reviewed by the Company's auditors.

**CHANTRELL VENTURES CORP.****UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION**

<b>As at,</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
<b>Assets</b>		(Note 3)	(Note 3)
<b>Current</b>			
Cash	\$ 1,258,327	\$ 552,749	\$ 4,426
Trade and other receivables (Note 5)	15,085	133,575	3,563
Prepaid expenses and deposits	4,525	16,675	1,250
	<b>\$ 1,277,937</b>	<b>\$ 702,999</b>	<b>\$ 9,239</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables (Note 6 and 7)	\$ 11,080	\$ 46,145	\$ 255,514
Due to related parties (Note 7)	-	-	690,307
	<b>11,080</b>	<b>46,145</b>	<b>945,821</b>
<b>EQUITY</b>			
Share capital (Note 8 (a))	2,563,000	1,660,097	550,000
Reserve for warrants (Note 9)	50,000	168,528	-
Reserve for share based payments (Note 10)	2,043,884	1,315,884	713,884
Deficit	(3,390,027)	(2,487,655)	(2,200,466)
	<b>1,266,857</b>	<b>656,854</b>	<b>(936,582)</b>
	<b>\$ 1,277,937</b>	<b>\$ 702,999</b>	<b>\$ 9,239</b>

Nature of Operations and Going Concern (Note 1)  
Provisions (Note 11)

Approved on behalf of the Board on July 22, 2011:

"Paul A. Parisotto" Director

"Lorie Waisberg" Director

*The accompanying notes are an integral part of these unaudited interim financial statements*

**CHANTRELL VENTURES CORP.****UNAUDITED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

<i>For the periods ended June 30,</i>	<b>Three Months</b>		<b>Six Months</b>	
	<b>2011</b>	2011	<b>2011</b>	2010
<b>Expenses</b>				
Share based payments (Note 8 (b))	\$ -	\$ -	\$ <b>728,000</b>	\$ -
Management and consulting fees (Note 7)	<b>52,500</b>	20,000	<b>105,000</b>	50,000
Professional fees	<b>12,165</b>	25,296	<b>21,065</b>	51,804
Shareholder information	<b>2,718</b>	5,021	<b>8,676</b>	6,806
Office and miscellaneous	<b>20,574</b>	14,371	<b>39,631</b>	27,696
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 87,957</b>	\$ 64,688	<b>\$ 902,372</b>	\$ 136,306
<b>Loss per share</b>				
Basic and diluted	\$ <b>0.00</b>	\$ 0.02	\$ <b>0.05</b>	\$ 0.04
Weighted average number of common shares outstanding				
Basic and diluted	<b>18,611,857</b>	3,177,357	<b>18,008,921</b>	3,177,357

*The accompanying notes are an integral part of these unaudited interim financial statements*

**CHANTRELL VENTURES CORP.**

**UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY**

	Share Capital		Reserves			
	Number of Shares	Amount	Share based payments	Warrants	Deficit	Total
Balance at January 1, 2010	3,177,357	\$ 550,000	\$ 713,884	\$ -	\$ (2,200,466)	\$ (936,582)
Total comprehensive loss for the period		-	-	-	(136,306)	(136,306)
<b>Balance at June 30, 2010</b>	<b>3,177,357</b>	<b>\$ 550,000</b>	<b>\$ 713,884</b>	<b>\$ -</b>	<b>\$ (2,336,772)</b>	<b>\$ (1,072,888)</b>
Private placement units - \$0.095/unit	7,200,000	684,000	-	-	-	684,000
Private placement units - \$0.50/unit	1,000,000	500,000	-	-	-	500,000
Finder units	34,500	17,250	-	-	-	17,250
Exercise of purchase warrants	925,000	115,625	-	-	-	115,625
Reserve transferred on exercise of warrants	-	17,472	-	(17,472)	-	-
Warrants issued	-	(183,000)	-	183,000	-	-
Share based payments	-	-	602,000	-	-	602,000
Share issue costs – cash	-	(21,000)	-	-	-	(21,000)
Share issue costs – finder unit	-	(17,250)	-	-	-	(17,250)
Share issue costs – finder warrants	-	(3,000)	-	3,000	-	-
Total comprehensive loss for the period	-	-	-	-	(150,883)	(150,883)
<b>Balance at December 31, 2010</b>	<b>12,336,857</b>	<b>\$ 1,660,097</b>	<b>\$ 1,315,884</b>	<b>\$ 168,528</b>	<b>\$ (2,487,655)</b>	<b>\$ 656,854</b>
<b>Exercise of purchase warrants</b>	<b>6,275,000</b>	<b>784,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>784,375</b>
<b>Reserve transferred on exercise of warrants</b>	<b>-</b>	<b>118,528</b>	<b>-</b>	<b>(118,528)</b>	<b>-</b>	<b>-</b>
<b>Share based payments</b>	<b>-</b>	<b>-</b>	<b>728,000</b>	<b>-</b>	<b>-</b>	<b>728,000</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(902,372)</b>	<b>(902,372)</b>
<b>Balance at June 30, 2011</b>	<b>18,611,857</b>	<b>\$ 2,563,000</b>	<b>\$ 2,043,884</b>	<b>\$ 50,000</b>	<b>\$ (3,390,027)</b>	<b>\$ 1,266,857</b>

*The accompanying notes are an integral part of these unaudited interim financial statements*

**CHANTRELL VENTURES CORP.****UNAUDITED INTERIM STATEMENTS OF CASH FLOWS**

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<i>For the six month periods ended June 30,</i>	<b>2011</b>	<b>2010</b>
<b>Cash flows used in operating activities</b>		
Net Loss for the period	\$ (902,372)	\$ (136,306)
Add items not affecting cash:		
Share based payments	<b>728,000</b>	-
	<b>(174,372)</b>	(136,306)
Changes in non-cash working capital balances (Note 14)	<b>95,575</b>	132,748
Cash flows used in operating activities	<b>(78,797)</b>	(3,558)
<b>Cash flows from financing activities</b>		
Issue of common shares, net of issue cost	<b>784,375</b>	-
Cash flows provided from financing activities	<b>784,375</b>	-
Net increase (decrease) in cash	<b>705,578</b>	(3,558)
Cash, beginning of period	<b>552,749</b>	4,426
<b>Cash, end of period</b>	<b>\$ 1,258,327</b>	\$ 868

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**SUPPLEMENTAL CASH FLOW INFORMATION** (Note 14)

*The accompanying notes are an integral part of these unaudited interim financial statements*

**CHANTRELL VENTURES CORP.  
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011 and 2010**

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**1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS**

Chantrell Ventures Corp. (the "Company") is a public company incorporated under the laws of the Province of Alberta and continued into the Province of British Columbia under the Business Corporations Act on July 29, 2004. The Company's head office is located at 401 Bay St., Suite 2700 Toronto, ON, M5H 2Y4.

On September 6, 2005, the British Columbia Securities Commission ("BCSC") issued a Cease Trade Order ("CTO") against the Company for failing to file interim unaudited financial statements for the period ended June 30, 2005. On September 13, 2006, the Alberta Securities Commission ("ASC") issued a CTO against the Company for failing to file the annual audited financial statements for the year ended December 31, 2005, and unaudited financial statements for the interim periods ended on March 31, 2006 and June 30, 2006. In August 2010 the Company brought its financial reporting obligations up to date and on August 25, 2010 the Company received full revocation orders from the BCSC and ASC. On August 31, 2010, following the Company's shareholders approval at the Company's Annual and Special Meeting of Shareholders, the Company consolidated its share capital on a 2.5 old for 1 new basis, and changed the Company's name to Chantrell Ventures Corp. Also on August 31, 2010, the Company's post consolidated common shares were reinstated for trading on the NEX Board of the TSX Venture Exchange (the "Exchange") under the new symbol: CV.H.

As at June 30, 2011, the Company had working capital of \$1,266,857 (December 31, 2010 – \$656,854), had not yet achieved profitable operations, had accumulated losses of \$3,390,027 (December 31, 2010 - \$2,487,655) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is looking to acquire exploration and development assets. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the statement of financial position classifications used in the financial statements.

**CHANTRELL VENTURES CORP.  
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011 and 2010**

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**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of July 22, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the 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.

These are the Company's second IFRS interim financial statements for part of the period to be covered by the Company's first IFRS annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

As these are the Company's second set of interim financial statements prepared in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim financial statements prepared under IFRS as the reader will be able to refer to and rely on these and the annual financial statements which will be prepared in accordance with IFRS.

**2.2 Basis of presentation**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these interim financial statements are in accordance with IFRS.

**2.3 Adoption of new and revised standards and interpretations**

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial years beginning on or after January 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.



**CHANTRELL VENTURES CORP.**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
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**2. BASIS OF PRESENTATION (continued)**

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations; however, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

**3. FIRST TIME ADOPTION OF IFRS**

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 '*First time Adoption of International Financial Reporting Standards*', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the transition date; and
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the transition date.

**CHANTRELL VENTURES CORP.  
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
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**3. FIRST TIME ADOPTION OF IFRS (continued)**

Below is the Company's Statement of Financial Position as at the transition date of January 1, 2010 under IFRS.

	<b>As at January 1, 2010</b>		
	<b>GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Assets</b>			
Current Assets			
Cash	\$ 4,426	-	\$ 4,426
Trade and other receivables	3,563	-	3,563
Prepaid expenses and deposits	1,250	-	1,250
	<b>\$ 9,239</b>	<b>-</b>	<b>\$ 9,239</b>
<b>Liabilities</b>			
Current Liabilities			
Trade and other payables	\$ 255,514	-	\$ 255,514
Due to related parties	690,307	-	690,307
	<b>945,821</b>	<b>-</b>	<b>945,821</b>
<b>Equity</b>			
Share capital	550,000	-	550,000
Contributed surplus	713,884	(713,884)	-
Share based payment reserve		713,884	713,884
Deficit	(2,200,466)	-	(2,200,466)
	<b>(936,582)</b>	<b>-</b>	<b>(936,582)</b>
	<b>\$ 9,239</b>	<b>-</b>	<b>\$ 9,239</b>

**CHANTRELL VENTURES CORP.  
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
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**3. FIRST TIME ADOPTION OF IFRS (continued)**

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in minor changes to the reported financial position as at December 31, 2010. The adoption of IFRS has had no impact on the statement of financial position at June 30, 2010, net loss and comprehensive loss for the three and six month periods ending June 30, 2010 and year ended December 31, 2010 and net cash flows of the Company for the three month and six month periods ending June 30, 2010 and year ended December 31, 2010. Presented below is the reconciliation prepared by the Company to reconcile to IFRS the assets, liabilities, equity of the Company from those reported under Canadian GAAP:

**Reconciliation of assets, liabilities and shareholder's equity**

	<b>As at December 31, 2010</b>			
	<b>GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>	<b>Notes</b>
<b>Assets</b>				
Current Assets				
Cash	\$ 552,749	-	\$ 552,749	
Trade and other receivables	133,575	-	133,575	
Prepaid expenses and deposits	16,675	-	16,675	
	<u>\$ 702,999</u>	<u>-</u>	<u>\$ 702,999</u>	
<b>Liabilities</b>				
Current Liabilities				
Trade and other payables	46,145	-	46,145	
	<u>46,145</u>	<u>-</u>	<u>46,145</u>	
<b>Equity</b>				
Share capital	1,660,097	-	1,660,097	
Contributed surplus	1,484,412	(1,484,412)	-	(a)
Share based payment reserve	-	1,315,884	1,315,884	(a)
Warrants reserve	-	168,528	168,528	(a)
Deficit	(2,487,655)	-	(2,487,655)	
	<u>656,854</u>	<u>-</u>	<u>656,854</u>	
	<u>\$ 702,999</u>	<u>-</u>	<u>\$ 702,999</u>	

**CHANTRELL VENTURES CORP.  
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
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**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Notes to Reconciliation**

**a) Equity Reserves**

*Under Canadian GAAP* –The Company recorded the value of share based payments and warrants issued to contributed surplus.

*Under IFRS* – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity.

**b) Share-based Payment**

*Under Canadian GAAP* – The fair value of share based awards with graded vesting were calculated as one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. Forfeitures of awards were recognized as they occurred.

*Under IFRS* – Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of each of the respective tranches. Forfeiture estimates are recognized on the grant date and revised for actual experiences in subsequent periods.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Mineral properties**

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

**4.2 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized as its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related mineral property asset in the case where technical feasibility has been established, and expensed if technical feasibility is yet to be established. Once capitalized, the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.3 Share based payments**

***Share based payment transactions***

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

***Equity settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

**4.4 Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.5 Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the three and six month periods ended June 30, 2011 and 2010 all of the outstanding stock options and warrants were antidilutive.

**4.6 Financial assets**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At June 30, 2011 the Company has not classified any financial assets as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**4.7 Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At June 30, 2011 the Company has not classified any financial liabilities as FVTPL.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.8 Impairment of financial assets**

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

***Available-for-sale***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

**4.9 Impairment of nonfinancial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.



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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss and the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount.

**4.10 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**4.11 Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

**4.12 Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; capital assets, including gold reserves and resources, depreciation and depletion; recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

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**5. TRADE AND OTHER RECEIVABLES**

The Company's trade and other receivables arise from two main sources: trade receivables due from customers for services and sales and harmonized services tax ("HST") receivable due from government taxation authorities. These are broken down as follows:

	<b>As at,</b>		
	<b>June 30, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
HST receivable	<b>11,058</b>	8,575	3,563
Accounts receivable	<b>4,027</b>	125,000	-
<b>Total Trade and Other Receivables</b>	<b>\$ 15,085</b>	\$ 133,575	\$ 3,563

Below is an aged analysis of the Company's trade and other receivables:

	<b>As at,</b>		
	<b>June 30, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Less than 1 month	<b>15,085</b>	133,575	3,563
<b>Total Trade and Other Receivables</b>	<b>\$ 15,085</b>	\$ 133,575	\$ 3,563

At June 30, 2011, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 12.

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2011.

**6. TRADE AND OTHER PAYABLES**

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	<b>As at,</b>		
	<b>June 30, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Less than 1 month	<b>11,080</b>	46,145	75,393
Over 3 months	-	-	180,121
<b>Total Trade and Other Payables</b>	<b>\$ 11,080</b>	\$ 46,145	\$ 255,514

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**7. RELATED PARTY TRANSACTIONS**

As at June 30, 2011, the Company had \$Nil (December 31, 2010 - \$6,485, January 1, 2010 - \$Nil) in trade and other payables due to a company controlled by an officer and director of the Company. This liability was incurred as a result of management fees charged to the Company pursuant to a management services contract for \$5,000 per month. During the six month period ended June 30, 2011, the Company incurred \$30,000 (2010: \$Nil) in management fees to this company.

During the six month period ended June 30, 2011, the Company incurred \$75,000 (2010 - \$Nil) in management and consulting fees to a company controlled by an officer of the Company.

During the six month period ended June 30, 2011, the Company incurred \$Nil (2010 - \$30,000) in management and consulting fees to former directors, a company associated with a former director and a company with a former director in common. In addition the company incurred \$Nil (2010 - \$3,125) in interest charges on loans from former directors, a company associated with a former director and a company with a former director in common.

Management believes these transactions are in the normal course of business and are measured at the exchange amount.

**8. SHARE CAPITAL**

**(a) Authorized – Unlimited Common shares without par value**  
**Unlimited Preferred shares without par value**

The issued and outstanding share capital is as follows:

**Common shares**

	Number of Shares	Amount
<b>Balance, January 1, 2010</b>	<b>3,177,357</b>	<b>\$ 550,000</b>
Issued for cash (i)	7,200,000	\$ 684,000
Issued for cash (ii)	1,000,000	500,000
Issued for finders units (ii)	34,500	17,250
Issued for exercise of warrants	925,000	115,625
Warrants on private placement	-	(181,000)
Warrants on finder units (ii)	-	(2,000)
Reserve transferred on warrants exercised		17,472
Share issue costs		
Finders warrants (ii)	-	(3,000)
Finders units (ii)		(17,250)
Cash share issue costs	-	(21,000)
<b>Balance, December 31, 2010</b>	<b>12,336,857</b>	<b>\$ 1,660,097</b>
Issued for exercise of warrants	6,275,000	784,375
Reserve transferred on warrants exercised		118,528
<b>Balance, June 30, 2011</b>	<b>18,611,857</b>	<b>\$ 2,563,000</b>

On August 26, 2010, the Company completed its consolidation of its common shares on a 2.5 old shares for one new share basis. All share figures have been restated to retroactively reflect this consolidation.

(i) On July 30, 2010, the Company closed a private placement of 7,200,000 Units at \$0.095 per Unit for gross proceeds of \$684,000. Each Unit consists of one common share post consolidation and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share post consolidation at a price of \$0.125 for a period of 12 months from the date of closing.

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**8. SHARE CAPITAL (continued)**

(i) Private Placement – July 2010 (*continued*)

The fair value of 7,200,000 warrants issued along with the private placement has been estimated at \$136,000 using the Black-Scholes pricing model. The following assumptions were used:

Risk free interest rate – 1.14%; expected volatility – 101%; Dividend yield - Nil; and expected life – 1 year.

(ii) On December 22, 2010, the Company closed a private placement of 1,000,000 Units at \$0.50 per Unit for gross proceeds of \$500,000. Each Unit consists of one common share and one half of one common share purchase warrant (“Warrant”). Each full Warrant entitles the holder to purchase one additional common share at a price of \$0.75 for a period of 12 months from the date of closing.

The fair value of 500,000 warrants issued along with the private placement has been estimated at \$45,000 using the Black-Scholes pricing model.

In connection with this private placement, finders were issued 34,500 Finder Units with a fair value of \$17,250. Each Finder Unit consists of one common share and one half of one common share purchase warrant (“Warrant”). Each full Warrant entitles the holder to purchase one additional common share at a price of \$0.75 for a period of 12 months from the date of closing.

The fair value of 17,250 warrants issued as part of the finder units has been estimated at \$2,000 using the Black-Scholes pricing model.

In addition, the Company issued finders 34,500 Finder Warrants with a fair value of \$3,000. Each Finder Warrant entitles the holder to purchase one additional common share at a price of \$0.75 for a period of 12 months from the date of closing.

The following assumptions were used to calculate the warrants issued related to this private placement:

Risk free interest rate – 1.36%; expected volatility – 101%; Dividend yield - Nil; and expected life – 1 year.

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**8. SHARE CAPITAL (continued)**

**(b) Options**

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The options vest immediately unless otherwise specified. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares. As at June 30, 2011, the Company had 1,186 (December 31, 2010 – 333,686) options available for issuance under the plan. Continuity of the options outstanding to purchase common shares is as follows:

	<b>June 30, 2011</b>		December 31, 2010	
	Options	Weighted Average Exercise price	Options	Weighted Average Exercise price
Outstanding at beginning of year/period	<b>900,000</b>	<b>\$ 0.44</b>	-	\$ -
Transaction during the year/period:				
Granted	<b>960,000</b>	<b>1.00</b>	1,900,000	0.42
Forfeited during the year/period	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	0.40
Outstanding at end of year/period	<u><b>1,860,000</b></u>	<u><b>\$ 0.73</b></u>	<u>900,000</u>	<u>\$ 0.44</u>

The following summarizes information on the stock option outstanding at June 30, 2011.

<b>Range of Exercise Prices (\$)</b>	<b>No. of Options Outstanding</b>	<b>Weighted Average Remaining Life (Years)</b>	<b>Weighted Average Exercise Price (\$)</b>
0.44	900,000	4.42	0.44
1.00	960,000	4.67	1.00
0.44 – 1.00	1,860,000	4.55	0.73

The fair value of each option was estimated on the date of grant. The following is the assumptions used under Black-Scholes at the measurement date for the six month period ended June 30, 2011:

	<b>February 28, 2011</b>	<b>Total</b>
Options Issued	960,000	960,000
Risk free interest rate	2.63%	
Expected life	5 years	
Exercise Price	\$1.00	
Price volatility	101%	
Dividend yield	Nil	
Fair Value of options granted	\$728,000	\$728,000
Vesting	Immediately	
Share based payments	\$728,000	\$728,000

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**8. SHARE CAPITAL (continued)**

**(b) Options (continued)**

The fair value of each option was estimated on the date of grant. The following is the assumptions used under Black-Scholes at the measurement date for the year ended December 31, 2010:

	<b>November 15, 2010</b>	<b>December 1, 2010</b>	<b>Total</b>
Options Issued	1,000,000	900,000	1,900,000
Risk free interest rate	2.30%	2.44%	
Expected life	5 years	5 years	
Exercise Price	\$0.40	\$0.44	
Price volatility	101%	101%	
Dividend yield	Nil	Nil	
Fair Value of options granted	\$302,000	\$300,000	\$602,000
Vesting	Immediately	Immediately	
Share based payments	\$302,000	\$300,000	\$602,000

The weighted average grant-date fair value of options granted during the period was \$0.76 (Year ended December 31, 2010 – \$0.32) per option issued.

**(c) Common Share Purchase Warrants**

The exercise price and expiry date of the warrants outstanding at year end are as follows:

Warrants	Exercise Price	Expiry Date
551,750	\$ 0.75	December 22, 2011
<u>551,750</u>		

**9. RESERVE FOR WARRANTS**

Reserve for warrants is comprised of the following:

	<b>June 30, 2011</b>	December 31, 2010
Balance, beginning of the period/year	<b>\$ 168,528</b>	\$ -
Fair value of warrants issued	-	186,000
Fair value of contributed surplus transferred on warrants exercised	<b>(118,528)</b>	(17,472)
Balance, end of period/year	<b>\$ 50,000</b>	\$ 168,528

**10. RESERVE FOR SHARE BASED PAYMENTS**

Reserve for share based payments is comprised of the following:

	<b>June 30, 2011</b>	December 31, 2010
Balance, beginning of the period/year	<b>\$ 1,315,884</b>	\$ 713,884
Share based payments	<b>728,000</b>	602,000
Balance, end of period/year	<b>\$ 2,043,884</b>	\$ 1,315,884

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**11. PROVISIONS**

As at June 30, 2011, the Company had no contingent liabilities outstanding.

In June 2010, the Company received a Consent Dismissal Order from the Supreme Court of British Columbia with respect to a claim from 2005 following the final settlement payment of US\$69,000 in June 2010.

**12. FINANCIAL INSTRUMENTS**

*Fair value*

The Company's financial instruments as at June 30, 2011 include cash, trade and other receivables, and trade and other payables. Fair value of cash is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other receivable and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

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

*Interest rate risk*

The Company's cash includes bank deposits that are subject to floating interest rates. The Company's current policy is to invest excess cash in bank deposits by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and trade and other receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consists of bank deposits and cash held in trust with the Company's legal counsel, from which, management believes the risk of loss is remote. As at June 30, 2011, the Company's trade and other receivables primarily consist of amounts due from the Canadian government or amounts collected on behalf of the Company relating to its private placement at year end. The Company's receivables are normally collected within a 30-60 day period. The Company has not experienced any collection issues to June 30, 2011. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at June 30, 2011 is the carrying value of cash and trade and other receivables.

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**12. FINANCIAL INSTRUMENTS (continued)**

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2011, the Company had current assets of \$1,277,937 (December 31, 2010 - \$702,999) compared to current liabilities of \$11,080 (December 31, 2010 - \$46,145). The ability of the Company to continue to pursue its activities and continue as a going concern is dependant on its ability to secure additional equity or other financing. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at June 30, 2011, the Company had working capital of \$1,266,857 (December 31, 2010 – \$656,854).

**Sensitivity Analysis**

The sensitivity analysis shown in the notes below may differ materially from actual results. Interest rate risk on cash is minimal as these have fixed interest rates.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a one year period:

- (i) Cash includes bank deposits that are subject to floating interest rates. As at June 30, 2011, if interest rates had fluctuate by 1% with all other variables held constant, the loss for the six month period ended June 30, 2011 would be changed by \$6,000, as a result of a change in interest income from cash.



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**13. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's activities; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, and deficit, which as at June 30, 2011 totaled \$1,266,857 (December 31, 2010 – \$656,854).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no major sources of revenue; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital position and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest its cash in bank deposits, to ensure it is available for upcoming expenditures.

The Company expects its capital resources will be sufficient to carry out its acquisition and exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six month period ended June 30, 2011. Neither the Company is not subject to externally imposed capital requirements.

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

<b>SIX MONTH PERIODS ENDED JUNE 30,</b>	<b>2011</b>	<b>2010</b>
Trade and other receivables	<b>\$ 118,490</b>	\$ (3,067)
Prepaid expenses and deposits	<b>12,150</b>	-
Trade and other payables	<b>(35,065)</b>	75,150
Due to related parties	-	60,665
Changes in non-cash working capital balances	<b>\$ 95,575</b>	\$ 132,758
Interest received	<b>\$ -</b>	\$ -
Income tax paid	<b>\$ -</b>	\$ -