GWR Resources Inc.

Index to Financial Statements

June 30, 2011

(Unaudited – prepared by management)

GWR Resources Inc.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended June 30, 2011.

NOTICE TO READER

The interim balance sheet as at June 30, 2011 and the interim statements of loss and deficit, and the interim statements of cash flows for the six month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, BDO Canada LLP, Chartered Accountants.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

/s/John Brown
John Brown, Director

August 25, 2011

/s/ Dale Reimer
Dale Reimer, Director

August 25, 2011

GWR Resources Inc.

Balance Sheets

(Prepared Without Audit or Review)

		June 30 2011		***Sept 30, 2010***
ASSETS				
Current Assets:				
Cash and short-term deposits	$	5,161,341	$	(196,044)
Accounts receivable		50,772		3,635
Prepaid expenses		31,730		44,565
Total current assets		5,243,843		(147,844)
Property and equipment (Note 3)		880,030		471,565
Mineral properties (Note 4)		22,786,457		19,841,428
Restricted cash - Ministry Mines (Note 9)		134,000		134,000
Due from related parties (Note 6)		41,401		-
Other assets		1,008		2,808
TOTAL ASSETS	$	29,086,739	$	20,301,956
LIABILITIES & SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accruals	$	130,394	$	438,359
Current portion of long-term debt		77,464		76,507
Due to related parties (Note 6)		-		135,400
		207,858		650,266
Future income taxes		4,867,860		3,983,389
		5,075,718		4,633,655
Shareholders' Equity:				
Share capital (Note 5)		28,170,611		16,774,393
Contributed surplus (Note 5)		9,611,841		11,988,582
Deficit		(13,771,431)		(13,094,674)
Total shareholders' equity		24,011,021		15,668,302
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$	29,086,739	$	20,301,956

Going concern (Note 1)
Contingencies and Commitments (Note 9)

GWR Resources Inc.
Statement of Operations and Deficit

(Prepared Without Audit or Review)

	For the period ended			
	30-Jun-11		30-Jun	
	9 months	12 months	9 months	
Administrative expenses				
Amortization	$ 31,630	$ 58,320	$ -	$
Consulting, director and management fees (Note 6)	30,235	60,441	(4,000)	
Entertainment, promotion and advertising	1,872	10,243	5,894	
Flow-through Part XII.6 tax, penalties (recovery)	7,186	18,649	207	
Insurance, licenses and dues	26,180	64,985	19,774	
Interest and bank charges (Note 7)	38,091	45,052	13,582	
Office and general (Note 6b)	30,996	55,646	28,820	
Professional fees	29,547	48,839	24,603	
Rent (Note 6)	1,800	9,000	3,600	
Salaries and benefits	35,348	153,695	30,652	
Stock-based compensation (Note 5c)	8,000	126,000	-	
Telephone and utilities	4,166	8,552	2,734	
Travel	3,193	3,193	8,857	
Vehicle	5,647	17,299	4,724	
	253,891	679,914	139,448	
Other				
Interest income	(1,564)	(3,157)	(1,288)	
Loss before income taxes	252,327	676,757	138,160	
Income taxes				
Future tax recovery	-	-	-	
Net loss and comprehensive loss for the period	252,327	676,757	138,160	
Deficit, beginning of the period	13,519,104	13,094,674	11,898,970	
Deficit, end of year	**$ 13,771,431**	**$ 13,771,431**	**$ 12,037,130**	**$**

n-10
12 months
-
25,031
9,878
1,332
53,509
24,456
90,648
72,096
10,800
128,291
-
6,442
27,333
14,052
463,869
(1,787)
462,082
764
462,846
11,898,970
12,361,815

For the six months ended June 30, 2011

	SHARE CAPITAL NUMBER	SHARE CAPITAL AMOUNT	SHARE SUBSCRIPTIONS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
Balance, September 30, 2009	**58,957,462**	**$ 15,445,360**	**$85,050**	**$ 10,521,582**	**$ (11,898,971)**	**$ 14,153,021**
Shares Issued during the year						
Private Placements - Cash	23,117,465	1,806,096	(85,050)	968,000	-	2,689,046
Private Placements – Debt settlement	528,235	63,388	-	-	-	63,388
Share issue costs	-	(364,201)	-	70,000	-	(294,201)
Shares issued for mineral properties	150,000	15,750	-	-	-	15,750
Tax benefits renounced on flow-through shares	-	(192,000)		-	-	(192,000)
Stock based compensation	-	-	-	429,000	-	429,000
Net loss and comprehensive loss for the year	-	-	-	-	(1,195,704)	(1,195,704)
Balance, September 30, 2010	**82,753,162**	**16,774,393**	**-**	**11,988,582**	**(13,094,675)**	**15,668,300**
Shares Issued during the period						
Private Placements – Cash	21,552,167	4,841,900	-	958,300	-	5,800,200
Loan bonuses	189,486	25,580	-	-	-	25,580
Property option	175,000	56,000	-	-	-	56,000
Share issue costs	-	(469,051)	-	124,000	-	(345,051)
Exercise of warrants	26,873,323	4,804,428	-	(1,330,731)	-	3,473,697
Exercise of stock options	235,000	64,363	-	(30,453)	-	33,910
Exercise of agent's unit options	477,465	95,149	-	(36,529)	-	58,620
Cancellation of options	-	-	-	(55,676)	-	(55,676)
Stock based compensation	-	-	-	126,000	-	126,000
Tax benefits renounced on flow-through shares	-	(884,471)	-	-	-	(884,471)
Net loss and comprehensive loss for the period	-	-	-	-	(676,757)	(676,757)
Balance, June 30, 2011	**132,255,603**	**$ $25,308,291**	**$ -**	**$ 11,743,493**	**$ (13,771,432)**	**$ 23,280,352**

GWR Resources Inc.

Statement of Cash Flows
9 month(s) ended June 30, 2011
(With Comparative Figures for Same Period Last Year)
(Prepared Without Audit or Review)

	Current Period	Current YTD	Last Year Period
Operating Activities:			
Net loss for the period	$ (252,327.00)	$ (676,758)	$ (138,160)
Adjustment for:			
Depreciation	31,630	58,320	0
Stock-based compensation	8,000	126,000	0
Expensing of other assets	-	1,800	
	(212,697)	(492,438)	(138,160)
Changes in non-cash working capital balances			
Receivables	147,677	(47,137)	(10,094)
Prepaid expenses	44,035	14,635	3,217
Accounts payables and accrued liabilities	(320,265)	(307,008)	(26,154)
Future income taxes	0	884,471	0
Net cash applied to (from) operating activities	(341,250)	52,523	(171,192)
Investing Activities:			
Purchase / sale of capital assets	(432,805)	(466,786)	(2,721)
Purchase of other assets	0	0	0
Acquisition of mineral properties	(81,000)	(81,000)	(58,456)
Expenditures on deferred exploration and development	(367,636)	(2,864,029)	(794,261)
Net cash provided by (for) investing activities	(881,440)	(3,411,814)	(855,439)
Financing Activities			
Due to related parties	(42,745)	(176,801)	(104,486)
Share subscriptions	0	0	0
Proceeds from sale of capital stock	5,402,185	9,418,184	1,408,403
Share Issue costs	(137,350)	(469,051)	
Cheques issued in excess of cash on hand	0		
Decrease in long-term payable	0	0	0
Net cash provided by financing activities	5,222,090	8,772,332	1,303,916
Increase (Decrease) in cash during the period	3,999,400	5,413,041	277,286
Opening cash on hand	1,161,941	300	215,389
Closing cash on hand	**$ 5,161,341**	**$ 5,413,341**	**$ 492,675**

Last Year To Date
(462,846)
0
0
(462,846)
39,844
15,217
(120,934)
0
(528,720)
(2,721)
10,431
(58,456)
(1,371,137)
(1,421,883)
(81,948)
(85,050)
2,545,925
(35,814)
2,343,113
392,510
100,165
492,675

1. Basis of Presentation and Ability to Continue as a Going Concern

The interim financial statements included herein, presented in accordance with Canadian generally accepted accounting principles, have been prepared by the Company, without audit, pursuant to the rules and regulations of the British Columbia Securities Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make information present not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the company for the year ended September 30, 2010 and notes thereto included in the Company's year-end filing. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim period are not necessarily indicative of annual results.

These interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has experienced recurring losses, has not generated profitable operations since inception and as at June 30, 2011 has a loss of $252,327 for the nine months then ended and has accumulated losses of $13,771,431 since inception. Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than carrying values. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations, attaining commercial production from its mineral properties, and attaining future profitable operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

The Company's significant accounting policies are consistent with those reported in the annual financial statements as at September 30, 2010.

Recently Issued Accounting Pronouncements

a) Consolidated Financial Statements: Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting, for a non-controlling interest in a subsidiary in consolidated financial statements, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has adopted the new standard and has determined there is no impact on its financial statements on the adoption of these new standards.

b) Business Combination: Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has adopted the new standard and has determined there is no impact on its financial statements on the adoption of these new standards.

c) International financial reporting standards ("IFRS"): In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian Generally Accepted Accounting Policies ("Canadian GAAP") with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company has completed its IFRS conversion review and is actively determining the impact of the transition date (October 1, 2010) balances.

3. Property and Equipment

	June 30, 2011		September 30, 2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 133,003**	**$ -**	$ 66,252	$ -
Building	**669,251**	**55,983**	306,811	44,551
Field equipment	**145,665**	**87,209**	145,665	71,672
Office furniture and equipment	**72,327**	**61,882**	70,540	67,785
Computer equipment	**14,147**	**6,002**		
Automotive equipment	**88,749**	**44,852**	88,749	33,491
Software	**32,708**	**19,892**	11,047	9,843
	$ 1,155,850	**$ 275,820**	$ 689,064	$ 217,499
	$ 880,030		$ 471,565	

4. Mineral properties

	BRITISH COLUMBIA	QUEBEC	TOTAL
Mineral Property Acquisition			
Balance, September 30, 2010	$ 827,227	$ 155,206	$ 982,433
Acquisition costs – Cash	-	-	-
Acquisition costs – Shares	-	-	-
Write-off on abandonment	-	-	-
Balance, March 31, 2011	$ 827,227	$ 155,206	$ 982,433
Exploration			
Balance, September 30, 2010	$ 18,834,810	$ 105,185	$ 18,939,995
Assays, core prep and storage	171,085	-	171,085
Automotive	28,060	6,590	34,650
Consulting, contracting and field supervision	286,373	106,788	393,161
Drilling	1,429,066	-	1,429,066
Equipment rental, fuel and repairs	413,339	5,727	419,066
Miscellaneous	14,445	16,613	31,058
Office expenses	13,386	2,312	15,698
Shop rent	68,627	1,000	69,627
Wages and costs	276,711	1,345	278,056
Balance, March 31, 2011	$ 21,535,902	$ 245,560	$ 21,781,462
Total Balance, March 31, 2011	**$ 22,363,129**	**$** 400,766	**$ 22,763,895**

Lac La Hache, British Columbia

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia.

(a) *Miracle / Murphy*

The Company owns a 100% interest in four mineral claims in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, the Company is to pay 1% of the net smelter return to the original vendor to a maximum of $1,500,000.

(b) Peach Lake

The Company owns an 80% interest in seven mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated December 1, 1994, the Company is to pay 3% of the net smelter return to the original vendor on four of the seven claims to a maximum of $500,000.

(c) *Ann*

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the Company is not required to pay a net smelter return to the original vendor.

4. Mineral properties – Continued

Lac La Hache, British Columbia - continued

(b) Murphy Lake

The Company owns a 100% interest in six mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 2, 1997, the Company has agreed with the original vendor to issue 300,000 common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place, and to pay 3% of the net smelter return to a maximum of $1,000,000.

(c) PMA

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a net smelter return to the original vendor.

Sainte Sabine, Quebec

The Company has entered into an option agreement whereby the Company is purchasing a 100% interest in 81 mineral claims, plus 6 pending claims, located in Bellechase and Rolette townships in Quebec. In consideration, the Company will pay the vendor a total of $310,000 and issue 1,575,000 shares over a six year period. The Company has earned an initial 10% interest in the claims by paying $10,000 and issuing 150,000 common shares to the vendor, incurring exploration expenditures of $144,075 on the claims and paying filing fees of $74,206 in order to keep the claims in good standing. The vendor has a 2% NSR, of which 0.5% can be purchased by the Company for $500,000 and an additional 0.5% can be purchased for an additional $500,000.

5. Share Capital

(a) Authorized shares

Unlimited common shares with no par value

(b) Issued shares

During the period ended June 30, 2011 the Company completed the following share issuance transactions:

i. On October 1, 2010, pursuant to a brokered private placement, the Company issued 2,467,750 flow through Units at $0.16 per unit and 3,346,160 non-flow through units at $0.15 per unit for total gross proceeds of $896,764. Each flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until October 1, 2011. Each non-flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until April 1, 2012. The fair value of the share purchase warrants, estimated to be $283,100, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 64%; Expected term – 1.3 years; Risk-free rate of return – 1.39% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $147,545, including finders' fees of $71,741, corporate finance fees of $20,000, legal and filing fees of $16,804 and issued 465,112 agent's warrants entitling the holder to purchase one common share at an exercise price of $0.25 until April 1, 2012. The fair value of the agent's warrants, estimated to be $39,000, was recorded as a reduction to share capital as share issue costs and credited to contributed surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 70%; Expected term – 1.5 years; Risk-free rate of return – 1.39% and Expected dividend yield – 0%.

ii) On November 10, 2010, pursuant to a brokered private placement, the Company issued 2,270,000 flow through Units at $0.16 per unit and 1,866,906 non-flow through units at $0.15 per unit for total gross proceeds of $643,236. Each flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until November 10, 2011. Each non-flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until May 10, 2012.

5. Share Capital – Continued

(b) Issued shares - continued

ii) On November 10, 2010 - continued

The fair value of the share purchase warrants, estimated to be $204,500, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 63%; Expected term – 1.2 years; Risk-free rate of return – 1.57% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $121,432, including finders' fees of $51,459, agent commissions of $35,000, filing fees of $7,973 and issued 330,952 agent's warrants entitling the holder to purchase one common share at an exercise price of $0.25 until May 10, 2012. The fair value of the agent's warrants, estimated to be $27,000, was recorded as a reduction to share capital as share issue costs and credited to contributed surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 66%; Expected term – 1.5 years; Risk-free rate of return – 1.57% and Expected dividend yield – 0%.

iii) On November 30, 2010, pursuant to a brokered private placement, the Company issued 6,250,000 flow through Units at $0.28 per unit for total gross proceeds of $1,750,000. Each flow through unit consisted of one flow-through common share and one-half non-transferrable non-flow through share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share at an exercise price of $0.50 until November 30, 2012. If the closing price of the common shares of the Company on the TSX Venture Exchange is greater than $0.70 for at least 20 consecutive trading days in the period from March 31, 2011 to November 30, 2012, the Company may accelerate the expiry date of the warrants by giving notice to the warrant holders and in such case the warrants will expire on the 30^{th} day after the date on which such notice is given. The fair value of the share purchase warrants, estimated to be $260,500, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $186,725, including finders' fees of $102,000, legal and filing fees of $26,725 and issued 485,714 agent's units entitling the holder to purchase one unit at an exercise price of $0.28 until November 30, 2012. Each unit is comprised of one common share and one-half non-transferrable share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share at an exercise price of $0.50 until November 30, 2012. The fair value of the agent's units, estimated to be $58,000, was recorded as a reduction to share capital as share issue costs and credited to contributed surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

iv) On June 2, 2011, pursuant to a non-brokered private placement, the Company issued 4,000,000 non-flow through Units @ $0.45 per unit for a total gross proceeds of $1,800,000. Each unit consisted of one non-flow through share and one-half non-transferrable non-flow through share purchase warrant entitling the holder, in exchange for one half share purchase warrant, to purchase one additional common share of the at an exercise price of $0.65 until June 2, 2013. The fair value of the share purchase warrants, estimated to be $124,900, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.49% and Expected dividend yield – 0%.

The Company incurred share issued costs totalling $9,750 on filing fees.

v) On June 22, 2011, pursuant to a non-brokered private placement, the Company issued 1,351,351 non-flow through Units @ $0.37 per unit for a total gross proceeds of $500,000. Each unit consisted of one non-flow through share and one non-transferrable non-flow through share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share of the at an exercise price of $0.45 until June 22, 2012, and $60 until June 22, 2013 . The fair value of the share purchase warrants, estimated to be

5. Share Capital – Continued

(b) Issued shares - continued

$85,300, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 81%; Expected term – 2 years; Risk-free rate of return – 1.53% and Expected dividend yield – 0%.

The Company incurred $3,250 in legal and filing fees.

vi) Throughout the period 235,000 stock options and 477,465 agent's options have been exercised for total cash proceeds of $115,320 and 26,873,323 warrants have been exercised for total cash proceeds of $4,336,100. On exercise of stock options and warrants the value of the exercised securities when issued, originally credited to contributed surplus (stock options - $30,453; agent's units - $36,529; warrants - $1,330,731), is credited to share capital and debited to contributed surplus. There were also 449,000 stock options that were cancelled. The fair value of these options in the amount of $55,676 was originally credited to contributed surplus at the time they were issued.

(c) Stock options

Effective December 2010, the Company adopted the Amended Stock Option Plan ("the Plan") which is pursuant to the policies of the TSX Venture Exchange ("VSX-V"). The Company may grant incentive stock options to its officers, employees and consultants. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 7.5% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual. The exercise price of stock options is determined by the Board of Directors of the Company at the time of grant and may not be less than the average allowable discount from the last closing price of the Company's shares immediately preceding the time the option is granted and publicly announced.

On January 4, 2011 the Company granted 50,000 incentive stock options to an employee. The options vested immediately and are exercisable for five years at $0.275 per share. Based on the estimated fair value of the options at their grant dates, the Company recorded stock-based compensation expense of $8,000 for these options in the statement of operations. The fair value of the options granted was estimated using the Black-Scholes Option Pricing Model using the following assumptions: Risk free rate of return - 2.38%; Expected share price volatility – 68%; Expected life of the options – 5 years; and Expected dividend yield – 0%.

On February 24, 2011 the Company granted 400,000 incentive stock options to a director. The options vested immediately and are exercisable for five years at $0.42 per share. Based on the estimated fair value of the options at their grant dates, the Company recorded stock-based compensation expense of $118,000 for these options in the statement of operations. The fair value of the options granted was estimated using the Black-Scholes Option Pricing Model using the following assumptions: Risk free rate of return - 2.38%; Expected share price volatility – 89%; Expected life of the options – 5 years; and Expected dividend yield – 0%.

The following table summarizes information about stock option transactions:

	Number	Weighted Average Exercise Price
Balance, September 30, 2009	3,153,400	$0.18
Options expired / cancelled	(869,400)	$0.21
Options granted	3,784,400	$0.20
Balance, September 30, 2010	6,068,400	$0.19
Options exercised	(235,000)	$0.19
Options granted	450,000	$0.40
Options cancelled	(449,000)	$0.17
Balance June 30, 2011	5,834,400	$0.21

5. **Share Capital** – Continued

(c) Stock options - continued

Stock options outstanding at June 30, 2011 are as follows:

Number of Options	Weighted Average Exercise Price	Expiry Date
250,000	$0.20	November 16, 2011
1,644,400	$0.17	December 13, 2011
50,000	$0.17	December 20, 2011
745,000	$0.17	December 25, 2011
120,000	$0.17	February 02, 2012
120,000	$0.17	May 06, 2013
430,000	$0.17	March 23, 2014
200,000	$0.17	May 15, 2014
1,825,000	$0.20	September 3, 2015
50,000	$0.275	January 4, 2016
400,000	$0.42	February 24, 2016
5,834,400	$0.21	

(d) Warrants

A summary of the Company's outstanding share purchase warrants at June 30, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted Average Exercise price
Balance, September 30, 2009	10,031,460	$0.46
Warrants issued	24,537,134	$0.15
Warrants expired	(4,393,995)	$1.75
Balance, September 30, 2010	30,174,599 (1)	$0.17
Warrants issued (2)	17,466,088	$0.25
Warrants expired	(293,574)	$0.32
Warrants exercised (3)	(26,023,323)	$0.16
Balance, June 30, 2011	21,323,790 (4)	$ 0.24

(1) Warrants outstanding include 477,465 warrants contingently issuable pursuant to agent's unit options.

(2) Warrants issued include 242,857 warrants contingently issuable pursuant to agent's unit options issued during the period. The contingently issuable warrants are exercisable at $0.50 per share.

(3) Warrants exercised include 477,465 warrants which were contingently issuable pursuant to agents' unit options. During the period certain of the agents' unit options were exercised and the warrants were issued and exercised concurrent with the terms exercise of the unit options.

(4) Warrants outstanding include 242,857 warrants contingently issuable pursuant to agent's unit options.

During the period ended June 30, 2011 the Company issued 17,466,088 share purchase warrants as part of unit offerings, as described in detail in Notes 5(b) and 5(d), Based on the estimated fair value of the warrants at their issue dates, the Company recorded $955,000 as an increase in contributed surplus and a reduction of share capital. The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions: Risk free rate of return - 1.52%; Expected share price volatility – 69%; Expected life of the options – 1.55 years; and Expected dividend yield – 0%.

5. Share Capital - Continued

(d) Warrants - continued

The following warrants to acquire common shares were outstanding at June 30, 2011:

Number of Shares	Exercise Price	Expiry Date
118,500	$0.12	August 2, 2011
1,484,228	$0.30	August 21, 2011
2,286,750	$0.25	October 2, 2011
2,270,000	$0.25	November 10, 2011
990,252	$0.12 to 0.15	December 22, 2011
97,302	$0.12 to 0.15	January 12, 2012
384,295	$0.12	February 2, 2012
3,811,272	$0.25	April 1, 2012
2,061,983	$0.25	May 10, 2012
1,100,000	$0.16/0.25	May 14, 2011 / May 14, 2012
3,125,000	$0.50	November 30, 2012
242,857 (1)	$0.50	November 30, 2012
2,000,000	$0.65	June 2, 2013
1,351,351	$0.45	June 22, 2013
21,323,790	$0.24	

(1) Contingently issuable as a component of Agent Unit Options

(e) Agent's Unit Options

As part of agents' commission for brokered private placements the Company has issued 485,714 options to acquire units comprised of shares and warrants. The fair value of agent options granted in connection with finder fees were estimated using the Black-Scholes option pricing model using the following assumptions: Risk free rate of return - 1.69%; Expected share price volatility – 77%; Expected life of the options – 2 years; and Expected dividend yield – 0%.

A summary of the Company's outstanding agent's options to purchase units at June 30, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted Average Exercise price
Balance, September 30, 2009	235,294	$0.15
Unit options granted	242,171	$0.12
Balance, September 30, 2010	477,465	$0.13
Unit options exercised	(477,465)	$0.13
Unit options granted	485,714	$0.28
Balance, June 30, 2011	485,714	$ 0.20

The following options to acquire units were outstanding at June 30, 2011:

Number of Shares	Exercise Price	Expiry Date
485,714 (1)	$0.28	November 30, 2012
485,714		

(1) Each unit is comprised of one common share and one-half share purchase warrant entitling the holder to purchase one common share at an exercisable price of $0.50 until November 30, 2012. The share purchase warrants have not been valued as the contingent equity instrument is based on a contingent event which could not be practically determined. These share purchase warrants are included in Note 5(d) summary as they are potentially anti-dilutive.

6. Related party transactions

a) The due to related parties balance represents amounts payables to a number of individual shareholders (two are also directors) and companies controlled by an individual shareholder which are unsecured, bear no interest and are repayable on demand.

b) During the period, amounts paid to companies controlled by directors and officers of the Company were as follows:

	June 30, 2011	September 30, 2010
Included in Property Exploration Costs		
Equipment rental	**$ 211,860**	$ 211,275
Shop rent	**45,784**	112,000
Contractor's fees	**170,722**	166,100
Field supervision	**64,000**	96,000
	$ 492,366	$ 585,375

	June 30, 2011	March 31, 2010
Included in Operations		
Management fees	**$ 16,000**	$ 24,000
Rent	**9,000**	14,400
Loan Bonus	**8,976**	-
	$ 33,976	$ 38,400

These transactions are measured at the exchange value, being the price agreed to between the parties.

Related party balances are as follows:

	June 30, 2011	September 30, 2010
Prepaid expenses		
Deposits and prepaid equipment rental paid to a Company with a common director	**-**	$ 34,565
Cheques in excess of funds on deposit		
Cheques outstanding to Companies with common directors	**-**	153,572
Cheques outstanding to a director	**-**	12,000
	$ -l	$ 200,137
Due to / (from) related parties		
Due to a Director	**$ -**	$ 100,000
Due to / (from) a company controlled by the President	**(41,401)**	35,400
	$ (41,401)	$ 135,400

7. Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument.

Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed in the period in which they occur.

7. Financial Instruments - Continued

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding:

Cash and short term deposits	Held-for-trading
Amounts receivable	Loans and receivables
Due from related party	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Due to related parties	Other financial liabilities

<u>Fair value of financial assets and liabilities</u>

The carrying amount for cash and short term deposits that are not restricted, receivables, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The carrying amount of long-term debt approximates fair value as the rate used is similar to market interest rates for similar debt with similar terms.

The carrying amount of due from related party approximates fair value to the demand feature of this financial instrument.

The Company defines the fair value hierarchy under which its financial instruments are valued as follows:

Level 1: Includes unadjusted quotes prices in active markets for identical assets and liabilities;

Level 2: Includes inputs other than quoted prices at level 1 that are observable for assets or liabilities either directly or indirectly,

Level 3: Includes inputs for the assets or liabilities that are not based on observable market data.

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

The Company does not have any level 2 or level 3 financial instruments as of June 30. 2011.

<u>Overview</u>

The Company has exposure to the following risks from its use of financial instruments:

i. Credit risk

The Company's exposure to credit risk is on its cash and short-term deposits, and receivables.

Cash and cash equivalents consist of cash bank balances and short-term deposits with original maturity dates of ninety days or less.

Amounts receivable consists of interest receivable on short-term investments and GST receivable.

The carrying amount of cash and cash equivalents, short-term deposits, and amounts receivable represents the maximum credit exposure.

ii. Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, cash equivalents and short-term deposits. The Company's cash and cash equivalents are invested in business accounts and short-term interest bearing instruments and are available on demand. The Company's short-term investment is available on demand without penalty.

iii. Interest risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank

As at June 30, 2011, the Company's exposure to interest rate risk is as follows:

- Cash and short-term deposits - Variable interest rate

- Due to related parties	- Fixes interest rate at 10%

7. Financial Instruments - Continued

- Long-term debt - Variable interest rate at prime rate

A change in interest rates of 1% would not materially affect cash or long-term debt.

8. Capital management

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholder's equity comprising of share capital, share purchase warrants, contributed surplus and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company's capital is dependent on the amount it can externally finance. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to develop existing properties and seek to acquire interests in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources for such activities.

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 period ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

9. Contingencies and Commitments

The Company is contingently liable to the HSBC Bank of Canada in connection with letters of guarantees issued by the bank on behalf of the Ministry of Mines in the amount of $134,000 (2009 - $144,000).

The Company does not have any long-term commitments as of the June 30, 2011.

10. Subsequent Events

Subsequent to June 30, 2011, holders of share purchase warrants exercised 343,500 warrants for total proceeds of $56,220.