

RX Exploration Inc.
(A Development Stage Company)

Consolidated Interim Financial Statements

(unaudited)

March 31, 2011

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

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

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

RX Exploration Inc.
(A Development Stage Company)
Consolidated Interim Balance Sheets
(unaudited)

	March 31, 2011	June 30, 2010 (audited)
Assets		
Current		
Cash	\$ 1,846,010	\$ 1,697,666
Short-term investments	13,103,518	3,000,000
Amounts receivable	115,103	359,950
Due from agents	8,770	300,000
Prepaid expenses and sundry assets	72,105	289,293
	15,145,506	5,646,909
Plant and equipment (Note 3)	1,061,338	731,768
Mining claims and deferred exploration and development expenditures (Note 4)	21,055,547	14,458,182
Reclamation bonds (Note 5)	28,012	15,953
	\$ 37,290,403	\$ 20,852,812

Liabilities

Current		
Accounts payable and accrued liabilities (Note 13)	\$ 1,169,755	\$ 1,182,751
Restoration liabilities (Note 5)	15,953	15,953
	1,185,708	1,198,704

Shareholders' Equity

Capital stock (Notes 6 and 13)	37,539,542	15,341,808
Contributed surplus (Note 7)	3,472,512	3,036,306
Share purchase warrants (Note 8)	7,012,253	11,051,540
Shares to be issued	-	291,186
Deficit	(11,919,612)	(10,066,732)
	36,104,695	19,654,108
	\$ 37,290,403	\$ 20,852,812

Nature of Operations (Note 1)
Subsequent Events (Note 15)

Approved by the Board

"John F. O'Donnell"
Director (Signed)

"John A. Ryan"
Director (Signed)

RX Exploration Inc.
(A Development Stage Company)
Consolidated Interim Statements of Operations and Deficit
(unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	2011	2010	2011	2010
Expenses				
Office and general (Note 13)	\$ 333,640	\$ 138,483	\$ 1,038,860	\$ 331,484
Professional and consulting fees (Note 13)	283,392	123,375	986,603	332,598
Stock-based compensation (Note 10)	-	223,466	-	725,466
Recovery of deferred exploration and development expenditures written off (Note 4(b))	-	-	(100,000)	-
Loss before the undernoted	(617,032)	(485,324)	(1,925,463)	(1,389,548)
Interest income	44,138	-	72,583	-
Net loss	(572,894)	(485,324)	(1,852,880)	(1,389,548)
Deficit, beginning of period	(11,346,718)	(4,413,114)	(10,066,732)	(3,508,890)
Deficit, end of period	\$ (11,919,612)	\$ (4,898,438)	\$ (11,919,612)	\$ (4,898,438)

Net loss per share

Basic and diluted	\$ (0.004)	\$ (0.006)	\$ (0.013)	\$ (0.018)
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Weighted average number of common shares outstanding

Basic and diluted	159,114,216	86,099,803	137,307,578	79,193,474
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RX Exploration Inc.
(A Development Stage Company)
Consolidated Interim Statements of Cash Flows
(unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	2011	2010	2011	2010
Cash provided by (used in)				
Operations				
Net loss	\$ (572,894)	\$ (485,324)	\$ (1,852,880)	\$ (1,389,548)
Item not affecting cash				
Stock-based compensation (Note 10)	-	223,466	-	725,466
	(572,894)	(261,858)	(1,852,880)	(664,082)
Net changes in non-cash working capital				
Amounts receivable	52,216	-	244,847	-
Prepaid expenses and sundry assets	189,775	(186,091)	217,188	(196,714)
Accounts payable and accrued liabilities	184,512	(85,386)	(12,996)	(385,810)
	(146,391)	(533,335)	(1,403,841)	(1,246,606)
Investing				
Acquisition of short-term investments	-	-	(11,795,000)	-
Disposal of short-term investments	995,483	-	1,691,482	-
Acquisition of plant and equipment	(246,683)	-	(451,821)	-
Acquisition of mining claims, deferred exploration and development expenditures	(5,271,481)	(1,851,534)	(14,128,228)	(3,167,275)
Proceeds from exploration and development revenues received	1,278,897	-	7,787,114	-
Reclamation bonds	(4,075)	-	(12,059)	22,483
	(3,247,859)	(1,851,534)	(16,908,512)	(3,144,792)
Financing				
Issuance of capital stock (net of issuance costs)	790,045	2,931,406	18,401,197	5,734,187
Shares issued on exercise of stock options and warrants (Note 6)	25,000	-	59,500	-
Subscriptions received from agents	-	-	-	1,201,610
Deposit on share subscription	-	403,500	-	403,500
	815,045	3,334,906	18,460,697	7,339,297
Net change in cash	(2,579,205)	950,037	148,344	2,947,899
Cash, beginning of period	4,425,215	2,010,659	1,697,666	12,797
Cash, end of period	\$ 1,846,010	\$ 2,960,696	\$ 1,846,010	\$ 2,960,696

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
March 31, 2011
(unaudited)

1. NATURE OF OPERATIONS

RX Exploration Inc. (the "Company") was incorporated November 13, 1981 under the Business Corporations Act (Ontario).

The Company's principal assets are mining claims and deferred exploration and development expenditures made with respect to properties which are not in commercial production. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves. The amounts shown for mining claims and deferred exploration and development expenditures represent costs incurred to date and do not reflect present or future values. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and future profitable production.

In May 2010, the Company began extracting gold and silver bearing rock from its Hard Rock mining claims in Marysville, Montana and received settlements of approximately \$368,000 (\$351,000USD) net of smelting and refining charges in the year-ending June 30, 2010 and approximately \$7,787,000 (\$7,625,000USD) and \$1,279,000 (\$1,293,000USD) for the nine and three months ended March 31, 2011, respectively, net of MML Tax and NSR. These settlements were received as a result of the Company's test mining process. Test mining is a phase of the exploration and development of a mine whereby a Company is determining the quality of ore and the economic viability of extraction of that ore. Accordingly the receipt of these settlements has not resulted in the Company being considered to be in production and therefore the Company remains in the development stage at March 31, 2011.

Effective August 4, 2010, the Company was listed on the TSX Venture Exchange and is no longer listed on the Canadian National Stock Exchange. Effective October 27, 2010, the Company was listed on OTCQX International.

2. SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Reporting

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for the presentation of annual financial statements. Notwithstanding, the unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended June 30, 2010. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the years ended June 30, 2010 and 2009.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments of a normal recurring nature to present fairly the position of the Company as at March 31, 2011 and reflect the results of operation for the three and nine month periods then ended.

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
March 31, 2011
(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

The consolidated financial statements include the accounts of RX Exploration Inc. and its wholly-owned subsidiaries, Drumlummon Gold Mine LLC, Drumlummon Gold Corp., Drumlummon Ltd., and RX Mining Corp. (the "Company").

A portion of the Company's exploration activities are conducted jointly with others. Expenditures on properties reflect the Company's proportionate interest in mineral properties. The consolidated financial statements include the Company's proportionate share of assets and liabilities in its 50% owned joint venture, Marysville Mining and Milling LLC ("MMM"). Currently, MMM only owns the Placer Claims (Note 4(c)) and does not have any other assets, liabilities, commitments or contingencies.

3. PLANT AND EQUIPMENT

March 31, 2011

	Cost	Accumulated Amortization	Net Book Value
Shop building	\$ 64,565	\$ (5,381)	\$ 59,184
Water plant	463,143	(38,595)	424,548
Exploration equipment	610,279	(66,874)	543,405
Computer software	45,602	(11,401)	34,201
	\$ 1,183,589	\$ (122,251)	\$ 1,061,338

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

March 31, 2011

	June 30, 2010	Additions	Write-offs	March 31, 2011
Thunder Bay Claims, ON ^(e)	\$ -	\$ -	\$ -	\$ -
Hard Rock Claims, MT ^(a)	13,992,379	6,443,392	-	20,435,771
Goulet (Goulais) River (Van Koughnet) Claims, ON ^(b)	-	5,243	-	5,243
Placer Claims, MT ^(c)	409,951	1,844	-	411,795
Bald Butte Claims, MT ^(d)	55,852	146,886	-	202,738
	\$14,458,182	\$ 6,597,365	\$ -	\$ 21,055,547

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(a) Hard Rock Claims - Lewis and Clark County, Montana

In December, 2010, the Company closed an agreement with private arm's length owners to acquire from them 100% of their interest in patented mining claims (the "Hard Rock Claims") situated in Lewis and Clark County in the State of Montana. The Company holds approximately 2,320 acres including, 28 contiguous patented mining claims covering the Drumlummon Mine and adjacent unpatented mining claims. The Company has paid the sum of US\$1,200,000 to the Optionors. As additional consideration, the Company has paid to the Optionors 200,000 common shares in the capital of the Company. A two percent (2%) Net Smelter Returns Royalty Agreement ("NSR") on the Drumlummon Claims was finalized on December 22, 2010. The Company has paid the NSR due up to March 31, 2011.

Netted in the current period additions total are proceeds of \$7,787,000 (\$7,625,000 USD) received from settlements for gold and silver concentrate. This amount is net of Montana Metalliferous Mines License Tax of approximately \$141,500 (\$138,580 USD) and Net Smelter Royalties of approximately \$166,860 (\$165,640 USD).

(b) Van Koughnet Township (Goulet/Goulais River) - Sault Ste. Marie Mining Division, Ontario

Agreements A and B

On March 7, 2008, the Company entered into an agreement ("Agreement A") to acquire an undivided 50% working interest in 6 claims located in the Van Koughnet Township in the Province of Ontario.

The Company also entered into two option agreements ("Agreement B") to acquire an undivided 50% working interest in 5 claims located in the Van Koughnet Township.

During the prior fiscal year, there was a dispute between the Company and the optionors regarding the above agreements. The dispute was over administrative matters regarding the funding of the exploration work. A satisfactory resolution was not achieved during the year ended June 30, 2010 and given the uncertainty of the recoverability of the deferred exploration and development expenditures, a full impairment write down was taken.

Settlement Agreement

During the nine months ended March 31, 2011, arbitration proceedings in regard to the dispute between the Company and the optionors resulted in a settlement agreement (the "Settlement Agreement") dated November 29, 2010 with its former private arms' length joint venture partners to settle and restructure their unpatented mining claim holdings in Van Koughnet Township Ontario. The claims consisted of two properties, the Sill Lake silver-lead prospect (Agreement A) and the Goulet River copper prospect (Agreement B).

Pursuant to the Settlement Agreement, the Sill Lake claims were transferred to Argentium Resources Inc., a private arms' length Canadian company, and the Goulet River claims were transferred to the Company.

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(b) Van Koughnet Township - Sault Ste. Marie Mining Division, Ontario (Cont'd)

At closing, the Company was paid the sum of \$100,000 and was given a secured debenture containing a promise to pay the further sum of \$1,901,300 in three years, secured by the Sill Lake claims. The debenture is due November 29, 2013. The Company also received 1,000,000 common shares of Argentium Resources Inc. This transaction has been recorded at the value of the cash received as there is uncertainty regarding the ultimate collection of the secured debenture and the fair value of the non-monetary assets received/given as fair value is not reliably measurable. Accordingly, the Company included in the Statements of Operations and Deficit \$100,000 as a recovery of deferred exploration and development expenditures written off.

(c) Placer Claims - Lewis and Clark County, Montana

On April 17, 2008 the Company entered into an agreement to purchase, from an arm's length party ("vendors"), a 100% interest in 14 patented mining claims situated in Lewis and Clark County in the State of Montana for \$636,625 (\$625,000 USD) (paid in fiscal 2009) and 350,000 common shares valued at \$0.45 each (issued in fiscal 2009) for a total fair value of \$157,500.

In exchange for a cash investment of \$3,000,000 made in fiscal 2008, the Company issued 7,500,000 units in the year ended June 30, 2008 and agreed to transfer this property into a newly formed entity ("MMM") in which the Company would have a 50% interest and the investor, Spruce Ridge Resources Ltd. ("SRR"), would have the remaining 50% interest. Of the \$3,000,000 financing provided by SRR, \$397,063 represented the amount related to their 50% interest in MMM which was reflected as a liability on the balance sheet for the year ended June 30, 2008. During fiscal 2009 this liability was applied against additions relating to this property. The property was transferred into MMM and is 50% owned by each party.

The Company does not have a minimum future expenditure commitment on the property. However, their 50% interest is subject to dilution if the Company does not participate pro-rata with the other co-owner on any future expenditures.

The vendors retain a 2% NSR on the tailings and a 3% gross royalty on the placer mineralization.

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(d) Bald Butte Claims - Lewis and Clark County, Montana

On April 19, 2010, the Company entered into an agreement with an arm's length party, (the "optionors"), to lease with an option to purchase from them 100% of their interest in 22 patented mining claims (1 of the claims consists of less than 100% interest) and 50 unpatented mining claims ("Bald Butte Claims") situated in Lewis and Clark County in the State of Montana. The Company paid \$55,852 (\$55,000 USD) upon execution of this agreement.

The Company has the exclusive option to purchase the claims for \$5,000,000 USD at any point during the lease. If the option to purchase is exercised, all annual payments will be credited against this purchase price.

To earn 100% of the optionor's interest, the Company must make the following annual payments:

- First year anniversary \$55,000 USD
- Second year anniversary \$75,000 USD
- Third year anniversary \$100,000 USD
- Fourth year anniversary \$100,000 USD
- Fifth and each subsequent annual anniversary \$150,000 USD

In addition to the above payments the Company issued 200,000 common shares to the optionors on October 25, 2010.

The Company has agreed to pay a 2% NSR to the optionors.

(e) Thunder Bay Claims - Thunder Bay Mining Division, Ontario

- (i) On October 21, 2005, the Company acquired from Wabassi River Resources Inc. (the "optionor") an option to earn a 50% interest in the Zulapa Interest ("Zulapa"). This claim is on land owned by a First Nations band, in the Province of Ontario. The option on Zulapa is contingent on the optionor obtaining a signed agreement from the First Nations tribe approving any exploration activity on their land.
- (ii) Concurrently, the Company acquired an option to earn a 50% interest in 8 unpatented mining claims which are adjacent to the Zulapa claim, (totalling 108 claim units) from the optionor in the Thunder Bay Mining Division in the Province of Ontario.

In order to maintain these options the Company is required to do the following:

- (i) pay \$5,500 to the optionor upon signing of the option agreement (the "Agreement"), which was paid in the year ended June 30, 2006;
- (ii) incur expenditures of not less than \$150,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the first anniversary of the signing of the Agreement, of which sufficient expenditures must be recorded against the claims in each year to meet assessment requirements required to keep them in good standing;

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(e) Thunder Bay Claims - Thunder Bay Mining Division, Ontario (Cont'd)

- (iii) incur further expenditures of not less than \$200,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the earlier of:
 - (I) the first anniversary of the Formal First Nation Agreement, if and when entered into; and
 - (II) the second anniversary of the signing of the Agreement;
- (iv) on or before the 60th day (the "Election Date") after receiving a comprehensive report on the results of the mining operations and after a minimum of \$350,000 in expenditures have been incurred, the Company shall be required to elect in writing whether or not it will proceed to earn its 50% interest in the claims and/or the Zulapa Interest. In the event that the Company exercises its right to proceed to earn its 50% interest in the claims and/or the Zulapa Interest, the Company shall:
 - (I) pay to the optionor the sum of \$150,000 on or before the 30th day following the Election Date; and
 - (II) incur further expenditures of not less than \$1,150,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the second anniversary of the Election Date;
- (v) in the event that the Company has incurred expenditures of at least \$350,000, but does not elect to earn its 50% interest to the claims and/or the Zulapa Interest (see Note 4(e)(iv)), the Company's interest or right to earn an interest in the claims and the Zulapa Interest shall be converted into a 10% interest in the claims and/or the Zulapa Interest.

The claims are subject to a 2% NSR of which the Company can, at any time, purchase one percent of the NSR for \$1,500,000.

As at June 30, 2009, the Company has paid the \$5,500 due on signing and incurred \$99,500 of exploration expenditures. The Company has not been able to meet its requirements under this arrangement as access to the land claims and Zulapa interest have not yet been granted by the First Nations band; however, the Company will continue to proceed with this exploration once permission has been granted. The optionor is aware that the Company has not been granted access to the claims resulting in their inability to meet the terms of the agreement. Management was working with the optionor to obtain the required permissions.

Although management still intends on pursuing these claims, all deferred exploration and development expenditures were written off in the 2008 fiscal year due to the length of time which has passed since these costs were incurred as the optionor has been unable to obtain the required permission to proceed from the First Nations band. During the year the optionor notified the Company that it is in default under the option agreement, which the Company is not in agreement. The Company is considering all of its legal remedies to enforce the terms of the option and compliance on the part of the optionor.

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
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(unaudited)

5. RECLAMATION BONDS

As at March 31, 2011, management estimated and accrued site restoration costs relating to their exploration programs for their mining claims in Montana. These costs are estimated by management and approved by the Montana Department of Environmental Quality ("MDEQ"). The Company is required to issue reclamation bonds with the MDEQ to cover the estimated site restoration costs. The reclamation bonds will be refunded to the Company once the MDEQ is satisfied with the site restoration work performed. The reclamation bonds equal the restoration liability as the bonds approximate the total cost to be incurred by the Company relating to site restoration work.

6. CAPITAL STOCK

Authorized
unlimited common shares

Issued

	Number of Shares	Amount
Balance at June 30, 2010 (audited)	111,016,331	\$ 15,341,808
Shares issued as payment for interest in mineral property	200,000	134,000
Options exercised	175,000	99,393
Warrants exercised	48,276,274	22,099,165
Shares issued for warrants exercised in prior year	375,000	291,186
Share issue costs	-	(426,010)
Balance at March 31, 2011	160,042,605	\$ 37,539,542

7. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	March 31, 2011	June 30 2010 (audited)
Balance, beginning of period	\$ 3,036,306	\$ 993,163
Stock-based compensation expense (Note 10)	-	1,852,619
Stock options exercised	(39,893)	(315,372)
Warrants expired	476,099	505,896
Balance, end of period	\$ 3,472,512	\$ 3,036,306

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
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(unaudited)

8. SHARE PURCHASE WARRANTS

The following summarizes the change in share purchase warrants:

	March 31, 2011	June 30, 2010 (audited)
Balance, beginning of period	\$ 11,051,540	\$ 6,574,042
Warrants issued	-	3,874,214
Warrants extended in term	-	1,818,950
Warrants exercised allocated to share capital	(3,563,188)	(370,049)
Warrants exercised allocated to shares to be issued	-	(141,186)
Warrants expired allocated to contributed surplus	(476,099)	(505,896)
Allocation of share issue costs for warrants included in units issued	-	(198,535)
Balance, end of period	\$ 7,012,253	\$ 11,051,540

9. STOCK OPTIONS AND WARRANTS

(a) Stock Options

The following summarizes the stock option activities:

	March 31, 2011		June 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	8,170,000	\$0.40	4,700,000	\$0.33
Issued	-	\$ -	5,770,000	\$0.44
Exercised	(175,000)	\$0.34	(1,400,000)	\$0.30
Expired	(200,000)	\$0.70	(900,000)	\$0.53
Exchanged	-	\$ -	(1,600,000)	\$0.32
Replaced	-	\$ -	1,600,000	\$0.32
Balance, end of period	7,795,000	\$0.39	8,170,000	\$0.40
Exercisable at end of period	7,645,000	\$0.39	8,020,000	\$0.39

RX Exploration Inc.
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9. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

The Company had the following stock options outstanding as of March 31, 2011:

Number of Options	Exercisable	Exercise Price	Expiry Date
400,000	400,000	\$ 0.15	November 10, 2011
1,250,000	1,250,000	\$ 0.25	January 28, 2012
100,000	100,000	\$ 0.25	February 4, 2012
620,000	620,000	\$ 0.44	January 8, 2013
300,000	300,000	\$ 0.37	January 12, 2013
1,800,000	1,800,000	\$ 0.32	January 29, 2013
3,100,000	3,100,000	\$ 0.50	April 22, 2013
225,000	75,000	\$ 0.60	June 3, 2013
7,795,000	7,645,000		

(b) Warrants

The following summarizes warrant activities:

	March 31, 2011		June 30, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	75,657,661	\$0.44	40,602,033	\$0.44
Issued	-	\$ -	40,779,661	\$0.43
Exercised	(48,276,274)	\$0.38	(3,117,483)	\$0.37
Expired	(7,927,500)	\$0.40	(2,606,550)	\$0.66
Balance, end of period	19,453,887	\$0.59	75,657,661	\$0.44

RX Exploration Inc.
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Notes to Interim Consolidated Financial Statements
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9. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants (Cont'd)

The Company had the following warrants outstanding at March 31, 2011:

Number of Warrants	Exercise Price	Expiry Date
2,600,000	\$ 0.60	April 3, 2011
1,325,000	\$ 0.60	April 10, 2011
617,000	\$ 0.60	April 11, 2011
91,875 (i)	\$ 0.20	April 24, 2011
75,000	\$ 0.60	April 30, 2011
133,000	\$ 0.60	May 5, 2011
7,500,000	\$ 0.60	June 30, 2011
154,500 (i)	\$ 0.20	June 30, 2011
133,750	\$ 0.20	July 8, 2011
333,700 (i)	\$ 0.20	October 29, 2011
247,700 (i)	\$ 0.20	November 5, 2011
111,000 (i)	\$ 0.30	March 2, 2012
148,946 (i)	\$ 0.30	March 18, 2012
71,616 (i)	\$ 0.30	March 24, 2012
83,333 (i)	\$ 0.30	April 8, 2012
577,467 (i)	\$ 0.30	April 27, 2012
5,000,000	\$ 0.70	May 13, 2012
250,000 (i)	\$ 0.50	May 13, 2012
19,453,887		

(i) These are broker warrants in connection with the Company's financings.

10. STOCK-BASED COMPENSATION

The total stock based compensation relating to options issued pursuant to the stock option plan recognized during the period ended March 31, 2011 was \$Nil (2010 - \$502,000). The fair value of each option granted in the period has been estimated at the date of grant or the date when it became measurable using the Black Scholes option pricing model.

11. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, share purchase warrants, contributed surplus, shares to be issued and deficit, in the definition of capital which totals \$36,104,695 at March 31, 2011 (June 30, 2010 - \$19,654,108).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration and to maintain its on-going operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants or by securing strategic partners.

The Company forecasts cash flows from operations and anticipated investing and financing activities to ensure that there is sufficient capital on hand to meet on-going obligations. Senior management is also actively involved in the review and approval of planned expenditures. The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the nine months ended March 31, 2011.

12. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (comprised of currency risk), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management, who is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with their approved policies.

12. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Market Risk

The Company is exposed to foreign exchange risk from various currencies, primarily US dollars. Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain US cash on hand to support US forecasted cash flows over a 12 month horizon. To achieve this objective the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the currency of cash held.

As at March 31, 2011, the Company is exposed to currency risk through the following financial assets and liabilities denominated in US dollars:

Cash	\$	780,339
Accounts payable and accrued liabilities	\$	938,404

The above balances were translated into Canadian dollars at the period-end rate of \$0.9696 US dollars to every Canadian dollar.

Based on the above net exposures as at March 31, 2011, and assuming that all other variables remain constant, a 5% change in the value of the U.S. dollar against the Canadian dollar would result in an increase/decrease of approximately \$7,660 in the net loss from operations.

(b) Fair Value Risk

Fair value represents the amounts at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The carrying values of cash, short-term investment, amounts receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

(c) Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash, short-term investment and amounts receivable. The Company reduces its credit risk by maintaining its primary bank accounts at large financial institutions. The Company assesses its credit risk based on general market knowledge and specific information obtained through its business relationships with each customer.

12. FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 11.

As at March 31, 2011, the Company has current liabilities of \$1,169,755 (June 30, 2010 - \$1,182,751) due within 12 months and has cash, short-term investment, amounts receivable which total \$15,073,401 (June 30, 2010 - \$5,357,616) to meet its current obligations. As at March 31, 2011 the Company has a working capital surplus of \$13,903,646 (June 30, 2010 - \$4,464,158). Management will continue to raise capital to fund the Company's exploration, development and feasibility expenditures and for general and administrative costs.

13. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties. Related party transactions not disclosed elsewhere are summarized below:

Included in mining claims and deferred exploration and development expenditures is \$3,120 of fees paid to the Company's legal counsel who is a director of the Company.

Included in accounts payable and accrued liabilities is \$129,922 due to the Company's legal counsel who is a director of the Company and \$4,041 due to a company controlled by a director of the Company.

Included in capital stock is \$41,573 (2010 - \$9,153) of share issuance costs for fees paid to the Company's legal counsel who is a director of the Company.

Included in professional and consulting fees are \$80,831 (2010 - \$4,522) of fees paid to the Company's legal counsel who is a director of the Company, \$240,000 (2010 - \$180,000) in management fees to a company controlled by directors of the Company, \$15,000 (2010 - \$7,500) of fees paid to a company controlled by a director of the Company and \$202,500 (2010 - \$NIL) of fees paid to directors of the Company for director fees.

Included in office and general is \$10,386 (2010 - \$34,919) of fees paid to a company controlled by directors of the Company, related to rent and office expenses, and \$11,232 (2010 - \$12,132) of fees paid to a company controlled by a director of the Company.

14. CONTINGENCY

Pursuant to a flow-through share issuance of 3,722,000 flow-through units in fiscal 2008, the Company renounced to its investors certain expenditures in accordance with the look back rules under the Income Tax Act ("the Act"). As a result, the Company was committed to incurring approximately \$1,861,000 of Canadian Exploration Expenditures prior to December 31, 2008. The Company did not incur the required amount of Canadian Exploration Expenditures by December 31, 2008 and, as a result, incurred Part XII.6 tax in the approximate amount of \$75,000 this balance is included in accounts payable and accrued liabilities. In addition, the qualification of the eligibility of the Canadian Exploration Expenditures, including amounts funded to and then expended by the optionors of the Van Koughnet Townships claims (Note 4(b)), which were renounced in relation to the flow-through share issuance, are in the normal course of business subject to review by the Canada Revenue Agency ("CRA"). If these expenditures were denied by the CRA under their review, the Company would incur penalties and would be required to amend certain tax filings with its flow-through share investors.

15. SUBSEQUENT EVENTS

- (a) In April, 2011, 91,875 warrants were exercised into common shares at the exercise price of \$0.20 for gross proceeds of \$18,375.
- (b) On April 11, 2011 the Company issued 200,000 stock options to employees and consultants with an exercise price of \$0.53, expiring in 3 years on April 11, 2014. The options vest 1/3 (66,667 options) immediately, 1/3 on the first anniversary date and 1/3 on the second anniversary date. The value assigned to the first vesting was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 95%, risk-free interest rate of 1.89% and expected life of 3 years.
- (c) On April 12, 2011, the Company paid the first anniversary payment to the optionors on the Bald Butte property in the amount of \$52,970 (\$55,000 USD).
- (d) On May 6, 2011, the Company received a settlement for gold and silver concentrate for gross proceeds in the amount of \$126,249 (\$130,557USD).
- (e) On May 16, 2011, 300,000 stock options were exercised into common shares at the exercise price of \$0.37 for gross proceeds of \$111,000 and 4,500 warrants were exercised into common shares at the exercise price of \$0.20 for gross proceeds of \$900.