WCB RESOURCES LTD.
(Formerly WCB Capital Ltd.)

(An Exploration Stage Company)

FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of WCB Resources Ltd. (formerly WCB Capital Ltd.) (an exploration stage company) are the responsibility of the Company's management. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal control to ensure that the Company's assets are protected from loss or improper use, transactions are authorized and properly recorded, and financial records are reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised primarily of non-management directors. The audit committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the audited financial statements.

signed "Cameron Switzer"
……………………………………………
Cameron Switzer, CEO

signed "Duncan Cornish"
……………………………………………
Duncan Cornish, CFO

Vancouver, British Columbia
September 22, 2011

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WCB RESOURCES LTD.
(Formerly WCB Capital Ltd.) (An Exploration Stage Company)

We have audited the accompanying financial statements of WCB Resources Ltd. (formerly WCB Capital Ltd.) (an exploration stage company), which comprise the balance sheets as at May 31, 2011 and 2010, and the statements of operations and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of WCB Resources Ltd. as at May 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
September 22, 2011

7th Floor 355 Burrard St
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WCB RESOURCES LTD.
(formerly WCB Capital Ltd.)
(An Exploration Stage Company)

May 31
Balance Sheets

	2011	2010
ASSETS		
Current Assets		
Cash	$326,905	$632,787
Reclamation bond (Note 4)	5,000	5,000
Prepaids	5,014	3,534
Other receivables	2,813	313
	339,732	641,634
Mineral Properties (Note 5)	254,742	40,000
	$594,474	$681,634
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$14,283	$31,484
Shareholders' Equity		
Capital stock (Note 6)	712,199	637,497
Contributed surplus (Note 6(b))	300,428	323,299
Deficit	(432,436)	(310,646)
	580,191	650,150
	$594,474	$681,634

Subsequent Events (Note 12)

On behalf of the Board:

signed "Cameron Switzer"
Cameron Switzer, Director

signed "Peter Lynch"
Peter Lynch, Director

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

WCB RESOURCES LTD.
(formerly WCB Capital Ltd.)
(An Exploration Stage Company)

Years Ended May 31
Statements of Operations and Deficit

	2011	2010
EXPENSES		
Consulting fees (Note 11)	$63,302	$15,532
Professional fees	20,568	67,558
Administration	16,389	834
Transfer agent and filing fees	15,424	30,296
Operating	5,575	-
Stock-based compensation (Note 6)	1,831	46,522
Foreign exchange gain	(1,201)	-
	121,888	160,742
OTHER ITEM		
Interest received	(98)	(29)
Net Loss and Comprehensive Loss for the Year	121,790	160,713
Deficit, Beginning of Year	310,646	149,933
Deficit, End of Year	$432,436	$310,646
Loss Per Common Share – Basic and Diluted	$0.008	$0.033
Weighted Average Number of Common Shares Outstanding	15,028,630	4,853,755

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

WCB RESOURCES LTD.
(formerly WCB Capital Ltd.)
(An Exploration Stage Company)

Years Ended May 31
Statements of Cash Flows

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (121,790)	$ (160,713)
Adjustment for Non-Cash Items		
Stock-based compensation	1,831	46,522
Unrealized foreign exchange loss	(6,781)	-
Changes in Non-Cash Working Capital		
Prepaids	(1,480)	(3,534)
Other receivables	(2,500)	(313)
Accounts payable and accrued liabilities	(11,201)	17,953
Cash Used in Operating Activities	(141,921)	(100,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral property	(220,742)	(29,000)
Reclamation bond	-	(5,000)
Cash Used in Investing Activities	(220,742)	(34,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of units, for cash	-	422,500
Exercise of options, for cash	10,000	30,000
Exercise of warrants, for cash	40,000	-
Cash Provided by Financing Activities	50,000	452,500
Foreign Exchange Effect on Cash	6,781	-
Net Increase (Decrease) in Cash During the Year	(305,882)	318,415
Cash, Beginning of Year	632,787	314,372
Cash, End of Year	$ 326,905	$ 632,787
Supplemental Cash Flow Information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Mineral property expenditures included in accounts payable and accrued liabilities	$ -	$ 6,000
Shares issued for mineral property	$ -	$ 5,000

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

WCB RESOURCES LTD.
(formerly WCB Capital Ltd.)
(An Exploration Stage Company)

Notes to the Financial Statements
Years Ended May 31, 2011 and 2010

1. NATURE OF BUSINESS

WCB Resources Ltd. (formerly WCB Capital Ltd.) (the "Company" or "WCB") was incorporated under the *Business Corporations Act* (British Columbia) on March 2, 2007 and was classified as a capital pool company as defined in TSX Venture Exchange ("TSX-V") Policy 2.4. The Company completed its initial public offering ("IPO") and commenced trading on the TSX-V on October 10, 2007. The Company completed its Qualifying Transaction under the policies of the TSX-V on April 8, 2010. As a result of the Transaction, the Company is a Tier 2 mining issuer and changed its name from WCB Capital Ltd. to WCB Resources Ltd. The Company has not earned revenues and is considered to be in the exploration stage.

2. CONTINUANCE OF OPERATIONS

These financial statements are prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's ability to continue as a going concern is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing.

At May 31, 2011, the Company had working capital of $325,449 (2010 - $610,150) and shareholders' equity of $580,191 (2010 - $650,150). Management of the Company believes that it has sufficient funds to meet its liabilities for the ensuing year as they fall due, and to fund cash payments for administration, ongoing commitments and current planned exploration programs.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the Canadian dollar as the Company's functional and reporting currency. The following reflects the significant accounting policies.

a. Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include recoverability of mineral properties, amount of asset retirement obligations ("ARO"), accrued liabilities, assumptions used in the calculation of stock-based compensation and the determination of the valuation allowance for future income tax assets. While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows.

b. Mineral property interests

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date, comprised of acquisition costs and exploration expenditures, net of any recoveries. These amounts represent costs incurred to date and do not necessarily reflect present or future values.

The costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. If the properties are put into commercial production, the expenditures will be depleted based upon the proven and probable reserves available. If the properties are sold or abandoned, expenditures will be charged to operations. The Company does not accrue the estimated future costs, such as land taxes, of maintaining its mineral properties in good standing.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Mineral property interests (Continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of the option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded when paid or received.

The carrying values of mineral properties, on a property-by-property basis, are reviewed by management on a quarterly basis to determine if the mineral properties have become impaired. If impairment is deemed to exist, the mineral property will be written down to its fair value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves and the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term that could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

c. Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Expenses at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

d. Asset retirement obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion will be charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has no material AROs to record in the financial statements.

e. Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward.

Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. A valuation allowance is provided against future tax assets when it is more likely than not that the tax asset will not be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

g. Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options that would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

h. Accounting for equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated based on their relative fair values, calculated using the Black-Scholes option pricing model for warrants and the fair value of common shares.

i. Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Future accounting change

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its interim financial statements for the three months ended August 31, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended May 31, 2011. IFRS uses a conceptual framework similar to GAAP, but there are some significant differences on recognition, measurement and disclosures.

4. RECLAMATION BOND

The Company has purchased a $5,000 guaranteed investment certificate (“GIC”), required for a reclamation bond with the Ministry of Energy, Mines & Petroleum Resources Division in the Province of B.C. This is a variable interest rate GIC that matures on May 17, 2012. The effective interest rate at the time of reinvestment was 0.95%.

5. MINERAL PROPERTIES

	Maroon Property, British Columbia, Canada	Red Hill Project, New South Wales, Australia	Total
Balance, May 31, 2009	$ -	$ -	$ -
Acquisition	20,000	-	20,000
Exploration	20,000	-	20,000
	40,000	-	40,000
Balance, May 31, 2010	40,000	-	40,000
Drilling	52,052	-	52,052
Camp/fuel/food/communications	42,954	-	42,954
Transportation	39,815	1,369	41,184
Consulting and geological	18,500	13,913	32,413
Assays	3,177	19,910	23,087
Option payments	-	15,770	15,770
Miscellaneous	9,042	-	9,042
Property maintenance	4,240	-	4,240
BC Mining Tax Credit	(6,000)	-	(6,000)
	163,780	50,962	214,742
Balance, May 31, 2011	$ 203,780	$ 50,962	$ 254,742

5. MINERAL PROPERTIES (Continued)

(a) Maroon Property

On April 8, 2010, the Company entered into a property option agreement with Angel Jade Mines Ltd. ("Angel Jade") under which the Company has acquired the right to earn a 100% undivided interest in and to the Maroon Property (subject to a 2.0% net smelter return royalty), by paying Angel Jade an aggregate of $165,000 in cash, issuing to the vendor an aggregate of 350,000 common shares of WCB and expending an aggregate of $200,000 on the Maroon Property as follows:

(i) $15,000 in cash (paid) and 100,000 common shares valued at $5,000 (issued) upon completion of the Qualifying Transaction;
(ii) Expenditures of a minimum of $200,000 (done) on the Maroon Property within 12 months of the completion of the Transaction; and
(iii) $150,000 in cash and 250,000 common shares within 24 months of the completion of the Qualifying Transaction.

(b) Red Hill Project

On August 20, 2010, the Company entered into a property option agreement with Elephant Mines Pty Ltd. ("Elephant") whereby the Company can acquire up to 100% of Elephant's 100% owned interest in the Red Hill copper gold project in central New South Wales, Australia (the "Property").

To acquire an undivided 50.1% right, title and interest in and to the Property:

(i) WCB must incur an aggregate of AUS$1,000,000 of expenditures on the Property during the five-year period (the "Option Period") commencing with the date the Option Agreement is approved by the TSX-V (the "Effective Date"). These expenditures include a minimum of AUS$40,000 per tenement per year ("Assessment Work") commencing on September 7, 2010 and each anniversary date of September 7 thereafter during the Option Period; and
(ii) Following WCB attaining favorable geological results on the Property and upon the recommendations of its geologists, the completion of a minimum 400 meter depth drill hole on the Property within two years from the Effective Date.

In addition to the above and commencing on the Effective Date, WCB will pay Elephant AUS$30,000 annually for a period of five years or until it has earned a 100% interest in the Property, whichever is completed earlier. Of this AUS$30,000 annual payment, AUS $15,000 will be payments against exploration/geological services completed by Elephant for WCB and qualifying as Assessment Work (Note 5(b)(i)).

At any time during the Option Period, WCB may acquire a full 100% interest in and to the Property by paying AUS$1,000,000 in cash and common shares of the Company (the "Second Option Price") to Elephant, provided that no more than 50% of the Second Option Price may be payable in common shares of the Company.

6. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares, without par value

(b) Issued and outstanding

	Number of Common Shares	Amount	Contributed Surplus
Balance, May 31, 2009	6,000,000	$319,447	$137,328
Common shares issued for cash	8,450,000	242,936	179,563
Shares issued – mineral property	100,000	5,000	-
Stock options exercised for cash	300,000	30,000	-
Fair value of stock options exercised	-	40,114	(40,114)
Stock-based compensation	-	-	46,522
Balance, May 31, 2010	14,850,000	637,497	323,299
Stock options exercised for cash	100,000	10,000	-
Warrants exercised for cash	400,000	40,000	-
Fair value of stock options exercised	-	16,202	(16,202)
Fair value of warrants exercised	-	8,500	(8,500)
Stock-based compensation	-	-	1,831
Balance, May 31, 2011	15,350,000	$712,199	$300,428

During the year ended May 31, 2011:

(i) 100,000 options were exercised to purchase 100,000 common shares in the Company at a price of $0.10 per option for gross proceeds of $10,000; and

(ii) 400,000 warrants were exercised to purchase 400,000 common shares in the Company at a price of $0.10 per warrant for gross proceeds of $40,000.

During the year ended May 31, 2010:

(iii) The Company issued 8,450,000 units at a price of $0.05 per unit for gross proceeds of $422,500. Each unit comprised one common share and one placement warrant. Each whole placement warrant entitles the holder to acquire one common share at a price of $0.10 to April 9, 2013; 7,250,000 of the common shares were held in escrow. The proceeds of the private placement have been bifurcated using the relative fair value method resulting in $242,936 recorded as capital stock and $179,563 representing the fair value of the warrants recorded as contributed surplus. See Note (6)(e) for assumptions used to calculate the fair value of these warrants;

(iv) 100,000 common shares were issued as part consideration for the purchase of the Maroon Property, valued at $5,000 (Note 5(a)(i)); and

(v) 300,000 options were exercised to purchase 300,000 common shares in the Company at a price of $0.10 per option for gross proceeds of $30,000.

(c) Escrow shares

On April 9, 2010, 10% of 3,000,000 common shares and 10% of 7,250,000 common shares previously held in escrow were released on the issuance of the Final Exchange Bulletin (the “Initial Release”). An additional 15% will be released on the dates 6, 12, 18, 24, 30 and 36 months following the Initial Release. While in escrow, the escrow shares may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the consent of the regulatory authorities.

6. CAPITAL STOCK (Continued)

(c) Escrow shares (Continued)

Details of the status of these escrow shares are as follows:

Percentage of Shares Held in Escrow	Number of Shares Held in Escrow	Number of Shares Released from Escrow	Date of Release from Escrow
10%	-	1,025,000	April 9, 2010
15%	-	1,537,500	October 9, 2010
15%	-	1,537,500	April 9, 2011
15%	1,537,500	-	October 9, 2011
15%	1,537,500	-	April 9, 2012
15%	1,537,500	-	October 9, 2012
15%	1,537,500	-	April 9, 2013
100%	6,150,000	4,100,000	

(d) Stock options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to officers, directors, employees and consultants in consideration for services.

Under the terms of the Plan, the exercise price of each option will not be lower than the market price of the Company's shares on the TSX-V at the time of grant. Options granted may have a maximum term of five years. Vesting terms are determined at the time the options are granted. The aggregate number of shares which may be subject to issuance pursuant to options granted under this Plan, inclusive of all other stock options outstanding, shall be 2,990,000 shares.

Details of the status of the Company's stock options as at May 31, 2011 and 2010 and changes during the years then ended are as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable as at May 31, 2009	900,000 *	$ 0.10
Granted	1,442,500	$ 0.11
Exercised (Note 6(b)(v))	(300,000) *	$ 0.10
Cancelled	(100,000)	$ 0.10
Options outstanding as at May 31, 2010	1,942,500	$ 0.11
Exercised (Note 6(b)(i))	(100,000)	$ 0.10
Expired	(492,500)	$ 0.13
Options outstanding as at May 31, 2011	1,350,000	$ 0.10
Options exercisable as at May 31, 2011	1,325,000	$ 0.10

*Includes 300,000 agent options, not pursuant to the Company's stock option plan.

6. CAPITAL STOCK (Continued)

(d) Stock options (Continued)

The stock options outstanding at May 31, 2011 are as follows:

Expiry Date	Number of Options	Weighted Average Remaining Contractual Life (years)	Exercise Price
October 23, 2011	100,000		$ 0.13
October 10, 2012	400,000		$ 0.10
April 8, 2015	850,000		$ 0.10
	1,350,000	2.86	$ 0.10

For the year ended May 31, 2011, under the fair value based method, the fair value of stock options granted was $nil (2010 - $98,522), of which $nil (2010 - $46,522) in stock-based compensation expense was recorded in the statements of operations for options granted to directors, officers and a consultant of the Company. During the year ended May 31, 2011, $1,831 (2010 - $nil) of stock-based compensation expense was recognized due to the vesting of a consultants options. A further $984 (2010 - $52,000) in stock-based compensation expense is to be recognized in future periods for options to be vested. The balance of $49,185 of stock-based compensation will not be recognized as the vesting conditions were not met and these options expired, unvested and unexercisable, during the year ended May 31, 2011.

During the year ended May 31, 2010, the Company granted options to purchase 850,000 common shares to directors and officers at $0.10 per share, vesting April 8, 2010 and expiring April 8, 2015. The estimated weighted average fair value of these stock options of $0.04 per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Expected life (years)	N/A	5
Interest rate	N/A	3.09%
Volatility	N/A	151.04%
Dividend yield	N/A	0.00%

During the year ended May 31, 2010, 492,500 incentive options were granted to a director of the Company. These options were exercisable at $0.13 per share and were conditional on certain milestones being met on or before April 23, 2011. These milestones were not met and the options expired on April 23, 2011. A further 100,000 incentive options were issued to a consultant of the Company, exercisable at $0.13 per share and expiring on October 23, 2011. Of these options, 25% vested on grant and the remaining options vest 6, 12 and 18 months from date of grant. The estimated weighted average fair value of these stock options of $0.10 per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Expected life (years)	N/A	1.1
Interest rate	N/A	1.89%
Volatility	N/A	143.67%
Dividend yield	N/A	0.00%

6. CAPITAL STOCK (Continued)

(e) Warrants

The fair value of each warrant has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Expected life (years)	N/A	3
Interest rate	N/A	2.49%
Volatility	N/A	151.04%
Dividend yield	N/A	0.00%

Details of the status of the Company's warrants as at May 31, 2011 and 2010 and changes during the years then ended are as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable as at May 31, 2009	-	$ -
Granted (Note 6(b)(iii))	8,450,000	$ 0.10
Warrants outstanding and exercisable as at May 31, 2010	8,450,000	$ 0.10
Exercised (Note 6(b)(ii))	(400,000)	$ 0.10
Warrants outstanding and exercisable as at May 31, 2011	8,050,000	$ 0.10

Common shares issued pursuant to the exercise of 7,250,000 of the above warrants are to be added to the common shares already held in escrow and released according to the same timetable (Note 6(c)).

The warrants outstanding at May 31, 2011 are as follows:

Expiry Date	Number of Warrants	Weighted Average Remaining Contractual Life (years)	Exercise Price
April 9, 2013	8,050,000	1.86	$ 0.10

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company classifies its cash as held-for-trading, reclamation bond as held-to-maturity, and accounts payable and accrued liabilities as other financial liabilities.

(a) Fair value

The carrying values of cash, reclamation bond, and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these financial instruments.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash and reclamation bond. The Company is not exposed to significant credit risk as its cash and reclamation bond are placed with a major Canadian financial institution.

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal terms of trade.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily in Australian dollars). The Company does not manage currency risk through hedging or other currency management tools.

The Company is exposed to foreign currency risk on its cash balances maintained in foreign currencies as follows:

	2011		2010	
	AUS $	US $	AUS $	US $
Cash	$44,513	$12	$ -	$34
Canadian dollar equivalent	$45,623	$12	$ -	$34

If the Canadian dollar changes by 10% against the Australian dollar at May 31, 2011, with all other variables held constant, the impact of the foreign currency change on the financial statements is immaterial.

If the Canadian dollar changes by 10% against the US dollar at May 31, 2011, with all other variables held constant, the impact of the foreign currency change on the financial statements is immaterial.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as at May 31, 2011.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

8. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its property.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will be able to continue this form of financing due to uncertain economic conditions. The Company believes that it has sufficient funds to fund its working capital for the coming year.

There have been no changes to the Company's approach to capital management during the year.

9. FUTURE INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2011	2010
Income tax benefit computed at Canadian statutory rates	$ 33,695	$ 47,544
Share issuance costs	5,004	5,351
Stock-based compensation	(527)	(13,763)
Change in timing differences	53,431	(4,703)
Change in valuation allowance	(87,924)	(27,116)
Change in income tax rates	(3,679)	(7,313)
	$ -	$ -

The Company has operating losses that may be carried forward to apply against future years' income for Canadian income tax purposes. These losses expire as follows:

Available to	Amount
2027	$ 222
2028	47,974
2029	40,699
2030	132,279
2031	137,973
	$ 359,147

9. FUTURE INCOME TAXES (Continued)

The components of future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carry-forwards	$ 359,147	$ 221,174
Tax basis of non-refundable tax credit	187,800	-
Tax basis in excess of carrying value of resource properties	44,012	-
Share issuance costs	18,088	36,176
	609,047	257,350
Tax rate	25.00%	25.00%
	152,262	64,338
Valuation allowance	(152,262)	(64,338)
Future income tax assets	$ -	$ -

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

11. RELATED PARTY TRANSACTIONS

During the financial year ended May 31, 2011, the Company incurred $50,000 (2010 - $6,500) in consulting fees with a director of the Company.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. SUBSEQUENT EVENTS

The following events occurred subsequent to May 31, 2011:

(a) 610,000 options were exercised to purchase 610,000 common shares of the Company at a price of $0.10 per share, for gross proceeds of $61,000.

(b) 200,000 warrants were exercised to purchase 200,000 common shares in the Company at a price of $0.10 per warrant for gross proceeds of $20,000.

(c) 2,250,000 options were granted to an officer of the Company, exercisable at $0.25 per share, expiring July 10, 2014; 1,125,000 options will vest on July 10, 2012 and the remaining 1,125,000 options will vest on July 10, 2013.

(d) The Company completed a non-brokered private placement of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit consists of one common share in the capital stock of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share for $0.35 for a period of 12 months from the date of issuance.