ERIN VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

SEE ACCOMPANYING NOTES

MORGAN
& COMPANY
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Erin Ventures Inc.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Erin Ventures Inc., which comprise the consolidated balance sheets as at June 30, 2011 and 2010 and the consolidated statements of operations and comprehensive loss 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Erin Ventures Inc. as at June 30, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan & Company"*

November 2, 2011 — Chartered Accountants

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ERIN VENTURES INC.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30,

ASSETS

	2011	2010
Current		
Cash	**$ 2,200,911**	$ 280,576
HST receivable	**44,241**	29,463
Assets held for sale – Note 5	**-**	750,715
	2,245,152	1,060,754
Equipment – Note 3	**21,501**	2,891
Resource properties – Notes 4 and 7	**2,556,190**	1,434,372
	$ 4,822,843	$ 2,498,017

LIABILITIES

	2011	2010
Current		
Accounts payable and accrued liabilities – Note 7	**$ 344,276**	$ 369,868
Liabilities held for sale – Note 5	**-**	158,507
	344,276	528,375

SHAREHOLDERS' EQUITY

	2011	2010
Share capital – Note 6	**18,196,214**	14,929,524
Share subscriptions receivable – Note 6	**(149,784)**	(126,484)
Contributed surplus – Note 6	**1,060,130**	650,330
Deficit	**(14,627,993)**	(13,483,728)
	4,478,567	1,969,642
	$ 4,822,843	$ 2,498,017

Subsequent Events – Note 13

Approved On Behalf Of The Board Of Directors:

"Tim Daniels"	*"Dennis La Point"*
Director	Director

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED JUNE 30,

		2011		2010
Administrative expenses				
Accounting and audit fees	**$**	**75,471**	$	72,894
Amortization		**6,685**		1,850
Consulting fees – Note 7		**31,690**		36,617
Filing fees		**30,565**		22,242
Interest and bank charges		**8,905**		9,575
Investor relations		**-**		22,000
Legal fees		**22,049**		28,404
Management fees – Note 7		**156,000**		161,000
Office and miscellaneous – Note 7		**127,145**		92,754
Property investigation costs		**-**		7,351
Rent – Note 7		**14,300**		12,000
Stock-based compensation – Note 6		**235,300**		31,680
Telephone		**10,149**		17,211
Transfer agent fees		**23,837**		7,412
Travel and promotion – Note 7		**90,684**		102,625
Loss before other items, income taxes and discontinued operations		**(832,780)**		(625,615)
Other items:				
Foreign exchange gain		**15,573**		11,160
Write-down of mineral properties		**(349,751)**		-
Recovery of advances – Note 7		**4,500**		6,000
Loss before taxes and discontinued operations		**(1,162,458)**		(608,455)
Future income tax recovery		**110,315**		-
Net loss from continuing operations		**(1,052,143)**		(608,455)
Net loss from discontinued operations (Note 5)		**(92,122)**		(756,920)
Net loss and comprehensive loss for the year		**(1,144,265)**		(1,365,375)
Deficit, beginning of the year		**(13,483,728)**		(12,118,353)
Deficit, end of the year	**$**	**(14,627,993)**	$	(13,483,728)
Basic and diluted loss per share before discontinued operations	**$**	**(0.01)**	$	(0.01)
Basic and diluted loss per share after discontinued operations	**$**	**(0.00)**	$	(0.02)
Weighted average number of shares outstanding		**138,863,404**		80,873,227

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

		2011		2010
Operating Activities				
Net loss from continuing operations	**$**	**(1,052,143)**	$	(608,455)
Items not affecting cash:				
Amortization		**6,685**		1,850
Foreign exchange loss		**4,025**		-
Future income tax recovery		**(110,315)**		-
Shares issued for consulting		**45,000**		-
Stock-based compensation		**235,300**		31,680
Write-off of mineral property		**349,751**		-
		(521,697)		(574,925)
Changes in non-cash working capital items related to operations:				
HST receivable		**(14,778)**		(8,103)
Accounts payable		**(134,960)**		15,169
		(671,435)		(567,859)
Financing Activities				
Share subscriptions received, net		**2,962,695**		1,248,598
Shares subscribed		**-**		41,250
		2,962,695		1,289,848
Investing Activities				
Resource property expenditures		**(823,508)**		(417,749)
Purchase of equipment		**(25,295)**		(835)
Cash flows used in discontinued operations		**(92,122)**		(86,752)
Proceeds on disposal of assets held for sale, net of liabilities		**570,000**		-
		(370,925)		(505,336)
Change in cash during the year		**1,920,335**		216,653
Cash, beginning of the year		**280,576**		63,923
Cash, end of the year	**$**	**2,200,911**	$	280,576
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	**$**	**-**	$	-
Income taxes	**$**	**-**	$	-

Non-Cash Investing and Financing Activities – (Note 8)

SEE ACCOMPANYING NOTES

Note 1 **Nature of Operations and Ability to Continue as a Going Concern**

The Company was incorporated under the laws of the Province of Alberta on July 19, 1993 and on May 28, 2001 registered in the Province of British Columbia as an extra-provincial company. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX.V").

The Company is in the development stage and is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resources properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Managements' plan in this regard is to secure additional funds through future equity financings, which either may not be available or may not be available on reasonable terms.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization value may be substantially different from carrying value as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2011, the Company had not yet achieved profitable operations, has accumulated losses of $14,627,993 and expects to incur further losses in the development of its business, all of which casts substantial doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

Note 2 **Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("GAAP") as prescribed by The Canadian Institute of Chartered Accountants ("CICA") and are stated in Canadian dollars unless otherwise noted. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results may differ from these estimates.

Significant areas requiring the use of management estimates relate to the identification and capitalization of exploration costs, determination of impairment in the carrying values for long-lived assets, the existence of contingent assets and liabilities, and values ascribed to related party transactions and balances, stock based compensation, and future income taxes. Management reviews significant estimates on a periodic basis and, when changes in estimates are necessary, makes adjustments.

Note 2 **Significant Accounting Policies** (cont'd…)

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

The financial statements include the accounts of the Company and its wholly owned subsidiaries 766072 Alberta Inc., Ceibo Resources Ltd., Balkan Gold Corp., Carolina Gold Corp. and Canamanian Resources Inc. Balkan Gold Corp. was incorporated in Serbia for the purposes of complying with Serbian regulatory requirements related to the Piskanja property. Carolina Gold Corp. was incorporated in the State of Delaware, USA, on January 16, 2007, for purposes of developing mineral properties in the US. Ceibo Resources Ltd. was incorporated in Belize for the purposes of developing mineral properties. Canamanian Resources Inc. was incorporated in Panama on December 18, 2009, for purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation.

b) Cash

Cash includes cash on hand. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at June 30, 2011 and 2010, the Company had no cash equivalents.

c) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded when equipment is put in use over the estimated useful life using the following methods and rates:

Office equipment	5 years straight line
Computer equipment	5 years straight line
Vehicle	5 years straight line

d) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the option or sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations. Incidental revenues received while the properties are in the development stage are credited to the carrying value of the mineral properties.

Note 2 **Significant Accounting Policies** (cont'd…)

d) Resource Properties (cont'd…)

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history as is characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

e) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

f) Incidental Revenue

Revenue is recognized from the sale of gold when the price is determinable, the product has been delivered and title has been transferred to the customer and collection of the sales price is reasonably assured. Incidental revenue is set off against related project and exploration expenditures.

g) Assets Held for Sale

Assets classified as held for sale, in accordance with Section 3475 of the CICA Handbook, are those that their carrying amount will be recovered through a sale transaction rather than through continuing use, and expected to be sold within a twelve month period and there is no longer intent to hold for future use. Assets held for sale are valued at the lower of cost and fair value less cost of disposal.

h) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

Basic and diluted loss per share are the same for the years presented.

Note 2 **Significant Accounting Policies** (cont'd…)

i) Stock-based Compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of all share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility.

Changes in these assumptions can materially affect the fair value estimate.

j) Share Consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

k) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. As at June 30, 2011 and 2010, the Company has determined that it has no asset retirement obligations.

l) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Note 2 **Significant Accounting Policies** (cont'd…)

m) Income Taxes

Income taxes are calculated using the asset and liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets at substantially enacted income tax rates. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Future income tax benefits are recognized to the extent that realization is considered to be more likely than not.

n) Financial Instruments

The Company designated cash (Level 1) as held for trading assets, measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended June 30, 2011.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

o) Future Accounting Changes

i) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("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 principles ("GAAP") and 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 Canada's own 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 July 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. No significant impact to the Company's financial statements is expected.

Note 2 **Significant Accounting Policies** (cont'd…)

o) Future Accounting Changes (cont'd...)

ii) Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, *Consolidated Financial Statements*, and Handbook Section 1602, *Non-Controlling Interests*, which together replace Handbook Section 1600, *Consolidated Financial Statements*. These two sections are equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). Handbook Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statement. The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interests to be presented as a separate component of shareholders' equity.

Under Handbook Section 1602, non-controlling interest income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interest based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582.

iii) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, and provides the equivalent to International Financial Reporting Standards ("IFRS") 3R, Business Combinations (January 2008). The new section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date.

Note 2 **Significant Accounting Policies** (cont'd…)

o) Future Accounting Changes (cont'd...)

iii) Business Combinations (cont'd...)

The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

These sections apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new section will only have an impact on consolidated financial statements for future acquisitions that may be made in periods subsequent to the date of adoption.

Note 3 **Equipment**

	June 30, 2011		
	Cost	Accumulated Amortization	Net
Vehicle	$ 25,295	$ 3,794	$ 21,501
Office equipment	8,390	8,390	-
Computer equipment	25,009	25,009	-
	$ 58,694	$ 37,193	$ 21,501

	June 30, 2010		
	Cost	Accumulated Amortization	Net
Office equipment	$ 8,390	$ 7,721	$ 669
Computer equipment	25,009	22,787	2,222
	$ 33,399	$ 30,508	$ 2,891

ERIN VENTURES INC.
Notes to the Consolidated Financial Statements
Years ended June 30, 2011 and 2010

Note 4 Resource Properties

	USA	Serbia	Panama	Canada	Total
Balance, June 30, 2010	$ 1,070,200	$ 193,048	$ 161,300	$ 9,824	$ 1,434,372
Acquisition costs					
Cash	33,454	-	44,916	9,500	87,870
Shares, options and warrants	138,123	-	-	365,467	503,590
Deferred exploration costs					
Administration and rent	5,630	158,149	-	-	163,779
Advances	-	87,640	-	-	87,640
Consulting	-	284,403	30,000	-	314,403
Geological consulting	78,813	18,916	113,535	16,970	228,234
Field work	-	34,937	-	8,617	43,554
Supplies	-	39,513	-	-	39,513
Travel	-	-	-	2,986	2,986
	1,326,220	816,606	349,751	413,364	2,905,941
Less: written off	-	-	(349,751)	-	(349,751)
Balance, June 30, 2011	$ 1,326,220	$ 816,606	$ -	$ 413,364	$ 2,556,190

	USA	Belize	Serbia	Panama	Canada	Total
Balance, June 30, 2009	$ 926,205	$ -	$ -	$ -	$ -	$ 926,205
Asset held for sale	-	926,390	-	-	-	926,390
Acquisition costs						
Cash	28,711	5,372	5,095	147,670	-	186,848
Options and warrants	21,100	-	-	-	-	21,100
Deferred exploration costs						
Administration and rent	29,493	2,227		-	-	31,720
Advances	2,249	-	15,113	-	-	17,362
Consulting	-	-	36,659		-	36,659
Geological consulting	60,654	56,052	94,703	13,630	9,824	234,863
Royalties	-	47,178	-	-	-	47,178
Supplies	1,788	19,685	23,441	-	-	44,914
Wages	-	-	18,037	-	-	18,037
	1,070,200	1,056,904	193,048	161,300	9,824	2,491,276
Less: written down	-	(706,904)	-	-	-	(706,904)
Less: held for sale	-	(350,000)	-	-	-	(350,000)
Balance, June 30, 2010	$ 1,070,200	$ -	$ 193,048	$ 161,300	$ 9,824	$ 1,434,372

SEE ACCOMPANYING NOTES

Note 4 **Resource Properties** (cont'd…)

Deep River Gold Project, North Carolina, United States of America ("USA")

By agreement dated June 15, 2006, the Company entered into a strategic alliance with another company to acquire, explore and develop mineral properties in the Southeastern United States. The term of the agreement is five years, in which the Company will acquire a 100% interest in the project subject to completion of a work program totaling US$400,000, to be funded during the first year of the agreement. In addition, the Company advanced $55,897 (US$50,000) for land acquisition costs.

The agreement also includes a five-year management contract with the other company, which requires the Company to make annual stock-based payments of US$30,000 as compensation for facilities rental; grant 600,000 stock options per year, up to a maximum of 1,800,000 unexercised stock options held at one time by the other company (granted 330,000 during the year ended June 30, 2011 (2010 - 300,000; 2009 – 900,000)); pay annual lease costs to third party owners as required; and pay consulting fees at a rate of US$550 per day for a minimum of 100 days annually.

The other company will retain a 0.80% production royalty on the property. By June 30, 2011 the Company had accrued US$165,000 in consulting fees relating to this management contract.

The Company has the option to purchase the production royalty during the 60 day period following completion of a positive feasibility study for 1% of the value of proven and probable gold plus 1% of the other economically recoverable minerals to a maximum of $4,000,000.

Volujski Kljuc ("VK") Property, Serbia

The Serbian Ministry of Mining has issued to Erin's wholly owned subsidiary, Balkan `Gold, an exclusive exploration license for the Volujski Kljuc ("VK") alluvial gold deposit in Serbia.

Piskanja Property, Serbia

The Company has entered in to a binding agreement with the Serbian-state-owned mining company, JP PEU, for the joint development of the Piskanja boron deposit, located in Serbia as follows:

1. The Company's wholly owned Serbian subsidiary, Balkan Gold doo ("Balkan"), will apply for an exclusive exploration license (obtained) on the Piskanja property and conduct a geological study on the deposit. If results are positive, Balkan will then compose a feasibility study for mine development. Balkan is responsible for 100 per cent of the costs related to these studies and retains 100% ownership at this stage.

Note 4 **Resource Properties** (cont'd…)

Piskanja Property, Serbia (cont'd…)

2. When the feasibility study is complete, Balkan and JP PEU will form a joint venture company that will apply for an exploitation license. However, in the event that JP PEU's corporate structure does not allow for it to enter into this joint venture (as is currently the case), Balkan will retain the right to apply for the exploitation license on its own and retain 100% interest in the project.

3. Ownership in the joint venture company will be directly proportional to the value of the assets contributed by each party. Balkan will be responsible for providing all the financing required to develop the mine and ore-processing facilities. JP PEU will contribute certain existing infrastructure assets in its possession (such as a power substation, access roads, rail spur, office and maintenance buildings in strategic proximity to the property) and historical research data from previous exploration programs at Piskanja. The determination of the assets to be contributed by JP PEU to the joint venture will be at the sole discretion of Balkan. These assets will be contributed at their established fair market value.

4. An official determination of percentage ownership will occur at the completion of the mine development and be based upon the amount that has been actually spent by Balkan on exploration and mine development and the fair market value of the assets contributed by JP PEU.

5. Each party will have representation on the board of directors of the joint venture company on a basis that reflects its pro rata ownership of the joint venture company.

Note 4 **Resource Properties** (cont'd…)

Santa Rosa Property, Panama

The Company, in conjunction with Pageland Minerals Ltd. a private company with directors in common ("Pageland"), has entered into an agreement to purchase majority control of the assets of the Santa Rosa Gold Mine in Panama in exchange for US $1,550,000 payable as follows:

- A US$75,000 down payment at the time of signing of the agreement (paid);
- A second payment of US$75,000 due upon the completion of transfer of land title;
- US$500,000 due and payable when the mineral rights and mining permits associated with the Santa Rosa Mine have been re-established by the Panamanian government and granted exclusively to the Optionor;
- A second payment of US$500,000 is payable 90 days after the first payment of US$500,000;
- A final payment of US $400,000 is payable 180 days after the first payment of US$500,000.

The Company will retain an undivided 75% interest and Pageland will retain an undividued 25% interest in the Santa Rosa Mine, with each partner responsible for their prorata share of the purchase price and the payments and expenditures. The Company will act as operator of the mine and the Optionor will be entitled to receive 10% of the net profits of the mine operations. Title will revert to the Optionor upon completion of mining.

During the year ended June 30, 2011, the Company decided not to pursue the option agreement and wrote-off the resource property

Yukon Property, Canada

During the year ended June 30, 2010 the company entered into an agreement to purchase a 100% interest in a Yukon property, which has 36 Quartz Claims, in exchange for:

- Cash payment of $25,000 (paid);
- 1,500,000 common shares of the Company (issued);
- 1,500,000 warrants, exercisable into one common share of the Company for $0.10 for two years (granted);
- payment of 3% net smelter royalty;
- $20,000 expenditure of exploration on the property by June 1, 2010 (completed); and
- a further $100,000 expenditure of exploration on the property by May 15, 2011 (during the year ended June 30, 2011 the Company was given an extension to July 1, 2012).

Note 5 Assets Held for Sale

Ceibo Chico Property, Belize

During the year ended June 30, 2011 the Company completed the sale of its undivided right, title and interest together with related assets of the Ceibo Chico property as follows:

i) A $50,000 non-refundable deposit payable to the Company within two weeks of completion of due diligence (received);

ii) An additional $700,000 cash payment is due to the Company upon closing (received $520,000 in cash and had $180,000 in debt forgiven);

iii) The Company retains a 90% interest in a 3 per-cent NSR on any hard rock production. During the year ended June 30, 2011, the Company agreed to purchase the remaining 10% interest in the NSR for US$45,000 (paid). The buyer may purchase the NSR from the Company for $1-million per point, or $3-million in total;

iv) Pay a gold royalty of US$30,030 (paid).

v) The buyer agrees to spend $350,000 on exploration by the third anniversary of the agreement or the property reverts back to the Company.

Assets disposed of in the transaction includes the following at June 30, 2010:

	June 30, 2010
Mining equipment	$ 399,429
Vehicle	1,287
Mineral property	350,000
	$ 750,716

The Company settled amounts payable totaling $158,507 consisting of $94,757 payable in relation to the property, and a finder's fee of $63,750.

Note 5 **Assets Held for Sale** (cont'd...)

Ceibo Chico Property, Belize (cont'd...)

The following tables present summarized financial information related to discontinued operations in Belize:

CONSOLIDATED BALANCE SHEETS

	JUNE 30 **2011**	2010
Assets Held for Sale		
Mining equipment	**$ -**	$ 399,429
Vehicles	**-**	1,287
Mineral properties	**-**	350,000
	$ -	$ 750,716
Liabilities Held for Sale		
Current		
Accounts payable and accrued liabilities	**$ -**	$ 158,507

LOSS FROM DISCONTINUED OPERATIONS

	JUNE 30 **2011**	2010
Expenses		
Belize operating expenses	**$ -**	$ 3,066
Other Income (Expenses)		
Gain on settlement of debt	**-**	16,800
Loss on disposal of assets	**(48,484)**	(63,750)
Purchase of NSR	**(43,638)**	-
Write-down of mineral property interests	**-**	(706,904)
	(92,122)	(756,920)
Net Loss From Discontinued Operations	**$ (92,122)**	$ (756,920)

Note 5 **Assets Held for Sale** (cont'd...)

Ceibo Chico Property, Belize (cont'd...)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	JUNE 30	
	2011	2010
Cash Flows Used in Investing Activities	**$ (92,122)**	$ (86,752)
Net Cash Flows Used in Discontinued Operations	**$ (92,122)**	$ (86,752)

Note 6 **Share Capital**

a) Authorized:

Unlimited voting common shares without par value
Unlimited preferred shares without par value

Note 6 **Share Capital** (cont'd…)

b) Issued common shares:

		Number	Amount	Contributed Surplus
Balance, June 30, 2009		90,043,676	$ 13,278,420	$ 597,550
Stock-based compensation		-	-	52,780
For services		500,000	37,000	-
Issued for cash:				
Pursuant to private placements				
	– at $0.035	6,300,000	211,500	-
	– at $0.05	12,000,000	600,000	-
	– at $0.08	2,625,000	210,000	-
	– at $0.07	5,085,500	355,985	-
Exercise of warrants	– at $0.075	3,119,300	233,948	-
Less: share issue costs		-	(64,529)	-
Shares issued for debt settlement		840,000	67,200	-
Balance, June 30, 2010		120,513,476	$ 14,929,524	$ 650,330
Stock-based compensation		-	-	235,300
Issued for mineral properties:				
Units		1,500,000	180,000	-
Options		-	-	74,175
Warrants		-	-	139,100
Issued for cash:				
Exercise of warrants	– at $0.075	750,000	56,250	-
Exercise of warrants	– at $0.10	8,510,000	851,000	-
Exercise of options	– at $0.10	330,000	71,775	(38,775)
Exercise of warrants	– at $0.15	50,000	7,500	-
Private Placements	– at $0.10	22,500,000	2,250,000	-
Less: share issue costs		-	(194,835)	-
Share issued for services		407,834	45,000	-
Balance, June 30, 2011		154,561,310	$ 18,196,214	$ 1,060,130

Note 6 **Share Capital** (cont'd…)

b) Issued common shares: (cont'd…)

During the year ended June 30, 2011, the Company:

i) issued 22,500,000 units at $0.10 per unit for private placements. Each unit consisted of one common share and one share purchase warrant. For 16,500,000 warrants, each warrant entitles the holder to purchase one common share at $0.15 per share until December 2, 2011 and at $0.25 per share until December 2, 2012. For 6,000,000 warrants, each warrant entitles the holder to purchase one common share at $0.15 per share until January 7, 2012 and at $0.25 per share until January 7, 2013. All of the proceeds have been allocated to shares issued and none to the warrants.

ii) issued 407,834 shares, valued at $45,000, for services rendered on the Santa Rosa, Panama property.

iii) issued 1,500,000 units for mineral property option payments. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.10 per share until September 21, 2012. The shares were valued at $180,000 based on the market price of the shares on the date issued, and the warrants were valued at $139,100 using the Black-Scholes option pricing model to estimate the fair value of the warrants using the following assumptions:

Dividend yield	Nil
Annualized volatility	136%
Risk-free interest rate	1.40%
Expected life	2 years

At June 30, 2011, the Company had not collected $149,784 (2010 - $167,734) in respect to share subscriptions for shares issued.

During the year ended June 30, 2010 the Company:

i) issued 6,500,000 units at $0.035 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.075 per share until May 15, 2010 and at $0.15 per share until May 15, 2011.

ii) issued 6,000,000 units at $0.05 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.10 per share until October 28, 2010 and at $0.20 per share until October 28, 2011.

Note 6 **Share Capital** (cont'd…)

b) Issued common shares: (cont'd…)

During the year ended June 30, 2010 the Company (cont'd...)

iii) issued 6,000,000 units at $0.05 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.10 per share until December 2, 2010 and at $0.20 per share until December 2, 2011.

iv) issued 2,625,000 units pursuant to a private placement consisting of 2,625,000 units at $0.08 per unit for total proceeds of $210,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for each warrant held for $0.15 per share until May 7, 2012.

c) Commitments:

Stock-based compensation

The Company has granted directors and employees common share purchase options. Additional common share purchase options were also granted pursuant to resource property acquisition agreements. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant. The aggregate number of options are restricted to 10% of the total common shares issued and outstanding, and the number of options to any individual is restricted to 5% of the total common shares issued and outstanding, unless that individual is a consultant, in which case the number is restricted to 2%. The options may not be assigned nor transferred, and can have a term of no more than 5 years. The options vest at the discretion of the directors.

Note 6 **Share Capital** (cont'd…)

c) Commitments: (cont'd…)

A summary of the status of share purchase options outstanding is presented below:

	2011		2010	
	SHARES	**WEIGHTED AVERAGE EXERCISE PRICE**	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**4,150,000**	**$0.13**	4,280,000	$0.14
Expired	**(500,000)**	**$0.10**	(1,130,000)	$0.15
Granted	**2,760,000**	**$0.15**	1,000,000	$0.10
Exercised	**(330,000)**	**$0.10**	-	$0.10
Outstanding at end of year	**6,080,000**	**$0.14**	4,150,000	$0.13
Exercisable at end of year	**6,080,000**	**$0.14**	4,150,000	$0.13

At June 30, 2011, the Company has 6,080,000 share purchase options outstanding entitling the holder thereof the right to purchase one common share for each option held as follows:

Number of Options	Exercise Price	Expiry Date
600,000	$0.10	July 25, 2011 (subsequently expired)
300,000	$0.135	September 12, 2011 (subsequently expired)
200,000	$0.10	January 14, 2012
100,000	$0.15	February 16, 2012
100,000	$0.30	February 16, 2012
300,000	$0.10	June 30, 2012
1,750,000	$0.15	October 15, 2012
300,000	$0.15	January 1, 2013
330,000	$0.10	September 16, 2013
1,500,000	$0.16	December 7, 2015
600,000	$0.16	December 7, 2011
6,080,000		

Note 6 **Share Capital** (cont'd…)

c) Commitments: (cont'd…)

The value of the stock-based compensation during the year ended June 30, 2011 was $309,475 (2010: $52,780) of which $235,300 (2010: $18,000) is included in stock-based compensation expense to directors and officers, $Nil (2010: $13,680) is included in consulting fees, and $74,175 (2010: $21,100) is included in resource property acquisition costs. Unless otherwise noted, all share purchase options vest when granted. The Company uses the Black-Scholes option pricing model to estimate the fair value of the options using the following assumptions:

	2011	2010
Dividend yield	Nil	Nil
Annualized volatility	94-123%	119% - 165%
Risk-free interest rate	1.31-2.45%	0.58% - 2.1%
Expected life	1-5 years	1 - 3 years

Share Purchase Warrants

A summary of the status of share purchase warrants outstanding is presented below:

	2011		2010	
	SHARES	**WEIGHTED AVERAGE EXERCISE PRICE**	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**37,137,527**	**$0.12**	18,061,327	$0.14
Issued	**24,000,000**	**$0.15**	26,210,500	$0.11
Exercised	**(9,310,000)**	**$0.10**	(3,119,300)	$0.08
Expired	**(10,877,027)**	**$0.18**	(4,015,000)	$0.15
Outstanding at end of year	**40,950,500**	**$0.13**	37,137,527	$0.12

At June 30, 2011, the Company has 40,950,500 common share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
5,750,000	$0.15	July 3, 2011 (expired subsequently)
3,590,000	$0.20	November 26, 2011
2,625,000	$0.15	May 7, 2012
4,985,500	$0.20	June 2, 2012
1,500,000	$0.10	September 15, 2012
16,500,000	$0.15/$0.25	December 2, 2011/2012
6,000,000	$0.15/$0.25	January 7, 2012/2013
40,950,500		

Note 7 Related Party Transactions

The Company incurred the following costs charged by directors of the Company and companies controlled by Directors of the Company:

	Year ended June 30, **2011**	2010
Resource property costs		
Geological consulting	**$ -**	$ 60,654
Administration and rent	**5,630**	29,492
Acquisition costs	**74,175**	21,100
Office and miscellaneous	**60,000**	60,000
Management fees	**156,000**	161,000
Consulting fees	**68,000**	15,000
Investor relations fees	**-**	22,000
Rent	**9,000**	12,000
Recovery of advances receivable	**(4,500)**	(6,000)
Travel and promotion	**3,000**	3,000
	$ 371,305	$ 378,246

The charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

As at June 30, 2011 accounts payable includes $177,587 (June 30, 2010: $149,641) due to directors of the Company and companies with common directors. This amount is comprised of unpaid geological fees, consulting fees, office costs, royalties and travel costs. All amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Note 8 Non-Cash Investing and Financing Activities

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

Note 8 **Non-Cash Investing and Financing Activities** (cont'd…)

During the year ended June 30, 2011, the Company:

i. issued 1,500,000 common shares valued at $180,000 with respect to resource property acquisition costs.
ii. issued 1,500,000 warrants valued at $139,100 with respect to resource property acquisition costs.
iii. granted 2,430,000 stock options valued at $309,475. $74,175 was allocated to resource property costs and $235,300 with respect to stock-based compensation.
iv. issued 330,000 common shares for $33,000 pursuant to the exercise of stock options. Upon exercise $38,775 was reallocated from contributed surplus to share capital. At July 31, 2011, $33,000 was receivable.
v. issued 407,834 shares valued at $45,000 for geological services related to the Panama property.

At June 30, 2011, the Company had $192,789 in accounts payable that related to resource property expenditures.

During the year ended June 30, 2010, the Company:

i. issued 300,000 common shares valued at $21,000 for one year of facilities rental for a resource property.
ii. granted share purchase options which vested immediately and were valued at $21,100 for resource property costs.
iii. recorded liabilities of $234,378 with respect to resource property costs.
iv. issued 840,000 common shares valued at $67,200 for settlement of debt.
v. issued 200,000 common shares for payment of a $16,000 investor relations invoice.

Note 9 **Financial Instruments**

The fair value of the financial instruments approximates their carrying value as they are short term in nature.

Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited by placing its cash with high-credit quality financial institutions.

Note 9 Financial Instruments (cont'd…)

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. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, and commodity price risk.

The Company has operations in Canada, the United States Serbia and Belize subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars, United States dollars ("US dollars"), Serbian dinars and Belize dollars, and the fluctuation of the Canadian dollar in relation to these other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Financial assets and liabilities denominated in currencies other than the Canadian dollar are as follows:

	June 30, 2011	
	Financial Assets	Financial Liabilities
US dollar	$ -	$ 155,478

Based on the above net exposures at June 30, 2011, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $15,548 in the Company's loss from operations.

Interest Rate Risk

As at June 30, 2011, the Company does not have any interest bearing financial instruments and accordingly the Company is not exposed to interest rate risks.

Note 10 Capital Disclosures

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The directors determine the Company's capital structure and make adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Note 10 Capital Disclosures (cont'd…)

The Company is dependent upon incidental sales of gold from mining operations and external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so.

The directors review the Company's capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company considers the items included on the balance sheet in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Note 11 Income Taxes

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

	2011	2010
Statutory rate	**28%**	29%
Loss before income taxes	**$ (1,254,580)**	$ (1,365,375)
Expected income tax recovery	**$ 351,000**	$ 400,000
(Increase) decrease in income tax recovery resulting from:		
Permanent differences	**(67,000)**	(11,000)
Discontinued operations	**(26,000)**	-
Valuation allowance for future income tax assets	**(147,685)**	(389,000)
Income tax recovery	**$ 110,315**	$ -

Note 11 **Income Taxes** (cont'd...)

The significant components of the Company's future income tax assets, after applying enacted corporate income tax rates, are as follows:

	2011	2010
Resource properties and deferred exploration	**$ 1,608,000**	$ 1,633,000
Non-capital losses carried forward	**980,000**	1,049,000
Unused share issuance costs	**50,000**	25,000
Equipment	**62,000**	28,000
Valuation allowance for future income tax assets	**(2,700,000)**	(2,735,000)
	$ -	$ -

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized in the future to utilize all future tax assets.

At June 30, 2011, the Company has accumulated Canadian and foreign exploration and development expenditures of approximately $8,809,000 and non-capital losses of approximately $3,920,000, that may be applied against future income for tax purposes. The non-capital losses expire by 2031.

Note 12 **Segmented Information**

Capital assets by geographic segment, at cost:

	June 30, 2011	June 30, 2010
Canada	$ 413,364	$ 12,715
Panama	-	161,299
Serbia	838,107	193,048
United States	1,326,220	1,070,200
	$ 2,577,691	$ 1,437,262

Note 13 **Subsequent Events**

- The Company granted 300,000 stock options to a consultant exercisable at a price of $0.17 per common share, expiring August 24, 2012.
- The Company granted 900,000 stock options exercisable at a price of $0.155 per common share pursuant to a mineral property agreement, one-third of which will expire on each of October 13, 2012, October 13, 2013, and October 13, 2014. The Company also issued 193,547 common shares under this agreement.
- The Company issued 150,000 shares for proceeds of $22,500 for warrants exercised.