

INTERNATIONAL SAMUEL EXPLORATION CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(unaudited – prepared by management)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011
(expressed in Canadian dollars)

To the Shareholders:

INTERNATIONAL SAMUEL EXPLORATION CORP.

NOTICE TO READER

The Consolidated Balance Sheets of International Samuel Exploration Corp. as at March 31, 2011, the Consolidated Statements of Operations and Deficit, and the Consolidated Statements of Cash Flows for the three and nine months ended March 31, 2011 have been compiled by management.

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

No audit or review to verify the accuracy or completeness of such information has been performed. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, Canada

May 27, 2011

On behalf of the Board:

“Conrad Swanson”

Conrad Swanson

“John Watt”

John Watt

INTERNATIONAL SAMUEL EXPLORATION CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Unaudited – prepared by management)

	As at March 31, 2011	As at June 30, 2010
ASSETS		
Current		
Cash	\$ 494,028	\$ 923,925
Amounts receivable	14,185	31,683
Prepaid expenses and deposits	1,200	59,819
	509,413	1,015,427
Loan receivable – Notes 4	85,709	128,052
Mineral properties – Note 5	1,943	2,508
Equipment – Note 6	3,898,606	3,473,709
	\$ 4,495,671	\$ 4,619,696
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 38,850	\$ 153,119
SHAREHOLDERS' EQUITY		
Share capital – Notes 5 and 7	12,670,780	11,934,922
Contributed surplus – Note 8	1,943,429	1,800,638
Obligation to issue shares – Note 7	-	210,000
Deficit	(10,157,388)	(9,478,983)
	4,456,821	4,466,577
	\$ 4,495,671	\$ 4,619,696

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Note 5
Subsequent Events – Note 13

APPROVED BY THE DIRECTORS:

“Conrad K. Swanson” Director “John S. Watt” Director

INTERNATIONAL SAMUEL EXPLORATION CORP.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS AND DEFICIT
(unaudited – prepared by management)

	For the three months ended March 31,		For the nine months ended March 31,	
	2011	2010	2011	2010
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization	\$ 188	\$ 150	\$ 564	\$ 450
Consulting fees	1,736	13,500	6,741	40,500
Interest and bank charges	170	369	1,355	763
Investor relations	11,296	1,360	30,862	7,686
Management fees	43,775	35,932	110,221	104,398
Office	6,776	5,744	16,633	16,018
Professional fees	20,166	7,521	43,943	32,152
Rent	2,232	4,500	10,388	13,500
Stock-based compensation	-	86,082	137,799	136,432
Transfer agent and filing fees	19,452	10,430	24,686	17,680
Travel and conferences	1,259	6,556	5,699	10,589
	(107,050)	(172,144)	(388,891)	(380,168)
OTHER ITEMS				
Miscellaneous income	-	13,020	-	13,020
Project management fees	-	33,380	-	33,380
Loss on write down of mineral properties	-	-	(298,136)	-
Interest income	2,515	2,516	8,622	8,599
	2,515	48,916	(289,514)	54,999
NET LOSS FOR THE PERIOD	\$ (104,535)	\$ (123,228)	\$ (678,405)	\$ (325,169)
DEFICIT, BEGINNING OF THE PERIOD	\$(10,052,853)	\$ (8,294,033)	\$ (9,478,983)	\$ (8,092,092)
DEFICIT, END OF THE PERIOD	\$(10,157,388)	\$ (8,417,261)	\$(10,157,388)	\$ (8,417,261)
BASIC AND DILUTED LOSS PER SHARE				
	\$ 0.01	\$ 0.02	\$ 0.05	\$ 0.05
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
	14,661,443	7,879,698	15,000,754	6,983,944

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

INTERNATIONAL SAMUEL EXPLORATION CORP.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
(unaudited – prepared by management)

	For the three months ended March 31,		For the nine months ended March 31,	
	2011	2010	2011	2010
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (104,535)	\$ (123,228)	\$ (678,405)	\$ (325,169)
Adjustments for items not involving cash:				
Loss on write off of mineral properties	-	-	-	-
Amortization	189	150	565	450
Stock-based compensation	-	86,082	137,799	136,432
	(104,346)	(36,996)	(540,041)	(188,287)
Changes in non-cash working capital items:				
Receivables	12,049	(19,370)	17,498	(23,344)
Prepaid expenses and deposits	-	-	58,619	-
Accounts payable and accrued liabilities	(29,567)	54,245	(324,269)	27,805
	(121,864)	(2,121)	(788,193)	(183,826)
FINANCING ACTIVITY				
Shares issued for cash, net of share issue costs	\$ 310,000	\$ 419,788	\$ 569,000	\$ 624,088
INVESTING ACTIVITY				
Loans receivable	\$ 47,484	\$ (2,515)	\$ 42,343	\$ 36,400
Deferred exploration expenditures	(64,613)	(179,449)	(253,047)	(123,306)
	(17,129)	(181,964)	(210,704)	(86,906)
INCREASE (DECREASE) IN CASH DURING THE PERIOD	171,007	235,703	(429,897)	353,356
CASH, BEGINNING OF THE PERIOD	323,021	150,942	923,925	33,289
CASH, END OF THE PERIOD	\$ 494,028	\$ 386,645	\$ 494,028	\$ 386,645

Non-cash Transactions – Note 11

INTERNATIONAL SAMUEL EXPLORATION CORP.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by management)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011

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NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations and Ability to Continue as a Going Concern

These unaudited consolidated financial statements include the accounts of International Samuel Exploration Corp. (the “Company”) and its wholly-owned subsidiary, International Samuel Holding Corp. (incorporated on October 26, 2007 pursuant to the Corporations Act - Manitoba). All inter-company accounts have been eliminated.

The Company is an exploration stage public company whose shares trade on the TSX Venture Exchange. The Company is engaged principally in the acquisition, exploration and development of resource properties. The recovery of the Company’s investment in resource properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the resource properties and the discovery, development and sale of ore reserves. The outcome of these matters cannot presently be determined because they are contingent on future events.

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 values may be substantially different from carrying values 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 March 31, 2011, the Company had not yet achieved profitable operations, had working capital of \$470,563 and had accumulated losses of \$10,157,388 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about 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 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 come due.

(b) Mineral Properties

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral 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 characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of the Company’s knowledge, title to all of its properties are in good standing.

INTERNATIONAL SAMUEL EXPLORATION CORP.

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011

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NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Future Accounting Policies

International financial reporting standards (“IFRS”)

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (“IFRS”) will replace Canada’s current generally accepted accounting principles (“GAAP”) for publicly accountable profit-orientated enterprises for interim and annual financial statements commencing after January 1, 2011. The Company’s year end is June 30 of each year. The first year of reporting for the Company using IFRS will be for the fiscal 2012 year commencing July 1, 2011 and ending on June 30, 2012.

Accordingly, the Company will prepare its financial statements for fiscal 2011, the year ending June 30, 2011, using Canadian GAAP. In 2012, the Company will present its fiscal 2012 financial statements, with comparatives for fiscal 2011, using IFRS. This will necessitate the Company maintaining financial records in both GAAP and IFRS for fiscal 2012.

The Company has completed the initial assessment and scoping phase of its IFRS change-over process. The Company has not identified any significant differences between existing Canadian GAAP and IFRS; identifying policy choices and changes required to the Company’s current accounting policies; and has concluded there is no material impact of adopting IFRS 1 – *First Time Adoption of IFRS*.

The Company has also moved into the implementation phase, in which it will update its significant accounting policies, adjust its accounting systems, and design tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. The Company will also design model IFRS financial statements. These tools and the model IFRS financial statements will be tested and run parallel during early 2011 through mid 2011 to ensure a smooth and accurate change-over in July 2011.

The Company is continuing with its initial assessment and scoping phase. Although its impact assessment activities are underway, continued analysis and discussion is required before the Company can prudently disclose change-over accounting policy differences. Due to the small and simple organizational, administrative and accounting structure of the Company, management is confident that once the policy choices are finalized, the implementation phase could be completed by late 2011.

To date, management has identified a number of differences between Canadian GAAP and IFRS that relate to the Company, many of which are not expected to have a material impact on the reported results and financial position of the Company. Adjustments required on transition to IFRS will be made against opening retained earnings on the transition date July 1, 2010 for the 2010 balance sheet to be included in the first comparative balance sheet as at September 30, 2011, being the end of the first quarter in fiscal 2012. Such adjustments are made directly to retained earnings because they represent changes to financial events prior to the July 1, 2011 date of transition.

INTERNATIONAL SAMUEL EXPLORATION CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011

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NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During 2010, management will meet with the Audit Committee and the Board of Directors to finalize key issues and transitional choices under IFRS 1 applicable to the Company.

(c) Future Accounting Policies

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company’s consolidated financial statements. In the period leading up to the changeover in 2011, the International Accounting Standards Board (“IASB”) has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company’s consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Impairment of Assets (IAS 36)

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36,

“Impairment of Assets” uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows).

This may result in write downs where the carrying value of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share-Based Payments (IFRS 2)

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences. Consultants who perform the same services as employees are treated as employees for the purposes of IFRS 2. Stock option grants to employees must be measured on the date of the grant. Non-employee grants must be measured on the date the goods are supplied or the service is deemed to be completed. This may lead to a difference in the amount of Stock Option Expense recorded than would be the case under Canadian GAAP Section 3870. Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. Under IFRS 2, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur.

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011

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NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation Assets (IFRS 6)

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized. With the adoption of IFRS, the Company will have to determine its accounting policy for exploration and evaluation assets. The Company may decide to apply the ISAB Framework which requires exploration expenditures to be expensed and only allows capitalization of expenditures after the completion of a feasibility study. Alternatively, the Company may keep its existing policy. Management has yet to decide on whether or not to apply the IASB framework.

(c) Future Accounting Policies

Future Income Taxes (IAS 12)

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward-traced to equity. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company has not yet assessed the impact of implementing IAS 12, Income Taxes, on the financial statements.

General (IFRS 1/IAS 1)

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the impact of the IFRS adoption at the transition date on our financial statements. The IASB will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information and internal control system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes, but the preparation of parallel IFRS statements will need, as yet undetermined, incremental resources.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more detail than those required under Canadian GAAP and, therefore, will result in lengthier note references. Secondly, there may be changes in the presentation order and terminology of the financial statements themselves. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements, with a view to facilitating understanding of shareholders and other users of the statements.

INTERNATIONAL SAMUEL EXPLORATION CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by management)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011

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NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Other

For interim and annual financial statements relating to its fiscal year commencing April 1, 2011, the Company will be required to adopt new CICA Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements”. The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 “Business Combinations” and International Accounting Standard IAS 27 “Consolidated and Separate Financial Statements” respectively. The impact of adopting these new standards has been assessed and the Company does not foresee any material impacts.

NOTE 2 FINANCIAL INSTRUMENTS

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. The Company’s cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at March 31, 2011 the Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest income on Canadian dollar cash. As at March 31, 2011, the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liability. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options.

NOTE 3 RESTRICTED CASH

As at March 31, 2011, the Company segregated \$4,241 (June 30, 2010 - \$4,241) of its cash resources as funds held in trust for the benefit of its Joint Venture partner on the Snow Lake project with this trust obligation recorded as part of accounts payable. In addition, the Company segregated \$4,241 in an exploration flow through account to fund ongoing tax qualified exploration project costs.

INTERNATIONAL SAMUEL EXPLORATION CORP.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by management)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**6****NOTE 4 LOAN RECEIVABLE**

	As at March 31, 2011	As at June 30, 2010
Due from Gold Reach Resources Ltd.	\$ 85,709	\$ 128,052

The original loan is unsecured. Terms include interest at the simple interest rate of 12% per annum and the loan is repayable on demand. During the three months ended March 31, 2011, \$50,000 was repaid (year ended June 30, 2010 - \$45,000) and \$2,515 in additional interest income was accrued (year ended June 30, 2010 - \$11,144).

NOTE 5 MINERAL PROPERTIES

As at March 31, 2011, the Company's mineral properties included the following acquisition costs and deferred exploration expenditures:

March 31, 2011				
	% Interest	Acquisition Costs	Deferred Exploration Expenditures	Total
Pelly Bay – option	30%	222,500	2,656,199	2,878,699
Pelly Bay – Joint Venture	50%	13,398	78,527	91,925
Snow Lake/Reed Lake	50%	88,392	343,150	431,542
Rasp 1 – option	100%	23,500	367,043	390,543
NIV 1-15 option	100%	15,250	5,302	20,552
Omega I-V option	100%	20,500	3,795	24,295
Frog option	100%	58,600	2,450	61,050
		\$ 442,140	\$ 3,456,466	\$ 3,898,606

Acquisition Costs

Acquisition expenditures by property for the three months ended March 31, 2011 were:

	NIV	Omega	Frog	Rasp 1	Pelly Bay 30%	Pelly Bay 50%	Snow Lake	Total
Balance, December 31, 2010	-	-	-	\$ 23,500	\$ 222,500	\$ 13,398	\$ 88,392	\$ 347,790
Cash	10,000	10,000	30,000	-	-	-	-	40,000
Shares issued	5,250	10,500	28,600	-	-	-	-	44,350
Write down	-	-	-	-	-	-	-	-
Balance, March 31, 2011	\$ 15,250	\$ 20,500	\$ 58,600	\$ 23,500	\$ 222,500	\$ 13,398	\$ 88,392	\$ 442,140

INTERNATIONAL SAMUEL EXPLORATION CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by management)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**7****NOTE 5 MINERAL PROPERTIES (continued)**

Deferred exploration expenditures by property, for the three months ended March 31, 2011, were:

	NIV	Omega	Frog	Blackwater West	Rasp 1	Pelly Bay 30%	Pelly Bay 50%	Snow Lake	Total
Balance, December 31, 2010	\$ -	\$ -	\$ -	\$ -	\$ 363,993	\$ 2,656,199	\$ 78,527	\$ 343,134	\$ 3,441,853
Analytical	-	-	-	-	-	-	-	16	16
Consulting	2,000	2,000	2,000	-	2,000	-	-	-	8,000
Exploration	-	-	-	-	-	-	-	-	-
Field costs	-	-	-	-	-	-	-	-	-
Geophysical	-	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-	-	-
Permits	-	-	-	-	-	-	-	-	-
Geological	1,795	1,795	450	-	1,050	-	-	-	5,090
Leases and permits	1,507	-	-	-	-	-	-	-	1,507
Travel and miscellaneous	-	-	-	-	-	-	-	-	-
Additions during the period	5,302	3,795	2,450	-	3,050	-	-	-	14,613
Less: costs recovered	-	-	-	-	-	-	-	-	-
Less: written off during the period	-	-	-	-	-	-	-	-	-
Balance, March 31, 2011	\$ 5,302	\$ 3,795	\$ 2,450	\$ -	\$ 367,043	\$ 2,656,199	\$ 78,527	\$ 343,150	\$ 3,456,466

As at June 30, 2010, the Company's mineral properties included the following acquisition costs and deferred exploration expenditures:

June 30, 2010				
	% Interest	Acquisition Costs	Deferred Exploration Expenditures	Total
Pelly Bay – option	30%	\$ 222,500	\$ 2,702,449	\$ 2,924,949
Pelly Bay – Joint Venture	50%	13,398	78,527	91,925
Snow Lake/Reed Lake	50%	88,391	336,834	425,225
Rasp 1	100%	23,500	8,110	31,610
Blackwater West	100%	-	-	-
		\$ 347,789	\$ 3,125,920	\$ 3,473,709

INTERNATIONAL SAMUEL EXPLORATION CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by management)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**8****NOTE 5 MINERAL PROPERTIES (continued)**

Acquisition expenditures by property for the year ended June 30, 2010 were:

	Blackwater West	Rasp 1	Pelly Bay 30%	Pelly Bay 50%	Snow Lake	Total
Balance, June 30, 2009	\$ -	\$ -	\$ 222,500	\$ 13,398	\$ 617,275	\$ 853,173
Cash	10,000	10,000	-	-	-	20,000
Shares issued	-	13,500	-	-	-	13,500
Write down	(10,000)	-	-	-	(528,884)	(538,884)
Balance, June 30, 2010	\$ -	\$ 23,500	\$ 222,500	\$ 13,398	\$ 88,391	\$ 347,789

Deferred exploration expenditures by property for the year ended June 30, 2010 were:

	Blackwater West 100%	Rasp 1	Pelly Bay 30%	Pelly Bay 50%	Snow Lake / Reed Lake	Total
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Deferred Exploration Costs

Balance, June 30, 2009	\$ -	\$ -	\$ 2,647,449	\$ 78,527	\$ 492,345	\$ 3,218,321
Drilling	-	-	55,000	-	105,247	160,247
Permits	-	-	-	-	180	180
Geological	14,350	8,110	-	-	72,299	94,759
Geophysical	-	-	-	-	117,230	117,230
Field costs	-	-	-	-	107,662	107,662
Analytics	-	-	-	-	624	624
Project management fees	-	-	-	-	41,729	41,729
Cost recoveries	-	-	-	-	(229,509)	(229,509)
Additions during the period	14,350	8,110	55,000	-	215,462	292,922
Write-down	(14,350)	-	-	-	(370,973)	(385,323)
Balance, June 30, 2010	\$ -	\$ 8,110	\$ 2,702,449	\$ 78,527	\$ 336,834	\$ 3,125,920

INTERNATIONAL SAMUEL EXPLORATION CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011

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NOTE 5 MINERAL PROPERTIES (continued)

a) Pelly Bay, Nunavut – option to earn 30% interest

Pursuant to a letter agreement dated July 26, 2006, the Company was granted an option to earn a 30% interest in the Pelly Bay property subject to a 2% Gross Overriding royalty on all diamonds and a 2% Net Smelter Return royalty on all other minerals. In order to exercise the option, the Company must issue 100,000 common shares and incur \$3,000,000 in property expenditures as follows:

- i) 50,000 common shares within ten days after receipt of TSX Venture Exchange approval (issued at \$2.30 per share)
- ii) 25,000 common shares on or before May 1, 2007 (issued at \$2.40 per share)
- iii) 25,000 common shares on or before May 1, 2008 (issued at \$1.90 per share)
- iv) expenditures of \$750,000 on or before June 30, 2007 (incurred)
- v) further expenditures of \$700,000 on or before December 31, 2007 (incurred)
- vi) further expenditures of \$750,000 on or before December 31, 2008 (incurred)
- vii) further expenditures of \$800,000 on or before December 31, 2010 (incurred as amended).

In September 2010, the Company and the operator of the Pelly Bay 30% Optioned property amended the terms of the July 26, 2006 option agreement. The amended agreement provides for the Company to earn a fully vested 30% joint venture interest in the Pelly Bay property by issuing 50,000 common shares of the Company to the operator (issued October 2010). As part of this agreement, the operator accepted the Company's aggregate paid exploration expenditures to date of \$2,647,199 as satisfactory completion of the original \$3,000,000 exploration expenditure total. In addition, the operator accepted payment of \$55,250 in unpaid exploration costs previously billed to the Company, by the assignment to the operator of the Company's share of all future exploration related security bond refunds estimated at \$72,000.

Furthermore, the Company has reimbursed the vendor \$239,007 for bonds posted on the claims and for each of the first four kimberlite bodies discovered on the property, the Company will be required to issue 12,500 common shares to the vendor.

b) Pelly Bay, Nunavut – 50% Joint Venture

During the year ended June 30, 2007, the Company staked a 100% interest in 68 claims in the Ualliq region contiguous to the Ualliq lands in which the Company owns an option to earn a 30% interest. During the year ended June 30, 2008, 25 of those 68 claims were dropped leaving 43 claims owned by the Company. The cost to stake the initial 68 claims was \$13,398

On August 21, 2007, the Company entered into a joint venture agreement with Diamond North Resources Ltd. ("DNR") whereby DNR contributed its 100% interest in an additional 45 claims that are also contiguous to the Ualliq lands in which the Company owns an option to earn a 30% interest. Both the Company and DNR will have a 50% Joint Venture interest in this combined total of 88 claims.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by management)

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011

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NOTE 5 MINERAL PROPERTIES (continued)

c) Snow Lake, Manitoba – 50% interest – Mel 331A, 332A and 333A

By letter agreements dated October 5, 2007 and October 29, 2007 the Company agreed to acquire a 50% interest in three mineral exploration licenses and five mining claims in the Snow Lake Property in the Province of Manitoba. The consideration paid by the Company was as follows:

- i) Cash payment of \$450,000 (paid).
- ii) 40,000 common shares (issued at \$2.80 per share).
- iii) Cash payment of \$27,257 as reimbursement of staking costs incurred by the vendors (paid).

The vendor retains a 1% Net Smelter Return on the Company's share of commercial production. The Company is entitled to purchase a 0.5% portion of the Net Smelter Return at any time by making cash payment of \$500,000. On November 22, 2007, the Company formalized these agreements with a purchase agreement and the terms remain the same. The Company also paid a Finders' Fee associated with the acquisition in the form of 8,333 common shares of the Company at an ascribed restated price of \$2.60 per share.

During the year ended June 30, 2010, the Company relinquished its title to MEL333A and reduced the MEL331A and MEL332A hectares by approximately 50% as part of refining its target exploration portfolio.

Subsequent to June 30, 2010, the Company relinquished its title to MEL332A as part of a continued refinement of its target exploration portfolio. As a consequence of these title relinquishments (MEL 333A and MEL 332A) the Company wrote off \$899,857 of mineral property acquisition and deferred exploration costs during the year ended June 30, 2010.

d) Rasp, Manitoba

In March 2010, the Company entered into an option agreement to acquire a 100% interest in the Rasp Property located in northern Manitoba. Terms of the option require that the Company undertake the following:

- i) Pay the vendor an option payment of \$10,000 on signing of the Options (paid);
- ii) Issue 50,000 common shares of the Company to the Optionor upon approval of the TSX Venture Exchange (issued);
- iii) Complete exploration expenditures of \$100,000 on or before April 6, 2011; \$200,000 on or before April 6, 2012; \$200,000 on or before April 6, 2013 and \$500,000 on or before April 6, 2014;
- iv) Issue an additional 750,000 common shares and \$90,000 in cash payments of the Company to the Optionor as follows: 100,000 common shares and \$20,000 in cash payments on or before April 6, 2012 and 2013 respectively and 550,000 common shares and \$50,000 cash on or before April 6, 2014.

The property is subject to a 2% net smelter returns royalty (the "NSR Royalty") payable to the Vendor. The Company may repurchase 1% of the NSR Royalty at any time in consideration for a \$1,000,000 payment to the Vendor.

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NOTE 5 MINERAL PROPERTIES (continued)

e) Blackwater West, B.C.

On April 25, 2010 and amended on June 29, 2010, the Company purchased a 100% interest in 11 mineral claims comprised of 5,331 hectares. The property is located approximately 150 kilometres south of Vanderhoof, British Columbia. Terms of the purchase agreement require the Company to:

- i) Pay the vendor \$10,000 cash (paid)
- ii) Issue to the vendor 750,000 common shares of the Company and 2,000,000 share purchase warrants with each share purchase warrant (issued in July 2010) entitling the holder thereof to purchase one common share of the Company until July 12, 2012 at a price of \$0.25 per common share.
- iii) Complete an exploration work program of \$500,000 on the property before July 12, 2012.

The property is subject to a 2% net smelter returns royalty (the “NSR Royalty”) payable to the Vendor. The Company may repurchase 1% of the NSR Royalty at any time in consideration for a \$1,000,000 payment to the Vendor.

In October 2010, the Company decided to allow the Blackwater claims to lapse. The Company has therefore, written off the acquisition expenditures and the deferred exploration costs of \$24,350, as at June 30, 2010 and \$113,172 in exploration costs and \$127,500 in acquisition costs during the three months ended September 30, 2010 and a further \$57,465 in exploration costs during the three months ended December 31, 2010.

f) Frog, B.C.

On February 17, 2011 the Company entered into a Purchase Agreement to acquire a 100% undivided beneficial interest in and to one mineral claim, known as the “Pit Bullfrog Claim”, comprised of 430 hectares located approximately 170 kilometres from Dease Lake, British Columbia. In consideration for this acquisition, the Company is obligated to:

- i) Make Cash Payments of:
 - (a) \$10,000 upon execution of the purchase agreement; and
 - (b) a further payment of \$10,000 one year after the execution of the agreement.
- ii) Share Issuances of:
 - (a) 40,000 common shares at a deemed price of \$0.18 per share within 5 days of the TSX Venture Exchange Approval Date; and
 - (b) an additional 60,000 common shares within one year of the execution date of the agreement.

The vendor retains a 1% net smelter royalty from the commencement of commercial production and retains the option to purchase further royalties at a price of \$500,000 per 0.5%.

On February 22, 2011, the Company entered into an Option Agreement to acquire a 100% interest in additional claims forming the Frog Property.

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NOTE 5 MINERAL PROPERTIES (continued)

These 40 claims comprised of 16,102 hectares lie on the eastern edge of the Omineca Belt immediately south of the junction of the Pitman and Frog rivers, some 100 kilometres north-northwest of North Gate's Kemess Mine.

Numerous copper occurrences have been reported throughout the property, with the highest reported value grading 10.81% copper from the TK43 showing. Within a 3.5 kilometre radius of the aforementioned showing, some 100 historic stream silt samples returned an average of 650 ppm copper, suggesting the potential for a large scale mineralized system.

Terms of the purchase agreement provide for the acquisition by the Company of a 100% right, title and interest in the Wolverine Copper/Gold property, as follows:

- i) Cash Consideration of:
 - (a) \$20,000 on receipt of regulatory approval; and
 - (b) \$50,000 on the first anniversary of the signing of the agreement.
- ii) Issuance of Common Shares of the Company:
 - (a) 100,000 shares on the first anniversary of the signing of the agreement;
 - (b) 250,000 shares on the second anniversary of the signing of the agreement; and
 - (c) 650,000 shares on the third anniversary of the signing of the agreement.

The Vendor will retain a 1% net smelter return royalty ("NSR"). The Company shall retain the right to purchase a 0.5% portion of the NSR from the Vendor by payment of CDN \$500,000.

In March 2011, the Company staked a 100% interest in 1 additional claim comprised of 206 hectares as part of the Frog property.

g) NIV, B.C.

On January 17, 2011 the Company entered into a Purchase Agreement to acquire a 100% undivided beneficial interest in and to 15 mineral claims, known as the "NIV Claims", comprised of 5,532 hectares located approximately 270 kilometres north-northwest of Ft. St. James, British Columbia. In consideration for this acquisition, the Company is obligated to:

- i) Make Cash Payments of:
 - (a) \$10,000 upon execution of the purchase agreement;
- ii) Share Issuances of:
 - (a) 25,000 common shares at a deemed price of \$0.18 per share within 5 days of the TSX Venture Exchange Approval Date;
 - (b) an additional 75,000 common shares within one year of the execution date of the agreement; and
 - (c) an additional 200,000 common shares within one year of the execution date of the agreement.
- iii) Work Program of:
 - (a) incur a minimum of \$50,000 in qualified exploration expenditures on or before January 17, 2014

The property is subject to a 2% net smelter return (NSR) royalty payable to the vendor. The company may purchase the NSR for \$1 million per 1%.

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**13****NOTE 5 MINERAL PROPERTIES (continued)****h) Omega, B.C.**

On January 17, 2011 the Company entered into a Purchase Agreement to acquire a 100% undivided beneficial interest in and to one mineral claim, known as the “Omega Claims”, comprised of 2,156 hectares located approximately 258 kilometres north-northwest of Ft. St. James, British Columbia. In consideration for this acquisition, the Company is obligated to:

- i) Make Cash Payments of:
 - (a) \$10,000 upon execution of the purchase agreement; and
 - (b) a further payment of \$20,000 one year after the execution of the agreement.
- ii) Share Issuances of:
 - (a) 50,000 common shares at a deemed price of \$0.18 per share within 5 days of the TSX Venture Exchange Approval Date;
 - (b) an additional 100,000 common shares within one year of the execution date of the agreement; and
 - (c) an additional 280,000 common shares within one year of the execution date of the agreement.

The property is subject to a 2% net smelter return (NSR) royalty payable to the vendor. The company may purchase the NSR for \$1 million per 1%.

In January 2011, the Company staked a 100% interest in 8 additional claims comprised of 3,192 hectares as part of the Omega property.

NOTE 6 EQUIPMENT

	As at March 31, 2011			As at June 30, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 12,038	\$ 11,142	\$ 896	\$ 12,038	\$ 10,882	\$ 1,156
Office furniture and equipment	6,878	5,830	1,048	6,878	5,526	1,352
	<u>\$ 18,916</u>	<u>\$ 16,972</u>	<u>\$ 1,944</u>	<u>\$ 18,916</u>	<u>\$ 16,408</u>	<u>\$ 2,508</u>

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**14****NOTE 7 SHARE CAPITAL****Authorized:**

Unlimited common shares without par value

Issued:

	Number	Amount
Balance, June 30, 2009	5,211,840	10,708,388
Shares issued for debt settlement	50,000	6,500
Shares issued for cash – non-flow through	2,100,000	210,000
Less: share issue costs	-	(12,200)
Less: stock based compensation for finders' fees – warrants	-	(31,722)
Shares issued for cash – flow through	1,290,000	322,500
Shares issued for cash – non flow through	300,000	60,000
Shares issued for finders' fees	108,500	26,075
Shares issued for cash – options exercised	26,250	6,038
Fair value of stock options exercised	-	36,750
Shares issued for cash – warrants exercised	125,000	31,250
Less: Share issue costs – shares	-	(26,075)
Less: Stock based compensation for finders' fees – warrants	-	(29,068)
Shares issued for cash – flow through	824,000	206,000
Shares issued for finders' fees	57,680	14,420
Shares issued for cash – warrants exercised	50,000	10,000
Shares issued for mineral property acquisition	50,000	13,500
Shares issued for cash – flow through	2,000,000	500,000
Shares issued for cash – non flow through	100,000	20,000
Shares issued for finders' fees	7,000	1,750
Shares issued for mineral property interest	750,000	127,500
Shares issued for cash – warrants exercised	100,000	20,000
Less: share issue costs	-	(89,616)
Less: Stock based compensation for finders' fees – warrants	-	(49,568)
Balance, June 30, 2010	12,300,270	\$ 11,934,922
Shares issued for mineral property interest	750,000	127,500
Shares issued for cash – warrants exercised	100,000	20,000
Shares issued for cash – non flow through	1,100,000	220,000
Balance, September 30, 2010	14,250,270	\$ 12,302,422
Shares issued for cash – warrants exercised	50,000	10,000
Shares issued for debt settlement	50,000	9,000
Balance, December 31, 2010	14,350,270	\$ 12,321,422
Shares issued for cash – non flow through	800,000	200,000
Shares issued for cash – flow through	733,333	110,000
Shares issued for property – NIV Claims	75,000	15,750
Shares issued for property – Frog Claims	40,000	5,600
Shares issued for property – Omega Claims	100,000	23,000
Balance, March 31, 2011	16,098,603	\$ 12,670,780

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NOTE 7 SHARE CAPITAL (continued)

In July 2010, the Company completed a non-brokered non-flow-through private placement unit offering (“Offering”) of 1,100,000 Units, raising gross proceeds of \$220,000. Each Unit was comprised of one common share of the Company at a subscription price of \$0.20 per common share and one non-transferable share purchase warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.30 per share for a two year period until July 7, 2012. Two senior officers of the Company have subscribed to a portion of the Offering of the \$220,000 raised in the Offering, \$210,000 was received prior to June 30, 2010 but the shares were not issued until July 7, 2012. The \$210,000 was recorded as an obligation to issue shares as at June 30, 2010. During the three months ended September 30, 2010, the Company received the remaining \$10,000 of the Offering proceeds.

In January 2011, the Company completed a non-brokered flow-through private placement Unit Offering (“FT Units”) of 800,000 FT Units, raising gross proceeds of \$200,000. Each FT Unit, priced at \$0.25 per each FT Unit, was comprised of one common share of the Company, intended to qualify as a flow-through share under the Income Tax Act (Canada), and one non-transferable common share purchase warrant exercisable to acquire one non-flow-through (“NFT”) common share at a price of \$0.40 per share for a period of two years expiring January 17, 2013. A finder’s fee of 6% in NFT Units was paid on a portion of the funds on the same terms and conditions as the NFT Units described below.

In January 2011, the Company completed a non-brokered non-flow-through private placement Unit Offering (“the NFT Units”) of 733,333 NFT Units, raising gross proceeds of \$110,000. Each NFT Unit was comprised of one common share of the Company at a subscription price of \$0.15 per common share and one non-transferable share purchase warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.30 per share for a two-year period expiring January 17, 2013. A finder’s fee of 6% in NFT Units was paid on a portion of the funds on the same terms and conditions as the NFT Units.

Subsequent to March 31, 2011, in May 2011, the Company completed a non-brokered flow-through private placement (Subsequent Event).

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**16****NOTE 7 SHARE CAPITAL (continued)****Share Purchase Warrants**

A summary of share purchase warrant activity during the three months ended March 31, 2011 is as follows:

	Number	Weighted Average Exercise Price
Balance, June 30, 2009	1,238,187	\$0.69
Expired	(180,687)	(\$3.00)
Exercised	(125,000)	(\$0.25)
Exercised	(50,000)	(\$0.20)
Issued – debt settlement	50,000	\$0.25
Issued – non flow through Unit Offering	2,100,000	\$0.20
Issued – non flow through Unit Offering	300,000	\$0.25
Issued – flow through Unit Offering	1,290,000	\$0.30
Issued – flow through Unit Offering	824,000	\$0.40
Issued – flow through Unit Offering	2,000,000	\$0.40
Issued – non flow through Unit Offering	100,000	\$0.30
Balance, June 30, 2010	7,546,500	\$0.31
Issued – non flow through Unit Offering	1,100,000	\$0.30
Issued – mineral property acquisition	2,000,000	\$0.25
Exercised	(100,000)	(\$0.20)
Balance, September 30, 2010	10,546,500	\$0.30
Exercised	(50,000)	\$0.20
Balance, December 31, 2010	10,496,500	\$0.30
Issued – non flow through Unit Offering	733,333	\$0.30
Issued – flow through Unit Offering	800,000	\$0.40
Expired	(200,000)	(\$0.50)
Balance, March 31, 2011	11,829,833	\$0.30

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**17****NOTE 7 SHARE CAPITAL (continued)**

During the three months ended March 31, 2011, the Company had the following share purchase warrant transactions:

Number of warrants Dec 31, 2010	Issued during the period	Cancelled /expired during the period	Exercised during the period	Number of warrants March 31, 2011	Proceeds from warrants exercised	Exercise price	Expiry date
200,000	-	(200,000)	-	-	-	\$0.50	March 31, 2011
50,000	-	-	-	50,000	-	\$0.25	July 29, 2011
1,900,000	-	-	-	1,900,000	-	\$0.20	December 2, 2011
300,000	-	-	-	300,000	-	\$0.25	March 19, 2012
1,290,000	-	-	-	1,290,000	-	\$0.30	March 19, 2012
824,000	-	-	-	824,000	-	\$0.40	June 8, 2012
2,000,000	-	-	-	2,000,000	-	\$0.40	June 23, 2012
100,000	-	-	-	100,000	-	\$0.30	June 24, 2012
1,100,000	-	-	-	1,100,000	-	\$0.30	July 7, 2012
2,000,000	-	-	-	2,000,000	-	\$0.25	July 12, 2012
732,500	-	-	-	732,500	-	\$0.25	January 29, 2014
-	800,000	-	-	800,000	-	\$0.40	January 17, 2013
-	733,333	-	-	733,333	-	\$0.30	January 17, 2013
10,496,500	1,533,333	(200,000)	-	11,829,833	\$ -		

As at March 31, 2011, the Company had the following share purchase warrants outstanding:

Number	Exercise Price	Expiry Date
50,000	\$0.25	July 29, 2011
1,900,000	\$0.20	December 2, 2011
300,000	\$0.25	March 19, 2012
1,290,000	\$0.30	March 19, 2012
824,000	\$0.40	June 8, 2012
2,000,000	\$0.40	June 23, 2012
100,000	\$0.30	June 24, 2012
1,100,000	\$0.30	July 7, 2012
2,000,000	\$0.25	July 12, 2012
732,500	\$0.25	January 29, 2014
800,000	\$0.40	January 17, 2013
733,333	\$0.30	January 17, 2013
11,829,833		

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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2011**18****NOTE 7 SHARE CAPITAL (continued)****Finders' Fee Warrants**

During the three months ended March 31, 2011, the Company had the following Finders' Fee purchase warrant transactions:

Number of warrants Dec 31, 2010	Issued during the period	Cancelled /expired during the period	Exercised during the period	Number of warrants March 31, 2011	Proceeds from warrants exercised	Exercise price	Expiry date
170,000	-	-	-	170,000	-	\$0.20	December 2, 2011
87,500	-	-	-	87,500	-	\$0.30	March 19, 2012
21,000	-	-	-	21,000	-	\$0.25	March 19, 2012
57,680	-	-	-	57,680	-	\$0.40	June 8, 2012
150,000	-	-	-	150,000	-	\$0.25	June 23, 2012
7,000	-	-	-	7,000	-	\$0.30	June 8, 2012
-	38,400	-	-	38,400	-	\$0.30	January 17, 2013
493,180	38,400	-	-	531,580	-		

As at March 31, 2011, the Company had the following Finders' Fee purchase warrants outstanding:

Number	Exercise Price	Expiry Date
170,000	\$0.20	December 2, 2011
87,500	\$0.30	March 19, 2012
21,000	\$0.25	March 19, 2012
57,680	\$0.40	June 8, 2012
150,000	\$0.25	June 23, 2012
7,000	\$0.30	June 8, 2012
38,400	\$0.30	January 17, 2013
531,580		

Stock Options

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

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A summary of stock option activity during the three months ended March 31, 2011 is as follows:

	Number	Weighted Average Exercise Price
Balance, June 30, 2009	459,600	\$0.23
Granted	542,684	\$0.22
Exercised	(26,250)	(\$0.23)
Cancelled	(187,500)	(\$0.23)
Balance, June 30, 2010	788,534	\$0.22
Granted	688,993	\$0.20
Exercised	-	-
Cancelled	(162,400)	(\$0.23)
Balance, September 30, 2010, December 31, 2010 and March 31, 2011	1,315,127	\$0.21

The balance of options outstanding and exercisable as at March 31, 2011 was as follows:

Expiry date	Number of options	Exercise price per Share	Weighted Average remaining life (years)
December 3, 2011	265,000	\$0.12	0.75
January 31, 2014	83,450	\$0.21	0.80
March 19, 2015	219,000	\$0.31	4.00
March 24, 2015	58,684	\$0.31	4.00
July 15, 2015	688,993	\$0.20	4.25
Exercisable as at March 31, 2011	1,315,127		

During the three months ended March 31, 2011, the Company granted no additional options to directors, employees and consultants of the Company.

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As at March 31, 2011, the Company had the following stock option transactions:

Balance as at December 31, 2010	Granted during the period	Exercised during the period	Expired/cancelled during the period	Exercise price	Balance as at March 31, 2011	Expiry date
265,000	-	-	-	\$0.12	265,000	December 3, 2011
83,450	-	-	-	\$0.21	83,450	January 30, 2014
219,000	-	-	-	\$0.31	219,000	March 19, 2015
58,684	-	-	-	\$0.31	58,684	March 24, 2015
688,993	-	-	-	\$0.20	688,993	July 15, 2015
1,315,127	-	-	-		1,315,127	

The weighted average contractual life remaining of all stock options is 3.41 years.

NOTE 8 STOCK-BASED COMPENSATION

For the three months ended March 31, 2011, the Company recorded \$Nil in stock-based compensation expense (2010 - \$86,082) to operations and \$Nil (2010 - \$Nil) was recorded as a charge to share capital, with a credit to contributed surplus.

The fair values of the options and warrants granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended March 31, 2011	Year Ended June 30, 2010
Risk-free interest rate	N/A	1.22% to 2.86%
Dividend yield	N/A	0%
Volatility	N/A	192% to 255%
Expected life	N/A	2-5 years

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Changes in Contributed Surplus during the three months ended March 31, 2011 are:

	Three Months Ended March 31, 2011	Year Ended June 30, 2010
Balance, beginning of the period	\$ 1,938,437	\$ 1,569,587
Fair value of stock options exercised	-	(36,750)
Stock-based compensation expensed	-	157,443
Stock-based compensation – share issue costs	4,992	-
Finder's fee warrants	-	110,358
Balance, end of the period	\$ 1,943,429	\$ 1,800,638

NOTE 10 RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2011, the Company incurred the following charges by directors, former directors, officers and companies with directors or former directors in common:

	Three Months Ended March 31, 2011	Year Ended June 30, 2010
Consulting fees – deferred mineral costs	\$ 8,000	\$ 47,242
Consulting fees – expensed	-	9,570
Management fees	31,000	196,967
Stock-based compensation	-	84,732
	\$ 39,000	\$ 338,511

NOTE 11 NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

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NOTE 12 CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company managed the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements.

NOTE 13 SUBSEQUENT EVENTS

In May 2011 the Company completed a non-brokered flow-through private placement Unit Offering ("FT Units") of 3,000,000 FT Units, raising gross proceeds of \$600,000. Each FT Unit, priced at \$0.20 per each FT Unit was comprised of one common share of the Company, intended to qualify as a flow-through share under the Income Tax Act (Canada), and one-half of one non-transferable common share purchase warrant exercisable to acquire one-half of one non-flow-through ("NFT") common share at a price of \$0.30 per share for a period of one year from the closing date of the FT Unit Offering.

In addition, the Company completed a non-brokered non-flow-through private placement Unit Offering (the "NFT Units") of 1,000,000 NFT Units, raising gross proceeds of \$150,000. Each NFT Unit was comprised of one common share of the Company at a subscription price of \$0.15 per common share and one non-transferable share purchase warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.30 per share for a one year period from the closing date of the NFT Unit Offering.

Each warrant is subject to accelerated expiry provisions such that if at any time after the date of closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of \$0.50 per share for 10 consecutive trading days, the company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice.

Finder's fees were payable.

The foregoing is subject to regulatory approval.