DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

January 31, 2011

REVISED

Index

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Discovery-Corp Enterprises Inc. (an exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

"Alex Pannu"

Alex Pannu
Chief Executive Officer

"Iain Brown"

Iain Brown
Chief Financial Officer

Vancouver, British Columbia
March 12, 2011

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONSOLIDATED BALANCE SHEETS (Note 1)
Period and year ended

ASSETS

	January 31, 2011	July 31, 2010
Current		
Cash	$ 68,724	$ 100,221
Goods and Services Tax recoverable	8,231	1,935
Marketable securities (Note 5)	50,000	80,000
	126,955	182,156
Reclamation bonds (Note 6)	3,000	3,000
Resource property interests (Note 7)	20,916	20,916
	$ 150,871	$ 206,072

LIABILITIES

	January 31, 2011	July 31, 2010
Current		
Accounts payable and accrued liabilities	$ 1,632	$ 11,017

SHAREHOLDERS' EQUITY

	January 31, 2011	July 31, 2010
Share capital (Note 8)	4,764,187	4,764,187
Contributed surplus (Note 8(b))	686,300	686,300
Deficit	(5,301,248)	(5,255,432)
	149,239	195,055
	$ 150,871	$ 206,072

Contingency (Note 11)

APPROVED ON BEHALF OF THE BOARD:

"Iain Brown"
______________________________ Director
Iain Brown

"Alex Pannu"
______________________________ Director
Alex Pannu

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
Three month and six month period ended January 31

	3 mo. ended Jan 31, 2011	YTD ended Jan 31, 2011	3 mo. ended Jan 31, 2010	YTD ended Jan 31, 2011
Operating Expenses				
Consulting fees (Note 9)	$ 18,000	$ 36,000	$ 18,000	$ 36,000
Resource property exploration costs	-	-	4,490	24,490
Professional fees	10,918	10,918	3,584	6,852
Travel	3,496	7,088	3,354	8,082
Rent	4,500	9,000	4,500	9,000
Listing, filing and transfer agent fees	5,955	8,197	2,355	5,651
Office and miscellaneous	1,604	2,400	2,808	4,137
Shareholder and investor relations	562	2,236	769	3,267
Bank charges	70	210	222	433
Stock-based compensation (Note 8(c))	-	-	-	-
	(45,105)	(76,049)	(40,082)	(97,912)
Other Recoveries and Expenses				
Change in fair value of marketable securities	(6,000)	29,875	-	35,000
Interest income	160	358	384	868
	(5,840)	30,233	384	35,868
Gain (Loss) before future income tax recovery	(50,945)	(45,816)	(39,698)	(62,044)
Future income tax recovery (Notes 8(e) and 10)	-	-		-
Net Gain (Loss) and comprehensive loss for period	(50,945)	(45,816)	(39,698)	(62,044)
Deficit, beginning of period	(5,250,303)	(5,255,432)	(5,120,177)	(5,097,831)
Deficit, end of period	$ (5,301,248)	$ (5,301,248)	$ (5,159,875)	$ (5,159,875)
Basic and diluted gain (loss) per share	$ (0.0014)	$ (0.0014)	$ (0.0011)	$ (0.0017)
Weighted average number of common shares outstanding	36,472,962	36,472,962	35,147,962	35,810,462

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
Three month and six month period ended January 31

	3 mo. ended Jan 31, 2011	YTD ended Jan 31,2011	3 mo. ended Jan 31, 2010	YTD ended Jan 31, 2010
CASH PROVIDED BY (USED IN)				
Operating Activities				
Net Gain (Loss) for year	$ (50,945)	$ (45,816)	$ (39,698)	$ (62,044)
Items not affecting cash:				
Stock-based compensation		-		-
Future income tax recovery		-		-
Change in fair value of marketable securities	(6,000)	29,875	-	35,000
	(44,945)	(75,691)	(39,698)	(97,044)
Changes in non-cash working capital items:				
Goods and Services Tax recoverable	(3,616)	(6,296)	1,808	178
Mining Exploration Tax Credit receivable	-	-	(10,329)	-
Prepaid expenses	-	-		-
Accounts payable and accrued liabilities	(9,243)	(9,385)		(16,993)
Cash used in operating activities	(57,804)	(91,372)	(48,219)	(113,859)
Investing Activity				
Proceeds from sale of marketable securities	-	59,875	-	-
Cash provided by investing activity	-	59,875	-	-
Financing Activity				
Issuance of common shares, net of issuance costs	-	-	-	45,000
Cash provided by financing activity	-	-	-	45,000
Increase (Decrease) in cash	(57,804)	(31,497)	(48,219)	(68,859)
Cash, beginning of period	126,528	100,221	194,386	215,026
Cash, end of period	$ 68,724	$ 68,724	$ 146,167	$ 146,167
Supplemental Cash Flow Information				
Income taxes paid	$ -	$ -	$ -	$ -
Interest paid	$ -	$ -	$ -	$ -

See notes to consolidated financial statements.

NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

Discovery-Corp Enterprises Inc. (the "Company") was incorporated under the laws of British Columbia on May 6, 1986. The Company is an exploration stage company engaged in the exploration for base and precious metals.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a "going concern" basis, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since inception and has an accumulated deficit of $5,301,248 (2010 - $5,255,432). The recoverability of amounts shown for resource property interests and the Company's continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production or proceeds from the disposition of its interests. There are no assurances that the Company will be successful in achieving these goals.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These factors raise substantial doubt as to the Company's ability to continue as a going concern.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian GAAP using the Canadian dollar as the Company's functional and reporting currency. The following reflects the significant accounting policies:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Prebble Resources USA, Inc. (a Nevada corporation). All significant inter-company balances and transactions have been eliminated.

(b) Interest Income

Interest income derived from cash is recognized on an accrual basis as earned at the stated rate of interest.

(c) Resource Property Interests

The Company is in the exploration stage and capitalizes all acquisition costs related to its resource property interests until such time as the properties are put into commercial production, sold or abandoned. The Company expenses all exploration expenditures in the period incurred. Amounts shown as resource property interests represent acquisition costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If a property is put into commercial production, the acquisition costs relating to that property will be depleted based upon the proven reserves available.

From time to time the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in operations.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Resource Property Interests (continued)

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

(d) Asset Retirement Obligations ("ARO")

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

(e) Mining Exploration Tax Credits ("METC")

The Company recognizes METC receivable amounts from the government and records those amounts as a recovery in the period in which recoverability can be established and the amount quantified.

(f) Stock-Based Compensation

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

(g) Flow-Through Common Shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to share capital and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in share capital and the recognition of a future tax liability.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Equity Units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the determination of environmental obligations, the recoverability of resource property interests, valuation allowance for future tax assets, determination of the variables used in the calculation of stock-based compensation and accrued liabilities. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(j) Loss Per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(k) Future Income Taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been derecognized.

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

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(m) Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011.

Therefore, the Company will be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ending October 31, 2011, which must include restated interim results for the prior period ended October 31, 2010 prepared on the same basis.

The Company has identified current Canadian GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRS and has outlined appropriate policy choices allowed under IFRS. Management informed the Audit Committee about the differences between current Canadian GAAP and IFRS, appropriate policy choices and their impact on the Company's consolidated financial statements and business processes.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Future Accounting Changes (continued)

Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

NOTE 3 – FINANCIAL INSTRUMENTS

The Company has designated its cash and marketable securities as held-for-trading; reclamation bonds as held-to-maturity; and accounts payable and accrued liabilities as other financial liabilities.

(a) Fair Value

The carrying values of cash, reclamation bonds, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of those financial instruments. The marketable securities are carried at fair value.

As the carrying values of the Company’s financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company has minimal credit risk on its financial assets due to cash being placed with major financial institutions.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At January 31, 2011, the Company’s cash totaled $68,724 (2010 - $100,221) and accounts payable excluding accrued liabilities totaled $1,632 (2010 - $1,017). Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

NOTE 3 – FINANCIAL INSTRUMENTS (continued)

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

Included in cash is $50,768 held in a savings account bearing 1.25% interest per annum.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to significant other price risk with respect to its marketable securities. Assuming all other variables remain constant, a 50% decrease or increase in the market price of the Company's marketable securities would result in a $25,000 decrease or increase, respectively, in the Company's net income or loss and comprehensive income or loss.

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since July 31, 2010.

NOTE 4 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource property interests. In the management of capital, the Company includes the components of shareholders' equity as capital. The Company manages 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 the capital structure, the Company may attempt to issue new shares, option its resource property interests for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Company has not changed its capital risk management strategy during the year and is not subject to externally imposed capital requirements.

NOTE 5 – MARKETABLE SECURITIES

The Company holds 200,000 common shares in Abacus Mining & Exploration Corporation ("Abacus"), which were acquired in 2004. The fair value of the shares is based on the quoted market price on the TSX Venture Exchange.

	January 31, 2011 Fair Value	July 31, 2010 Fair Value
Abacus 200,000 common shares (2010 – 400,000)	$ 50,000	$ 80,000

NOTE 6 – RECLAMATION BONDS

The reclamation bonds are comprised of a cash deposit plus term deposits held in a financial institution as security for reclamation obligations pursuant to the *Mines Act* and Health, Safety and Reclamation Code for Mines in British Columbia. The term deposits bear interest at 0.8% per annum and mature September 21, 2011.

NOTE 7 – RESOURCE PROPERTY INTERESTS

	January 31, 2011	July 31, 2010
Galaxy Property, British Columbia, Canada	$ 20,916	$ 20,916

Galaxy Property, British Columbia, Canada

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

Rock Creek, Nevada, U.S.A.

The Company holds a 50% interest in the property. The Company has written-off the property for accounting purposes, but it retains its interest for viable projects in the future.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems, other than those already recorded, related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

NOTE 8 – SHARE CAPITAL

(a) Authorized: unlimited number of common shares without par value

(b) Issued:

	Number	Amount	Contributed Surplus
Balance, July 31, 2010	36,472,962	4,764,187	686,300
Shares issued for cash:	-	-	-
	-	-	-
Balance, January 31, 2011	36,472,962	$ 4,764,187	$ 686,300

(c) Stock Options

The Company established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to employees and persons providing investor-relation or consulting services up to a limit of 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. The stock options are fully vested on the date of grant, except for options granted to persons providing investor relation services, which vest over a twelve-month period. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for options granted. There are no outstanding options.

The following summarizes the Company's stock options as at January 31, 2011 and July 31, 2010 and changes during the years then ended:

	January 31, 2011		July 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	-	N/A	450,000	$ 0.10
Expired	-	N/A	(450,000)	$ 0.10
Outstanding and exercisable, end of year	-	-	-	-

A summary of all stock options outstanding in fiscal 2009 and 2010 is as follows:

	2010			2009		
Expiry Date	Stock Price at Grant	Exercise Price	Number of Options	Stock Price at Grant	Exercise Price	Number of Options
September 17, 2009	$ -	$ -	-	$ 0.08	$ 0.10	450,000
Weighted average life of options outstanding			0 years			0.13 years

NOTE 8 – SHARE CAPITAL (continued)

(d) Warrants

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

Expiry Dates	Exercise Price	Balance July 31, 2010	Issued	Exercised	Expired	Balance Jan 31, 2011
September 22, 2010	$0.05	2,250,000	-	-	2,250,000	-
Weighted average exercise price		$0.05	-	-	$0.05	-

(e) Flow-Through Shares

On October 28, 2008, the Company issued 889,800 flow-through units at $0.05 per unit pursuant to a private placement for cash proceeds of $44,490. During the year ended July 31, 2009, as a result of the renunciation to investors, $13,534 was recorded as a reduction of share capital and a corresponding increase in future income tax liability. The Company reduced the future income tax liability by offsetting it against an equal amount of future income tax assets.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined in Canadian income tax legislation. The flow-through share gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances. As at January 31, 2011, all flow-through proceeds were expended.

NOTE 9 – RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these consolidated financial statements comprise:

- The Company was charged consulting fees of $36,000 (2010 - $36,000) by a company owned by the Chief Financial Officer.

Transactions with related parties are measured at the exchange amount of consideration established and agreed to by the related parties.

NOTE 10 – INCOME TAXES

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

	Canada	Foreign	Total
2011	$ -	$ 4,389	$ 4,389
2015	41,983	-	41,983
2026	61,135	132,603	193,738
2027	215,739	776	216,515
2028	313,820	-	313,820
2029	209,760	2,050	211,810
2030	171,982	3,747	175,729
	$ 1,014,419	$ 143,565	$ 1,157,984

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

	2010	2009
Income tax benefit computed at Canadian statutory rates	$ 46,993	$ 85,407
Permanent differences		
Stock-based compensation	-	(850)
Other non-tax-deductible expenditures	(854)	(1,467)
Change in timing differences	(3,025)	(18,732)
Change in valuation allowance	(20,592)	(43,526)
Effect of change in tax rate	(22,522)	(7,298)
Future income tax recovery	$ -	$ 13,534

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

	2010	2009
	26.11%	27.02%
Future income tax assets		
Non-capital loss carry-forwards	$ 303,852	$ 275,349
Share issuance costs	4,425	8,424
Tax value in excess of book value of resource property interests	138,891	137,982
Tax value in excess of book value of marketable securities	5,200	8,710
	452,368	430,465
Valuation allowance	(452,368)	(430,465)
Net future income tax assets	$ -	$ -

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

NOTE 11 – CONTINGENCY

On September 6, 2007, a claim was filed in BC Supreme Court, claiming damages, court order interest and costs against the Company. The Plaintiff alleges that the Company failed to deliver shares and warrants in a timely manner, thus denying the Plaintiff the opportunity to trade the shares in the open market.

The Company denies all allegations against it and believes the Plaintiff's allegations are without merit. The Company is vigorously defending the claim. Any amounts potentially recoverable by the Plaintiff, whether through trial or settlement, are currently not ascertainable.

NOTE 12 – INTERIM REPORTING

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a basis consistent with that followed in the most recent audited annual consolidated financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with Canadian GAAP have been condensed or omitted and therefore these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the fiscal year ended July 31, 2010. These interim financial statements have not been reviewed by an auditor.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of these unaudited interim consolidated financial statements have been included and all such adjustments are of a normal recurring nature. Operating results for the six-month period ended January 31, 2011 are not necessarily indicative of the results that can be expected for the fiscal year ending July 31, 2011.