

**NORTEC MINERALS CORP.**

**(formerly Nortec Ventures Corp.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three months and Six Months Ended June 30, 2011 and 2010**

**Expressed in Canadian Funds**

**(Unaudited – Prepared by Management)**

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**NOTICE**

The accompanying unaudited consolidated financial statements of Nortec Minerals Corp. for the three months and six months ended June 30, 2011 and 2010 have been prepared by management and have not been the subject of a review by the Company's independent auditor.

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Condensed Interim Consolidated Statement of Financial Position**  
*Unaudited*  
*Expressed in Canadian Dollars*

<b>ASSETS</b>	Note	June 30, 2011	December 31, 2010	January 1, 2010
<b>Current</b>				
Cash		\$ 797,199	\$ 87,977	\$ 23,399
Short term investment	4	1,000,259	-	-
HST receivable	5	44,402	25,200	259,826
Other receivables and deposits	6	63,607	62,965	84,477
Prepaid expenses	7	22,626	12,533	16,204
		<b>1,928,093</b>	172,155	347,630
Equipment	8	52,970	62,965	84,477
Mineral evaluation assets	9	9,708,339	9,482,370	8,678,935
		<b>\$ 11,689,402</b>	\$ 9,717,490	9,111,042
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		\$ 101,208	\$ 229,352	511,871
Due to related parties	14	45,000	22,500	99,750
Subscriptions payable		-	-	11,000
		<b>146,208</b>	251,852	622,621
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital	10	17,609,961	14,623,386	12,934,035
Contributed Surplus	13	4,050,049	4,389,964	3,464,040
Deficit	13	(10,116,816)	(9,547,712)	(7,909,654)
		<b>11,543,194</b>	9,465,638	8,488,421
		<b>\$ 11,689,402</b>	\$ 9,717,490	9,111,042

**Nature of Operations and Going Concern (Note 1)**  
**Events after Reporting Period (Note 18)**

ON BEHALF OF THE BOARD:

"Mohan R. Vulimiri"  
Mohan R. Vulimiri, Director

"Balraj Mann"  
Balraj Mann, Director

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

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Condensed Interim Consolidated Statement of Net and Comprehensive Loss**  
*Unaudited*  
*Expressed in Canadian Dollars*

	Note	For the Six Months ended June 30, 2011	For the Three Months ended June 30, 2010	For the Six Months ended June 30, 2011	For the Six Months ended June 30, 2010
<b>General and Administrative Expenses</b>					
Wages and salary expenses		\$ 133,064	\$ 141,636	\$ 260,004	\$ 282,607
Advertising & promotion		48,265	85,134	95,482	135,035
Property research and analysis		24,512	20,398	46,879	39,412
Office rental & storage		19,741	19,407	39,483	38,814
Legal fees		19,443	3,671	24,735	9,406
Travel & accommodation		12,451	20,474	12,460	21,849
Management consulting fees	14	11,250	18,000	22,500	31,500
Accounting and Audit		9,378	1,498	9,675	1,498
Depreciation expense		6,288	6,145	12,466	12,290
Office services and expenses		5,189	4,660	10,159	11,137
Regulatory compliance		3,505	1,520	10,905	10,245
Insurance		3,250	3,750	7,639	9,870
Transfer agent fees		2,738	1,789	3,762	3,618
Telecommunications		2,612	3,280	4,403	6,104
Shareholder information		2,139	9,493	5,785	9,493
Stock based compensation expense	12	-	42,941	-	190,293
Loss from Operations		303,825	383,796	566,337	813,171
<b>(Income) and other expenses</b>					
Foreign exchange (gain) loss		938	2,877	3,075	8,953
Interest income		(49)	(87)	(308)	(152)
<b>Net and Comprehensive Loss</b>		<b>304,714</b>	<b>386,586</b>	<b>569,104</b>	<b>821,972</b>
<b>Loss per share – Basic and diluted</b>		<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>		<b>130,133,608</b>	<b>109,898,058</b>	<b>127,200,037</b>	<b>109,109,154</b>

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

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**

**Condensed Interim Consolidated Statement of Changes in Equity**

*Unaudited*

*Express in Canadian Dollars*

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2010	<b>103,896,834</b>	<b>12,934,035</b>	<b>3,464,040</b>	<b>(7,909,654)</b>	<b>8,488,421</b>
Units issued in private placements	6,550,000	496,703	276,354	-	773,057
Agents units issued	375,550	(15,416)	15,416	-	-
Shares issued upon exercise of warrants	357,500	53,625	-	-	53,625
Shares issued upon exercise of options	375,000	41,250	-	-	41,250
Modification of terms for warrants issued in previous years private placements	-	(324,634)	324,634	-	-
Fair value of exercised stock options and warrants	-	43,568	(43,568)	-	-
Share-based compensation	-	-	146,726	-	146,726
Net loss and comprehensive loss	-	-	-	(821,972)	(821,972)
Balance, June 30, 2010	<b>111,554,884</b>	<b>13,229,131</b>	<b>4,183,602</b>	<b>(8,731,626)</b>	<b>8,681,107</b>
Units issued in private placement	8,213,500	538,858	393,968	-	932,826
Agents units issued	388,955	(18,820)	18,820	-	-
Shares issued for mineral property acquisition	600,000	78,000	-	-	78,000
Shares issued upon exercise of options	1,500,000	247,500	-	-	247,500
Fair value of exercised stock options and warrants	-	283,687	(283,687)	-	-
Re-allocation of modification of terms of warrants	-	265,030	-	-	265,030
Share-based compensation	-	-	77,261	-	77,261
Net loss and comprehensive loss	-	-	-	(816,086)	(816,086)
Balance, December 31, 2010	<b>122,257,339</b>	<b>14,623,386</b>	<b>4,389,964</b>	<b>(9,547,712)</b>	<b>9,465,638</b>
Shares issued upon exercise of options	300,000	60,000	-	-	60,000
Shares issued upon exercise of warrants	12,933,300	2,586,660	-	-	2,586,660
Fair value of exercised stock options and warrants	-	339,915	(339,915)	-	-
Net loss and comprehensive loss	-	-	-	(569,104)	(569,104)
Balance, June 30, 2011	<b>135,490,639</b>	<b>17,609,961</b>	<b>4,050,049</b>	<b>(10,116,816)</b>	<b>11,543,194</b>

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

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Condensed Interim Consolidated Statement of Cash Flows**  
*Unaudited*  
*Expressed in Canadian Dollars*

	Note	Three Months ended June 30, 2011	Three Months ended June 30, 2010	Six Months ended June 30, 2011	Six Months ended June 30, 2010
<b>Cash Resources Provided By (Used In)</b>					
<b>Operating Activities</b>					
Net loss for the period	6	\$ (304,713)	\$ (386,586)	\$ (569,104)	\$ (821,972)
<b>Items not affecting cash:</b>					
Stock based compensation		-	42,941	-	190,295
Amortization	5	6,657	6,608	13,345	13,263
<b>Changes in non-cash working capital:</b>					
Accounts receivable		22,026	(3,628)	(19,202)	224,660
Other receivables and deposits		(2,095)	228	(2,162)	(3,701)
Prepaid expenses		4,984	(7,168)	(10,093)	(14,924)
Accounts payable and accrued Liabilities		(10,929)	144,930	(128,144)	(102,252)
Due to related parties		11,250	20,402	27,500	38,063
		(272,820)	(182,273)	(687,860)	(476,568)
<b>Investing Activities</b>					
Exploration and evaluation expenditures		(68,241)	(186,388)	(225,969)	(333,150)
Purchase of equipment		(514)	-	(3,350)	(8,502)
Short term investment		(500,000)	-	(1,000,259)	-
		(568,755)	(186,388)	(1,229,578)	(341,652)
<b>Financing Activities</b>					
Issuance of common shares, net		1,260,475	229,899	2,626,660	815,889
<b>Net Increase in Cash</b>		<b>418,900</b>	<b>(138,762)</b>	<b>709,222</b>	<b>(2,331)</b>
Cash position – Beginning of Period		378,299	159,830	87,977	23,399
<b>Cash position – End of Period</b>		<b>\$ 797,199</b>	<b>\$ 21,068</b>	<b>\$ 797,199</b>	<b>\$ 21,068</b>

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

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
Unaudited  
For the Three and Six Months ended June 30, 2011 and 2010

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## **1. Nature of Operations**

Nortec Minerals Corp. (the “Company”) was incorporated on June 1, 1999 in the province of British Columbia and is engaged in the acquisition and exploration of mineral properties. On January 7, 2010 the Company changed its name from Nortec Ventures Corp. to Nortec Minerals Corp. The Company is listed on the TSX Venture Exchange, having the symbol; NVT-V.

The address of the Company’s corporate office and principal place of business is Suite 875, 555 Burrard Street, British Columbia, Canada V7X 1M8

These financial statements were authorized for issue on August 29, 2011 by the directors of the Company.

### **Going Concern**

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as deferred mineral interest costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of its properties.

While the Company’s consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the six months ended June 30, 2011, the Company reported a loss of \$569,104 (2010 - \$821,972) and as at that date had an accumulated deficit of \$10,116,816. As of June 30, 2011, the Company has working capital of \$1,781,885 (2010 – working capital deficit of \$419,168). The Company does not have sufficient funds available to bring its mineral properties to production, if possible, which would allow it to be self-sustaining. The Company will need additional financing to continue exploring, and if successful develop its properties to bring it to the production stage, While in the past the Company has been successful in obtaining funding from equity financings, option agreements, loans or through other arrangements, there is no assurance that these initiatives will be successful in the future.

These unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material. The directors of the Company have approved these financial statements

## **2. Significant Accounting Policies**

### **a) Basis of Presentation**

These interim consolidated financial statements have been prepared in accordance Canadian generally accepted accounting principles (“Canadian GAAP”) as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”) and require publicly accounting enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company has commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
Unaudited  
For the Three and Six Months ended June 30, 2011 and 2010

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**2. Significant Accounting Policies - *continued***

**a) Basis of Presentation - *continued***

These interim consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board, including IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS*. The accounting policies followed in these interim financial statements are the same as those applied in the company's interim consolidated financial statements for the period ended March 31, 2011. The company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 17 discloses the impact of the transition to IFRS on the company's reported financial position, financial performance and cash flows including the nature and effect of significant changes in accounting policies from those used in the company's financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 29, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

These interim consolidated financial statements should be read in conjunction with the company's Canadian GAAP annual consolidated financial for the year ended December 31, 2010, and the company's interim consolidated financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

Where applicable, comparative figures have been reclassified to conform to the presentation used in the current period.

**b) Basis of Measurement**

These financial statements were prepared on an accrual basis and are based on historical costs, except for financial instruments, which measured at fair value.

**c) Critical Accounting Estimates, Judgments and Uncertainties**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

***Critical Accounting Estimates and Assumptions***

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

***Share Based payments***

*The Company uses the Black Scholes pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.*

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
 Unaudited  
 For the Three and Six Months ended June 30, 2011 and 2010

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**2. Significant Accounting Policies - continued**

**c) Critical Accounting Estimates, Judgments and Uncertainties**

***Critical Accounting Judgments***

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

*Depreciation rates*

The application of determining the useful lives of equipment are estimates by management based on assumptions about future events. Estimates and assumption made may change if new information becomes available. New information may become available during the use of the equipment that causes the Company to adjust its estimate.

*Exploration and Evaluation Assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumption made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information become available.

*Title to Mineral Property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**d) Subsidiaries**

In addition to the Company, the interim consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

Name of Subsidiary	Principal Activity	Place of Incorporation and Operation	Portion of Ownership Interest and Voting Power Held	
			June 30, 2011	December 31, 2010
Nortec Ecuador S.A. ("NESA")	Mineral Property Exploration	Ecuador	100%	100%
Nortec Mineral Oy ("NMO")	Mineral Property Exploration	Finland	100%	100%
Tammela Minerals Oy ("TMO")	Mineral Property Exploration	Finland	100%	100%
Fennor Minerals Corp. ("FMC")	Mineral Property Exploration	Canada	100%	100%

## **2. Significant Accounting Policies - *continued***

### **e) Consolidation Principles**

Assets, liabilities, revenues and expenses of the subsidiaries are recognized in accordance with the Company's accounting policies. Intercompany transactions are eliminated at consolidation.

### **f) Business Combinations**

Acquisitions of subsidiaries and businesses (other than entities which were under the control of the parent) are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any acquisition-related costs incurred to effect a business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 '*Business Combinations*' are recognized at their fair value at the acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 '*Noncurrent Assets Held for Sale and Discontinued Operations*,' which are recognized and measured at fair value less cost to sell.

### **g) Functional and Presentation Currency**

The Company's functional currency is the Canadian Dollar ("CAN"). The consolidated financial statements are presented in CAN which is the Company's presentation currency, unless otherwise noted.

All amounts in these consolidated financial statements are rounded to the nearest dollar.

### **h) Exploration and Evaluation Assets**

Exploration and evaluation expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property in accordance with the provisions of IAS 36.

Exploration stage assets and development stage assets are considered separate CGUs for impairment testing purposes.

The amount shown for mineral properties does not necessarily represent present or future values. Recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

## **2. Significant Accounting Policies - *continued***

### **i) Foreign currency translation**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated income statements.

### **j) Cash and Cash Equivalents**

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less.

### **k) Reclamation Deposit**

Cash and other short-term deposits which are required as a part of ownership of legal rights to explore a property are classified separately as reclamation deposits

### **l) Income Taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the income statement. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
Unaudited  
For the Three and Six Months ended June 30, 2011 and 2010

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**2. Significant Accounting Policies - continued**

**m) Equipment**

Equipment is recorded at cost less accumulated impairment losses.

Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as “maintenance and repairs.”

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The Company depreciates its assets as follows:

Category	Method	Useful life
Computer hardware	Straight-line	3 years
Exploration equipment	Straight-line	4 years
Furniture	Straight-line	5 years
Vehicles	Straight line	5 years

The depreciation method, useful life and residual values are assessed annually.

***Subsequent Costs***

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

***Impairment***

The Company’s tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset’s recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit (“CGU”), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

**2. Significant Accounting Policies - continued**

**l) Equipment - continued**

***Impairment - continued***

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

***Reversal of Impairment***

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

**n) Asset Retirement Obligation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the income statement in the period incurred.

The Company does not have an asset retirement obligations as at June 30, 2011.

**o) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event, and it is probably that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## **2. Significant Accounting Policies - continued**

### **p) Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

### **q) Financial Assets**

Financial assets are classified into one of four categories:

- fair value through profit or loss (“FVTPL”);
- held-to-maturity (“HTM”);
- available for sale (“AFS”); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

#### ***FVTPL financial assets***

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs are expensed as incurred.

#### ***HTM investments***

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost.

#### ***AFS financial assets***

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity.

## **2. Significant Accounting Policies - *continued***

### **q) Financial Assets - *continued***

#### ***AFS financial assets - continued***

When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment's revaluation reserve is included in profit or loss for the period

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity.

#### ***Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value, including transaction costs and subsequently are carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### ***Fair value hierarchy***

Measurement of the fair value of financial instruments is made under a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices, unadjusted, in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

#### ***Effective interest method***

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

#### ***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

## **2. Significant Accounting Policies - *continued***

### **q) Financial Assets - *continued***

#### ***Impairment of financial assets - continued***

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

#### ***Derecognition of financial assets***

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

### **r) Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### ***Other financial liabilities***

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### ***De-recognition of financial liabilities***

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

## **2. Significant Accounting Policies - *continued***

### **s) Share Capital**

- (i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.
- (ii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on relative fair values as follows: the fair value of common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.
- (iii) All costs related to issuances of share capital are charged against the proceeds received from related share capital.

### **t) Flow-Through Shares**

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as an other liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net income.

### **u) Share Based Payments**

The Company issues equity instruments such as common shares, share options and warrants, for services rendered by employees and non-employees.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in statement of comprehensive loss over the vesting period, described at the period during which all the vesting conditions are satisfied.

Where equity settled share options are awarded to employees, the fair value of the options at the date of the grant is charged to the statement of the comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive loss unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

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**2. Significant Accounting Policies - continued**

**u) Share Based Payments - continued**

When the value of good or services received in exchange for the share-based payment cannot be reliability estimated, the fair value is measured by use of a valuation model.

All exercisable equity settled share-based payments are reflected in contributed surplus until exercised, the amount reflected in contributed surplus is credited to share capital along with the consideration paid for those shares.

Where the terms and conditions of equity settled share based payments are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the statement of comprehensive loss over the remaining vesting period. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

**v) Accounting Standards Issued but not yet Applied**

Certain pronouncements were issued by the IASB or the IFRS Interpretation Committee that is mandatory for the Company's fiscal years beginning after January 1, 2011.

The Company has early adopted the amendments to IFRS 1. The amendment was to be adopted by the Company for its year-end beginning January 1, 2012. There were no material effects to early adopting this standard. The following new standards, amendments and interpretations that have not been early adopted in these interim financial statements will or may have an effect on the Company's future results and financial position:

- IFRS 9 – Financial Instruments – Classification and Measurement  
IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is also updated to include guidance on financial liabilities and de-recognition of financial instruments. The standard is effective for the Company for the year beginning January 1, 2013.

The following new standards, amendments and interpretations that have not been early adopted in these interim financial statements, will not have an effect on the Company's future results and financial position:

- IFRS 1: Severe Hyperinflation (effective for the Company's year beginning January 1, 2012)
- IAS 12: Deferred income tax recovery of underlying assets (effective for the Company's year beginning January 1, 2012)
- Amendments to IFRS 9: Financial Instruments (effective for the Company's year beginning January 1, 2013)

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 9, Financial Instruments (IFRS 9), IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

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**3. Financial Instruments**

As at June 30, 2011 and December 31, 2010, the carrying value of the Company's financial instruments approximates their fair value. Cash and cash equivalents and short term investments are recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximates fair value due to their short term nature. The Company's financial instruments are classified into the following categories:

	June 30, 2011		December 31, 2010	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial Assets</b>				
<b>FVTPL</b>				
Cash and cash equivalents	\$ 797,199	\$ 797,199	\$ 87,977	\$ 87,977
<b>Held to Maturity</b>				
Short-term investment	1,000,259	1,000,259	-	-
Other receivables and deposits	63,607	62,408	46,445	46,445
	<u>1,861,605</u>	<u>1,861,605</u>	<u>134,422</u>	<u>134,422</u>
<b>Financial Liabilities</b>				
<b>Other Financial Liabilities</b>				
Accounts payable and accrued liabilities	101,208	101,208	229,352	229,352
Due to related parties	45,000	45,000	22,500	22,500
	<u>146,208</u>	<u>146,208</u>	<u>251,852</u>	<u>251,852</u>

At June 30, 2011 and December 31, 2010, the Company's financial instruments which are measured at fair value on a recurring basis were cash and cash equivalents. These financial instruments were classified as "Level 2" financial instruments.

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation and cause the other party to incur a financial loss. The Company's credit risk to its financial asset is summarized below:

	June 30, 2011
Cash	\$ 797,199
Short-term Investment	1,000,259
HST Receivable	44,402
Other Receivables and Deposits	63,607

The credit risk of cash, short-term investments, HST receivable and other receivables and deposits is assessed as nominal as the counter party is major Canadian financial institutions. The credit risk of accounts receivable is assessed as low as the majority is due from the Government of Canada.

The carrying amount of these financial assets is their maximum exposure to credit risk.

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**3. Financial Instruments - continued**

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As of June 30, 2011 the Company has sufficient cash and highly liquid investment on hand to meet current liabilities and its expected administrative requirements for the coming year. The Company has cash of \$797,199 (December 31, 2010 - \$87,977), highly liquid investments of \$1,000,259 (December 31, 2010 - \$Nil) and total liabilities of \$146,208 (2010: \$229,352).

The liabilities mature as follow:

- Accounts payable and accrued liabilities of \$101,208 due within three months
- Due to related parties of \$45,000 due within three months.

To execute its planned exploration program for the next twelve months, the Company will need to raise additional funds through the issuance of equity or debt instruments or the sale of assets. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and cash equivalents, short term investments and expected exercise of stock options and share purchase warrants.

Management has assessed liquidity risk as low.

c) Market Risk

Market risk is the risk that the fair value of 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. Currency Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company has operations in Canada, Central America and Europe, all of which require different currencies to conduct business. The Company is exposed to foreign currency fluctuations on cash, accounts receivable and accounts payable and accrued liabilities of the Company are not denominated in Canadian dollars.

The following table summarizes the Company's foreign exchange exposure as at June 30, 2011;

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**3. Financial Instruments - continued**

c) Market Risk – *continued*

i. Currency Risk – *continued*

	Euros		US Dollars		Canadian Dollars	fx change 10% +/-		
<b>Monetary Assets</b>								
Cash	\$	61,873	\$	44,889	\$	136,717	\$	<b>13,672</b>
Accounts Receivable		28,217		-		39,648		<b>3,965</b>
		90,090		44,889		176,365		<b>17,637</b>
<b>Monetary Liabilities</b>								
Accounts Payable		16,059	\$	983	\$	23,524	\$	<b>2,352</b>
<b>Net Monetary Assets</b>	\$	74,031	\$	41,349	\$	152,841	\$	<b>15,285</b>

A fluctuation in the exchange rates between the Canadian Dollar and the US dollar and Euro of 10% would result in a \$15,285 change in the net and comprehensive loss of the Company. The Company does not use any techniques to mitigate foreign exchange risk.

ii. 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. The Company has limited exposure to interest rate risk as its interest bearing debt instruments are short-term in nature. A 1% change in interest rates would not have a material change on the net and comprehensive loss of the Company.

iii. Other Price Risk

The Company is not exposed to other price risk.

**4. Short Term Investment**

On March 14<sup>th</sup>, 2011 the Company purchased a term deposit for \$500,000. The term deposit accrued interest at 1.95% per annum, is redeemable early at the option of the Company and matures March 12<sup>th</sup> 2012. During the three months ended June 30, 2011, the Company purchased another term deposit for \$500,000 with interest at 1.95% per annum, is redeemable early at the option of the Company and matures June 22, 2012. The balance of \$1,000,259 as at June 30, 2011 (\$nil at December 31, 2010) includes accrued interest of \$259.

**5. HST Receivable**

	June 30, 2011		December 31, 2010	
	\$		\$	
Harmonized Sales Tax Receivable		44,402		25,200
	\$	44,402	\$	25,200

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**6. Other Receivables and Deposits**

	June 30, 2011	December 31, 2010
Reclamation Bond	\$ 4,978	\$ 3,501
Credit Card Deposit	36,930	36,643
Other	1,199	1,310
Due from Related Party	-	5,000
Subscriptions Receivable	20,500	-
	<u>\$ 63,607</u>	<u>\$ 46,445</u>

a) Reclamation Bond

The Company has placed US \$3,500 (CAN \$3,417) (December 31, 2010 – US \$3,500 (CAN \$3,501) in a term deposit which is held as a guarantee for the environmental clean-up of the Ganarin property in Ecuador.

b) Term Deposits

The Company has placed \$32,715 (December 31, 2010 - \$32,666) and Euros €3,000 (CAN \$4,215) (December 31, 2010 - Euros €3,000 (CAN \$3,977)) in term deposits. The term deposits which are held as guarantees for the Company's MasterCard accounts and upon maturity, the proceeds are used to purchase new term deposits as long as the Company chooses to continue using the MasterCard accounts. Current accrued interest in the amount of \$666 is included.

**7. Prepaid Expenses**

	June 30, 2011	December 31, 2010
Prepaid Insurance – Directors & Officers	\$ 6,500	\$ 3,750
Prepaid Rent	6,823	6,823
Gemcom Software	5,327	1,734
Workers Compensation Board	3,973	3,973
	<u>\$ 22,623</u>	<u>\$ 12,533</u>

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**8. Equipment**

	<b>Vehicle</b>	<b>Computer Equipment</b>	<b>Furniture</b>	<b>Exploration Equipment</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at January 1, 2010</b>	14,575	92,718	23,218	-	130,511
Additions	-	-	-	8,502	8,502
Disposals	-	-	-	-	-
<b>Balance at December 31, 2010</b>	14,575	92,718	23,218	8,502	139,013
Additions	-	3,350	-	-	3,350
Disposals	-	-	-	-	-
<b>Balance at June 30, 2011</b>	14,575	96,068	23,218	8,502	142,363
<b>Depreciation and Impairment</b>					
<b>Balance at January 1, 2010</b>	9,041	30,388	6,605	-	46,034
Depreciation	2,680	20,995	4,405	1,934	30,014
Impairment Loss	-	-	-	-	-
Disposals	-	-	-	-	-
<b>Balance at December 31, 2010</b>	11,721	51,383	11,010	1,934	76,048
Depreciation	-	10,428	2,038	879	13,345
Impairment Loss	-	-	-	-	-
Disposals	-	-	-	-	-
<b>Balance at June 30, 2011</b>	11,721	61,811	13,048	2,813	89,393
<b>Carrying Amounts</b>					
<b>Balance at January 1, 2010</b>	5,534	62,330	16,613	-	84,477
<b>Balance at December 31, 2010</b>	2,854	41,335	12,208	6,568	62,965
<b>Balance at June 30, 2011</b>	2,854	34,257	10,170	5,689	52,970

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**9. Exploration and Evaluation Assets**

	<b>TL Property Labrador</b>	<b>Ganarin Property Ecuador</b>	<b>Seinajoki Kaatiala Property Finland</b>	<b>LK Property* Finland</b>	<b>Tammela Property Finland</b>	<b>Total</b>
<b>Acquisition costs</b>						
As At January 1, 2010	\$ 220,723	\$ 91,394	\$ 60,000	\$ 1,625,695	\$ -	\$ 1,997,812
Additions	-	-	120,914	-	-	120,914
As At December 31, 2010	220,723	91,394	180,914	1,625,695	-	2,118,726
Additions	-	-	-	-	-	-
As At June 30, 2011	\$ 220,723	\$ 91,394	\$ 180,914	\$ 1,625,695	\$ -	\$ 2,118,726
<b>Exploration costs</b>						
As At January 1, 2010	\$ 2,512,571	\$ 1,287,219	\$ 29,764	\$ 2,851,024	\$ 545	\$ 6,681,123
Administrative	10,985	23,649	27,504	14,343	11,855	88,336
Project Management	-	-	42,442	12,751	82	55,275
Geological	-	7,587	20,906	192,710	33,842	255,045
Geophysical	-	-	-	34,738	14,767	49,505
Metallurgical	-	703	36,361	18,380	-	55,444
Drilling	-	-	89,192	-	-	89,192
Camp Expenses	-	8,359	6,449	31,425	1,315	47,548
Travel	-	110	23,198	9,511	2,637	35,456
IVA Sales Tax	-	6,720	-	-	-	6,720
As At December 31, 2010	\$ 2,523,556	1,334,347	\$ 275,816	\$ 3,164,882	\$ 65,043	7,363,644
Administrative	-	14,531	2,038	4,910	3,891	25,370
Geological	-	4,020	-	62,298	6,913	73,231
Exploration	-	-	13,003	84,659	-	97,662
Land owner costs	-	-	-	14,278	-	14,278
Community relations	-	780	-	-	-	780
Camp Expenses	-	9,225	-	1,221	-	10,446
IVA Sales Tax	-	4,202	-	-	-	4,202
As At June 30, 2011	\$ 2,523,556	\$ 1,367,105	\$ 290,857	\$ 3,332,248	\$ 75,847	\$ 7,589,613
<b>Carrying Amounts</b>						
As at January 1, 2010	\$ 2,733,294	\$ 1,378,613	\$ 89,764	\$ 4,476,719	\$ 545	\$ 8,678,935
As at December 31, 2010	\$ 2,744,279	\$ 1,425,741	\$ 456,730	\$ 4,790,577	\$ 65,043	\$ 9,482,370
As at June 30, 2011	\$ 2,744,279	\$ 1,458,499	\$ 471,771	\$ 4,957,943	\$ 75,847	\$ 9,708,339

\*Formerly known as the Kaukua Property.

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**8. Exploration and Evaluation Assets - *continued***

**a) TL Property, Labrador, Canada**

The Company has earned a 51% interest in the TL Property by completing initial exploration work totalling \$1.5 million as per the option agreement. Dependent on the level of participation by the optionor the Company had the option to earn up to a 100% interest in the property by issuing an additional 400,000 common shares and incurring an additional \$10,000,000 in cumulative exploration expenditures over a ten year period, and granting a 2.5% net smelter return to the optionor.

On May 11, 2009 the optionor elected not to participate at the 49% working interest level. On June 25, 2009 the Company issued a further 200,000 common shares of the Company to have the option to acquire further interest by incurring additional exploration expenditures in the amount of \$3,000,000 within two years to earn a further 14% working interest in the property for an aggregate 65% interest. At the expiry of this two year period the Company will have the option to earn a further 10% by incurring additional exploration expenditures in the amount of \$2,000,000 within one year for an aggregate 75% interest.

The Company elected not to earn interest 25% interest, and decided to maintain its 51% interest.

**b) Ganarin Property, Ecuador**

On April 18, 2005 the Company entered into an option agreement to acquire a 49% undivided interest in the Ganarin Property consisting of Ganarin and Ganarin II mineral concessions, located near the town of Santa Isabel, Southern Ecuador.

The Company, at its option, may earn a 49% interest by making cash payments, incur minimum exploration expenditures and issue common shares as follows:

	Option Payments US\$	Shares		Exploration Expenditures US\$
TSX approval May 4, 2005	25,000*	100,000**	\$	-
On or before May 4, 2006	-	200,000**		250,000*
On or before May 4, 2012 ***	-	200,000		250,000*
On or before May 4, 2012 ***	-	250,000		500,000*
On or before May 4, 2012 ***	-	250,000		500,000_
<b>Total</b>	<b>25,000</b>	<b>1,000,000</b>	<b>\$</b>	<b>1,500,000</b>

\* Paid/Incurred

\*\* Issued

\*\*\* The Company and the optionor have agreed to extend the due date for the issuance of shares from 2007 to 2012. The optionor is currently undergoing restructuring prior to going public. This has delayed further extensions to share issuances the Company is currently negotiating with the optionor. All required exploration expenditures have been incurred before the due date. The Company could not complete the exploration expenditures on time due to the Government of Ecuador's two year moratorium on exploration in Ecuador.

Excess expenditures in any year are carried forward and applied to future expenditure obligations.

Provided the above conditions are satisfied the Company may, at its option increase its interest to 51% by incurring additional expenditures of US\$1,000,000. In the event that the Company's interest dilutes below a 10% Joint Venture Interest, it shall automatically be converted to 1% Net Smelter Return.

**8. Exploration and Evaluation Assets - *continued***

b) **Ganarin Property, Ecuador - *continued***

**Measurement Uncertainty**

On January 29, 2009, a new Mining Law was enacted in Ecuador which, together with the Regulations to the Mining Law signed by the President of Ecuador on November 4, 2009, establishes the new legal framework for mining in Ecuador. However, the terms and conditions of the Exploitation Agreements which will cover the final development and production phases of a mining project have yet to be developed.

To date, the Company has not identified any conditions that would result in a determination of a material impairment in the carrying value of the company's concessions in Ecuador. Changes in the application of the new Mining Law and/or other political and regulatory factors may result in an impairment of the Company's mineral property carrying values in Ecuador. The amount of such impairment may be material.

c) **LK Property, Finland**

On July 29, 2008, the Company entered into an option agreement to earn a 70% interest in the Kaukua platinum, palladium, gold property in northeastern Finland by making option payments of €190,000 (in cash or shares) and incurring initial exploration expenditures of €600,000 over three years from the date of the option agreement.

The Company has the right to earn an additional 10% interest in the Kaukua property by incurring additional €2,500,000 of exploration expenditures on the property or completing a bankable feasibility study, whichever occurs first.

The option agreement was signed by the Company having received confirmation that exploration licenses for the property have been obtained. On August 31, 2008, the Company earned its 70% interest in the Kaukua property.

On September 4, 2009 the Company entered into an agreement to acquire the remaining 30% interest in the Kaukua property in exchange for outstanding VAT refund claims allowable on Kaukua exploration expenditures of \$269,076 and a 2% Net Smelter Royalty on any future production. In October 2009 the agreement was approved from the TSX Venture Exchange.

On October 15, 2009 the Company announced the 100% acquisition of the nearby Haukiaho palladium, platinum, gold, copper, nickel property in northern Finland in exchange for ten million common shares of the Company. On October 20, 2009 the TSX Venture Exchange approved this transaction.

The transaction will be completed in two 'Closings'. The First Closing was completed on October 21, 2009 when the Company issued eight million common shares. The Company recorded this transaction at the share price of \$0.15 being the closing price of the Company's shares on October 21, 2009, for a total value of \$1,200,000. The Company will issue the remaining two million common shares upon completion of the transfer, conveyance, assignment of rights and titles of the mineral claims to the Company to complete the Second Closing. Altona Mining, the vendor, has not received the registration documents from the Finland Ministry of Employment and the Economy. The Company will issue the remaining two million shares upon receipt of the registration documents from the Ministry.

The Company has grouped the Haukiaho and Kauka properties together and on December 1, 2009 the Company announced the project name "LK Property".

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**8. Exploration and Evaluation Assets - *continued***

d) **Tammela Property, Finland**

In 2009 the Company was granted two claim reservations by the Finland Ministry of Employment and the Economy for two lithium claim reservations in southwest Finland, known as Kietyonmaki Lithium Prospect and Hirvikallio Lithium Prospect collectively known as the Tammela Property.

e) **Seinajoki Property, Finland**

On September 22, 2009 the Company announced that it will enter into a Memorandum of Understanding (“MOU”) to acquire 100% interest in the Seinajoki gold property in south western Finland. Subject to proof of ownership of the exploration claims the Company will enter into an option agreement with the vendor.

The TSX Venture Exchange approved, the terms of the option agreement on October 14, 2009.

Under the term of the agreement, the option payment and exploration work schedule are as follows:

	Option Payments (Euros)	Shares	Exploration Expenditures (Euros)
Within fifteen days of signing the MOU	€ 10,000*	400,000**	€ -
On or before April 1, 2010	-	-	50,000*
Upon claim ownership confirmation and signing of option agreement. The option agreement was signed September 21, 2010	20,000*	600,000**	-
On or before the 1 <sup>st</sup> anniversary date of the option agreement	30,000	900,000	-
On or before the 2 <sup>nd</sup> anniversary date of the option agreement	50,000	1,000,000	-
On or before the 3 <sup>rd</sup> anniversary date of the MOU	-	-	1,000,000
<b>Total</b>	<b>€ 110,000</b>	<b>2,900,000</b>	<b>€ 1,050,000</b>

\*Paid/Incurred

\*\*Issued

The vendor will retain a 2% Net Smelter Royalty.

On October 13, 2009 the Company announced the acquisition of an additional 900 hectares Kaatiala Claim Reservation within the Seinajoki Rare Earth Metals Area Reservation. This acquisition will be included under the existing Memorandum of Understanding signed September 22, 2009 referred to above to earn a 100% interest in the Seinajoki property. The Option Agreement for the Seinajoki Project was signed September 21, 2010.

Exploration expenditures totaling \$290,857 were incurred to date on the Seinajoki Project.

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**9. Share Capital**

a) Authorized

Unlimited number of shares at no par value

b) **Issued**

On January 15, 2010 the Company completed the second tranche of the November 11, 2009 private placement by issuing 5,465,000 units at a price of \$0.11 per unit for total net proceeds of \$596,990. Each unit consists of one common share of the Company and one full warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20 for a period of eighteen months. The expiry date for the warrants is June 15, 2011. In addition the company issued 375,550 commission units. Each commission unit consists of one common share of the Company and one full warrant. Each warrant is exercisable to acquire one additional common share of the Company at an exercise price of \$0.20 for a period of eighteen months. The expiry date for the warrants is June 15, 2011. The fair value of commission units totalling \$41,311 was allocated \$25,895 to share capital and 15,416 to contributed surplus. There were additional share issue costs of \$4,160 incurred from the private placement.

The Company recorded \$224,311 fair value for the 5,465,000 warrants issued on January 15, 2010 which was charged to contributed surplus with the offsetting amount reducing share capital.

On January 29, 2010 the Company extended the expiry date on warrants expiring February 14 and March 14, 2010 to August 14, 2013 and September 5, 2013. As the amount relates to an incentive to warrant holders to exercise, the Company recorded the \$265,050 incremental fair value of the incentive as a financing cost for the year ended December 31, 2010.

On May 31, 2010 the Company announced a non-brokered private placement for a maximum 8,941,500 units at a price of \$0.12 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20. The expiry dates for the warrants is July 7, 2012. During the second and third quarters of 2010 the Company issued 8,463,500 units at \$0.12 for total net proceeds of \$1,008,763. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20. The expiry dates for the warrants is July 7, 2012. The Company issued 388,955 units as commission units at \$0.12 being the closing price on the date of issue. Each commission unit consisted of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20. The expiry dates for the warrants is July 7, 2012. The fair value of commission units totalling \$46,675 was allocated \$27,855 to share capital and 18,819 to contributed surplus. There were additional share issue costs of \$6,927 incurred from the private placement.

The Company recorded \$409,493 fair value for the 8,463,500 warrants issued during the second and third quarters of 2010 which was charged to contributed surplus with the offsetting amount reducing share capital.

Between April 14, 2010 and May 26, 2010 357,500 warrants attached to the May 4, 2009 private placement were exercised at a price of \$0.15 for total proceeds of \$53,625.

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**9. Share Capital - continued**

On August 5, 2010 the Company completed a non-brokered private placement for 735,000 units at a price of \$0.12 per unit for total gross proceeds of \$88,200. Each unit consisted of one common share and one common share purchase warrant. Each warrant can be exercised to acquire one common share of the Company at an exercise price of \$0.20 per share. The expiry date is August 6, 2012. The Company recorded \$32,145 fair value for the 735,000 warrants which was charged to contributed surplus with the offsetting amount reducing share capital.

On September 21, 2010 the Company issued 600,000 common shares upon signing of the option agreement for the Seinajoki property. These shares were valued at \$0.13 per share being the closing price of the Company's shares on the date of issue for total value of \$78,000.

On November 2, 2010 the Company completed the balance of a non-brokered private placement announced May 31, 2010 for 100,000 units at a price of \$0.12 per unit for total gross proceeds of \$12,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant can be exercised to acquire one common share of the Company at an exercise price of \$0.20 per share. The expiry date is August 6, 2012. The Company recorded \$4,373 fair value for the 100,000 warrants which was charged to contributed surplus with the offsetting amount reducing share capital.

During the six month period ended June 30, 2011 12,933,300 warrants attached to the November 9, 2009 private placement were exercised at a price of \$0.20 for total proceeds of \$2,586,660.

**10. Share Purchase Warrants**

Warrant activity was as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2010	18,211,350	0.33
Issued	15,528,005	0.20
Expired	(7,283,050)	0.15
Exercised	(357,500)	0.15
Balance at December 31, 2010	26,098,805	0.37
Issued	0	-
Expired	(3,050)	-
Exercised	(12,933,300)	0.20
Balance at June 30, 2011	13,162,455	0.32

Warrants outstanding at June 30, 2011 and December 31, 2010 were as follows:

Expiry Date	June 30, 2011		December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
June 15, 2011	-	\$ 0.20	5,070,800	\$ 0.20
June 20, 2011		0.20	5,840,550	0.20
July 7, 2012	6,827,455	0.20	8,952,455	0.20
July 20, 2011	835,000	0.45	735,000	0.20
August 14, 2013 *	4,927,593	0.45	4,927,593	0.45
September 5, 2013 *	572,407	0.45	572,407	0.45
	13,162,455	\$ 0.32	26,098,805	\$ 0.25
Weighted Average Remaining Contractual Life (years)		1.75		3.31

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**10. Share Purchase Warrants**

On January 29, 2010 the TSX Venture Exchange approved the extension of expiry dates on these warrants to August 14, 2013 and September 5, 2013.

The Company uses the Black-Scholes pricing model to determine the fair value of warrants issued. This model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

The following assumptions were used for the Black-Scholes valuation of the warrants issued in 2011 and 2010.

	<b>2011</b>	2010
Risk free interest rate	<b>1.00%</b>	0.50% - 1.65%
Expected life of warrants	<b>2 years</b>	1.5 years
Annualized volatility	<b>139%</b>	141% - 150%
Dividend rate	<b>0.0%</b>	0.0%

**11. Stock options**

In August 2004 the Company adopted a Stock Option Plan (amended May 27, 2010) whereby the Company may grant stock options to officers, directors, consultants and eligible employees at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market price at the time of issue. The Plan provides for the issuance of up to 20% of the Company's issued common shares as at the date of shareholder approval with each stock option having a maximum term of five years. The board of directors has the exclusive authority over the granting of options.

Option activity was as follows:

	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2010	14,339,163	0.17
Granted	1,500,000	0.12
Expired	1,449,163	0.15
Exercised	1,875,000	0.15
Forfeited	-	-
Balance at December 31, 2010	12,515,000	0.17
Issued	-	-
Expired	-	-
Exercised	(300,000)	0.20
Forfeited	-	-
Balance at June 30, 2011	12,215,000	0.16

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**12. Stock options - continued**

Options outstanding at June 30, 2011 and December 31, 2010 were as follows:

Expiry Date	June 30, 2011		December 31, 2010	
	Number of Options Outstanding*	Weighted Average Exercise Price	Number of Options Outstanding*	Weighted Average Exercise Price
July 6, 2011	1,550,000	\$ 0.20	1,850,000	\$ 0.20
October 16, 2011	300,000	0.28	300,000	0.20
November 14, 2011	600,000	0.30	600,000	0.30
March 10, 2012	200,000	0.10	200,000	0.10
April 1, 2012	900,000	0.25	900,000	0.25
September 4, 2012	300,000	0.30	300,000	0.30
October 15, 2012	700,000	0.30	700,000	0.30
November 3, 2013	1,925,000	0.11	1,925,000	0.11
January 19, 2014	1,200,000	0.11	1,200,000	0.11
September 4, 2014	2,690,000	0.11	2,690,000	0.11
October 5, 2014	200,000	0.11	200,000	0.11
November 12, 2014	400,000	0.11	400,000	0.11
February 17, 2015	950,000	0.10	950,000	0.10
September 24, 2015	300,000	0.10	300,000	0.10
	12,215,000	\$ 0.17	12,515,000	\$ 0.16
Weighted Average Remaining Contractual Life (years)		2.27		2.54
Weighted Average Fair Value of Options Granted		N/A		\$ 0.15

\*All the options outstanding are fully vested and therefore, exercisable

The Company uses the Black-Scholes pricing model to determine the fair value of stock options granted. This model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

During the previous year the Company used the Black-Scholes option pricing model to estimate the fair value of the options granted at the grant date using the following assumptions:

	2011	2010
Risk-free interest rate	N/A	0.50%
Expected life of options	N/A	2 -5 years
Annualized volatility	N/A	131% - 141%
Dividend Rate	N/A	0.00%

During the prior year, the Company recorded a stock based compensation fair value of \$223,896 (2009 - \$701,959). Out of this amount, \$199,772 (2009 - \$696,017) was expensed on the income statement, and \$24,125 (2009 - \$5,942) was capitalized as exploration and evaluation asset costs.

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**13. Equity Reserves**

The reserves recorded on the Company's Statement of Financial Position include "Contributed Surplus" and "Accumulated Deficit".

Contributed Surplus is used to recognize the value of stock option grants and share warrants prior to exercise.

Accumulated Deficit is used to record the Company's change in deficit from earnings from period to period.

**14. Related Party Transactions and Balances**

Key management personnel compensation is comprised as follows:

	<b>June 30, 2011</b>	June 30, 2010
Short-term employee benefits	\$ 22,500	\$ 18,912
Share-based payments - Directors & Officers	-	147,353
	<b>\$ 22,500</b>	<b>\$ 166,266</b>

As at June 30, 2011, \$45,000 (December 31, 2010 - \$22,500) is payable to a company with a director in common for financial consulting and management services and is non-interest bearing and has no terms and dates for repayment.

As at June 30, 2011 \$nil (December 31, 2010 - \$5,000) is receivable from related parties.

**15. Segmented Information**

The Company is organized into business units based on its mineral properties and has one reportable segment, being that of acquisition, exploration and evaluation of mineral properties.

The Company's mineral properties are located in Canada, Ecuador and Finland. The properties and location are as follows;

Property	Location
TL Property	Canada
Ganarin Property	Ecuador
Kaukua Property	Finland
Tammela Property	Finland
Seinajoki Property	Finland
Kaatiala Property	Finland
Haukiahö Property	Finland

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**15. Segmented Information - continued**

Geographic information for the period ended June 30, 2011;

	Canada	Ecuador	Finland	Total
<b>Period ended June 30, 2011</b>				
Net loss for the period	\$ 526,584	\$ 41,914	\$ 606	\$ 569,104
<b>Assets</b>				
Cash	\$ 725,403	\$ -	\$ 71,796	\$ 797,199
Short-Term Investment	\$ 1,000,259	\$ -	\$ -	\$ 1,000,259
Mineral interests	\$ 2,744,279	\$ 1,458,499	\$ 5,505,561	\$ 9,708,339
Other assets	\$ 134,820	\$ 18,588	\$ 30,197	\$ 183,605
<b>Total assets</b>	<b>\$ 4,604,761</b>	<b>\$ 1,477,087</b>	<b>\$ 5,607,554</b>	<b>\$ 11,689,402</b>

Geographic information for the year ended December 31, 2010;

	Canada	Ecuador	Finland	Total
<b>Period Ended December, 2010</b>				
Net loss for the period	415,445	15,018	4,923	435,386
<b>Year Ended December 31, 2010</b>				
<b>Assets</b>				
Cash	\$ 87,572	\$ -	\$ -	\$ 87,572
Mineral interests	\$ 2,744,280	\$ 1,425,740	\$ 5,312,351	\$ 9,482,371
Other assets	\$ 175,549	\$ 15,683	\$ 43,887	\$ 235,119
<b>Total assets</b>	<b>\$ 2,919,829</b>	<b>\$ 1,441,423</b>	<b>\$ 5,356,238</b>	<b>\$ 9,717,490</b>

**16. Capital Disclosures**

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits in North America, South America, and Europe.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company's capital is as follows:

	June 30, 2011	December 31, 2010
Share Capital	\$ 17,609,961	\$ 14,623,386
Contributed Surplus	4,050,049	4,389,964
Deficit	(10,116,816)	(9,547,712)
	<b>\$ 11,543,194</b>	<b>\$ 9,465,638</b>

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**16. Capital Disclosures - *continued***

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets, especially with respect to exploration results on properties in which the Company has an interest.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at a major Canadian banking institution to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company is not exposed to any externally imposed capital requirements.

Notwithstanding the risks described in Note 1, the Company seeks to continue to raise funds, from time to time, to continue meeting its capital management objectives.

**17. Transition to IFRS**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Company's financial statements for the year ending December 31, 2011 will be the first annual consolidated financial statements that comply with IFRS, and these interim consolidated financial statements were prepared as described in note 2, including the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS. The Company will make this statement when it issues its 2011 annual consolidated financial statements.

IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions from full retrospective application for first time IFRS adoption.

*Optional Exemptions*

The Company has applied the following exemption to its opening statement of financial position dated January 1, 2010:

*Business Combinations*

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2010.

*Mandatory Exceptions*

The Company has applied the following mandatory exception to its opening statement of financial position dated January 1, 2010:

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**17. Transition to IFRS - continued**

*De-recognition of Financial Assets and Liabilities*

The Company has applied the de-recognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result, any non-derivative financial assets or non-derivative financial liabilities de-recognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

*Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of financial position, statement of operations and statement of cash flows for the quarter ended June 30, 2010 and the year ended December 31, 2010 have been reconciled to IFRS, with the resulting differences explained.

The January 1, 2010 Canadian GAAP Consolidated Statement of Financial Position has been reconciled to IFRS as follows:

		<u>January 1, 2010</u>		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
Current Assets				
Cash	\$	23,399	\$ -	\$ 23,399
Short-term Investment		37,201	-	37,201
Accounts receivable		259,826		259,826
Other receivables and deposits		11,000		11,000
Prepaid expenses and other current assets		16,204	-	16,204
Total Current Assets		347,630	-	347,630
Equipment		84,477		84,477
Exploration and Evaluation Assets		8,678,935	-	8,678,935
<b>TOTAL ASSETS</b>		<b>\$ 9,111,042</b>	<b>\$ -</b>	<b>\$ 9,111,042</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current Liabilities				
Accounts payable and accrued liabilities	\$	511,871	-	511,871
Subscriptions Payable		11,000	-	11,000
Due to related parties		99,750	-	99,750
Total Current Liabilities		622,621	-	622,621
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	1	12,361,456	572,579	12,934,035
Contributed Surplus		3,464,040	-	3,464,040
Retained earnings	1	(7,337,075)	(572,579)	(7,909,654)
Total Stockholders' Equity		8,488,421	-	8,488,421
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>\$ 9,111,042</b>	<b>-</b>	<b>9,111,042</b>

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**17. Transition to IFRS - continued**

The December 31, 2010 Canadian GAAP Consolidated Statement of Financial Position has been reconciled to IFRS as follows:

		<b>December 31, 2010</b>		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
Current Assets				
Cash		\$ 87,977	\$ -	\$ 87,977
Short-term Investment		40,945	-	40,945
HST receivable		25,200	-	25,200
Other receivables and deposits		5500	-	5500
Prepaid expenses and other current assets		12,533	-	12,533
Total Current Assets		172,155	-	172,155
Equipment		62,965	-	62,965
Exploration and Evaluation Assets		9,482,370	-	9,482,370
<b>TOTAL ASSETS</b>		<b>\$ 9,717,490</b>	<b>\$ -</b>	<b>\$ 9,717,490</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current Liabilities				
Accounts payable and accrued liabilities		\$ 229,352	-	229,352
Due to related parties		22,500	-	22,500
Total Current Liabilities		251,852	-	251,852
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	1	14,050,807	572,579	14,623,386
Contributed Surplus		4,389,964	-	4,389,964
Retained earnings	1	(8,975,133)	(572,579)	(9,547,712)
Total Stockholders' Equity		9,465,638	-	9,465,638
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>\$ 9,717,490</b>	<b>\$ -</b>	<b>\$ 9,717,490</b>

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**17. Transition to IFRS - continued**

The December 31, 2010 Canadian GAAP Consolidated Statement of Operations has been reconciled to IFRS as follows:

	<b>December 31, 2010</b>		
Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>General and Administrative Expenses</b>			
	199,772	-	199,772
	521,637	-	521,637
	265,050	-	265,050
	202,811	-	202,811
	75,470	-	75,470
	83,349	-	83,349
	71,000	-	71,000
	44,698	-	44,698
	20,136	-	20,136
	24,972	-	24,972
	24,580	-	24,580
	17,370	-	17,370
	1,248	-	1,248
	11,137	-	11,137
	9,472	-	9,472
	2,152	-	2,152
	796	-	796
	35,449	-	35,449
	850	-	850
	15,188	-	15,188
<b>Loss from Operations</b>	<b>1,627,137</b>		<b>1,627,137</b>
<b>Income and other expenses</b>			
	11,512	-	11,512
	(591)	-	(591)
<b>Net and Comprehensive Loss</b>	<b>1,638,058</b>		<b>1,638,058</b>

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
Unaudited  
For the Three and Six Months ended June 30, 2011 and 2010

**17. Transition to IFRS - continued**

The December 31, 2010 Canadian GAAP Consolidated Statement of Cash Flows has been reconciled to IFRS as follows:

	Note	December 31, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Cash Resources Provided By (Used In)</b>				
<b>Operating Activities</b>				
Net Loss for the period		(1,638,058)	-	(1,638,058)
<b>Items not Affecting Cash:</b>				
Amortization		30,014	-	30,014
Stock-based compensation		199,772	-	199,772
Financing cost		265,050	-	265,050
<b>Changes in non-cash operating working capital:</b>				
Bonds and deposits		(3,744)	-	(3,744)
Prepaid expenses		3,671	-	3,671
Accounts payable and accrued liabilities		(379,843)	-	(379,843)
Due from related parties		5,000	-	5,000
Due to related parties		(77,250)	-	(77,250)
		(1,605,388)		(1,605,388)
<b>Investing Activities</b>				
Exploration and Evaluation Asset Expenditures		(369,860)	-	(369,860)
Purchase of Equipment		(8,502)	-	(8,502)
		(378,362)		(378,362)
<b>Financing Activities</b>				
Issuances of share capital, net		2,048,328	-	2,048,328
<b>Increase (decrease) in Cash</b>		(64,578)	-	(64,578)
<b>Cash, Beginning of Year</b>		23,399	-	23,399
<b>Cash, End of Year</b>		87,977	-	87,977

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
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**17. Transition to IFRS - continued**

The June 30, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

		<b>June 30, 2010</b>		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
Current Assets				
Cash		\$ 21,068	\$ -	\$ 21,068
Short-term Investment		-	-	-
GST receivable		35,167	-	35,167
Other receivables and deposits		40,901	-	40,901
Prepaid expenses and other current assets		31,128	-	31,128
Total Current Assets		128,264	-	128,264
Equipment		79,716	-	79,716
Exploration and Evaluation Assets		9,012,084	-	9,012,084
<b>TOTAL ASSETS</b>		<b>\$ 9,220,064</b>	<b>\$ -</b>	<b>\$ 9,220,064</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current Liabilities				
Accounts payable and accrued liabilities		\$ 409,620	\$ -	\$ 409,620
Due to related parties		137,812	-	137,812
Total Current Liabilities		547,432	-	547,432
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	1	12,656,552	572,579	13,229,131
Contributed Surplus		4,183,602	-	4,183,602
Retained earnings	1	(8,159,047)	(572,579)	(8,731,626)
Total Stockholders' Equity		8,797,378	-	8,797,378
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>\$ 9,220,064</b>	<b>\$ -</b>	<b>\$ 9,220,064</b>

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
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**17. Transition to IFRS - continued**

The three months ended June 30, 2010 Canadian GAAP Consolidated Statement of Operations has been reconciled to IFRS as follows:

		<b>June 30, 2010</b>		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>General and Administrative Expenses</b>				
Wages and salary expenses		141,636	-	141,636
Advertising & promotion		85,134	-	85,134
Stock based compensation expense		42,941	-	42,941
Travel & accommodation		20,474	-	20,474
Property research and analysis		20,398	-	20,398
Office rental & storage		19,407	-	19,407
Management consulting fees		18,000	-	18,000
Shareholder information		9,493	-	9,493
Depreciation expense		6,145	-	6,145
Office services and expenses		4,660	-	4,660
Insurance		3,750	-	3,750
Legal fees		3,671	-	3,671
Telecommunications		3,280	-	3,280
Transfer agent fees		1,789	-	1,789
Regulatory compliance		1,520	-	1,520
Accounting and Audit		1,498	-	1,498
<b>Loss from Operations</b>		<b>383,796</b>	<b>-</b>	<b>383,796</b>
<b>Income and other expenses</b>				
Foreign exchange (gain) loss		2,877	-	2,877
Interest income		(87)	-	(87)
<b>Net and Comprehensive Loss</b>		<b>(386,586)</b>	<b>-</b>	<b>(386,586)</b>

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
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Unaudited  
For the Three and Six Months ended June 30, 2011 and 2010

**17. Transition to IFRS - continued**

The six months ended June 30, 2010 Canadian GAAP Consolidated Statement of Operations has been reconciled to IFRS as follows:

		<b>June 30, 2010</b>		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>General and Administrative Expenses</b>				
Wages and salary expenses		282,607	-	282,607
Advertising & promotion		135,035	-	135,035
Stock based compensation expense		190,293	-	190,293
Travel & accommodation		21,849	-	21,849
Property research and analysis		39,412	-	39,412
Office rental & storage		38,814	-	38,814
Management consulting fees		31,500	-	31,500
Shareholder information		9,493	-	9,493
Depreciation expense		12,290	-	12,290
Office services and expenses		11,137	-	11,137
Insurance		9,870	-	9,870
Legal fees		9,406	-	9,406
Telecommunications		6,104	-	6,104
Transfer agent fees		3,618	-	3,618
Regulatory compliance		10,245	-	10,245
Accounting and Audit		1,498	-	1,498
<b>Loss from Operations</b>		<b>813,171</b>	<b>-</b>	<b>813,171</b>
<b>Income and other expenses</b>				
Foreign exchange (gain) loss		8,953	-	8,953
Interest income		(152)	-	(152)
<b>Net and Comprehensive Loss</b>		<b>(821,972)</b>	<b>-</b>	<b>(821,972)</b>

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
Unaudited  
For the Three and Six Months ended June 30, 2011 and 2010

**17. Transition to IFRS - continued**

The three months ended June 30, 2010 Canadian GAAP Consolidated Statement of Cash Flows has been reconciled to IFRS as follows:

	<b>June 30, 2010</b>		
Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Cash Resources Provided By (Used In)</b>			
<b>Operating Activities</b>			
Net Loss for the period	(386,586)	-	(386,586)
<b>Items not Affecting Cash:</b>			
Amortization	6,608	-	6,608
Stock-based compensation	42,941	-	42,941
<b>Changes in non-cash operating working capital:</b>			
Accounts receivable and retainage	(3,628)	-	(3,628)
Bonds and deposits	228	-	228
Prepaid expenses	(7,168)	-	(7,168)
Accounts payable and accrued liabilities	144,930	-	144,930
Due to related parties	20,402	-	20,402
	<b>(182,273)</b>	<b>-</b>	<b>(182,273)</b>
<b>Investing Activities</b>			
Exploration and Evaluation Asset Expenditures	(186,388)	-	(186,388)
Purchase of Equipment	-	-	-
	<b>(186,388)</b>	<b>-</b>	<b>(186,388)</b>
<b>Financing Activities</b>			
Issuances of share capital, net	229,899	-	229,899
<b>Increase (decrease) in Cash</b>	<b>(138,762)</b>	<b>-</b>	<b>(138,762)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>159,830</b>	<b>-</b>	<b>159,830</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>21,068</b>	<b>-</b>	<b>21,068</b>

**Nortec Minerals Corp. (formerly Nortec Ventures Corp.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
*Expressed in Canadian Dollars*  
Unaudited  
For the Three and Six Months ended June 30, 2011 and 2010

**17. Transition to IFRS - continued**

The six months ended June 30, 2010 Canadian GAAP Consolidated Statement of Cash Flows has been reconciled to IFRS as follows:

	<b>June 30, 2010</b>		
Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Cash Resources Provided By (Used In)</b>			
<b>Operating Activities</b>			
Net Loss for the period	(821,972)	-	(821,972)
<b>Items not Affecting Cash:</b>			
Amortization	13,263		13,263
Stock-based compensation	190,295	-	190,295
<b>Changes in non-cash operating working capital:</b>			
Accounts receivable and retainage	224,660	-	224,660
Bonds and deposits	(3,701)	-	(3,701)
Prepaid expenses	(14,924)	-	(14,924)
Accounts payable and accrued liabilities	(102,252)	-	(102,252)
Due to related parties	38,063	-	38,063
	(476,568)	-	(476,568)
<b>Investing Activities</b>			
Exploration and Evaluation Asset Expenditures	(331,150)	-	(331,150)
Purchase of Equipment	(8,502)	-	(8,502)
	(341,652)	-	(341,652)
<b>Financing Activities</b>			
Issuances of share capital, net	815,889	-	815,889
<b>Increase (decrease) in Cash</b>	(2,331)	-	(2,331)
<b>Cash and Cash Equivalents, Beginning of Period</b>	23,399	-	23,399
<b>Cash and Cash Equivalents, End of Period</b>	21,068	-	21,068

- Under pre-changeover Canadian GAAP, the entire proceeds of the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital.

The Company issued flow-through shares in 2007 and 2005 respectively and has previously incurred and renounced all associated expenditures. There was no premium on the issue price over the market price on the date of share issuances. As a result share capital increased by \$572,579 and deficit decreased by \$572,579. There was no impact on net income for 2011 or 2010 from this difference.

## **18. Events After the Reporting Period**

- a. On July 6, 2011 250,000 options were exercised for gross proceeds of \$50,000 and 1,300,000 options exercisable at \$0.20 expired.
- b. On July 27, 2011 the Company announced that it has signed a binding Letter of Intent (“LOI”) with Otterburn Ventures Inc. (“Otterburn”). The LOI gives Otterburn the option to earn up to an 80% interest in the Company’s Läntinen Koillismaa project, (LK Project) a 100% owned palladium-platinum-gold-copper-nickel property, located in north central Finland.

Under the terms of the LOI, Otterburn can earn an 80% interest in the LK Project on payment of \$10.5 million in cash and securities to Nortec and by expending \$10 million in exploration work within 3 years of signing the Option Agreement (“OA”). The effective date (“Effective Date”) of the OA shall be within five business days after receipt of both CNSX and TSX Venture (collectively, the “Exchange”) acceptance (if necessary) of the OA.

Otterburn can earn an initial 49% interest in the LK Project by: a) making payments totalling \$4.5 million in cash to Nortec; b) issuing the equivalent of \$2 million in shares of Otterburn; and, c) spending \$5 million on exploration within 24 months, including a firm commitment to spend a minimum \$2 million in the first 12 months. The payments of cash and securities will be carried out in 4 (four) instalments over 18 months effective on the date of signing and approval of the OA (“Option 1”).

Otterburn can earn the remaining 31% interest by: a) making a payment of \$3 million in cash to Nortec on or before the 3 year anniversary of the signing of the OA; b) issuing the equivalent of \$1 million in shares of Otterburn to Nortec; and, c) spending a further \$5 million on exploration on the LK Project (“Option 2”).