SILVER PREDATOR CORP.

(An Exploration Stage Enterprise)

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

August 25, 2011

Independent Auditor's Report

To the Shareholders of Silver Predator Corp.

We have audited the accompanying consolidated financial statements of Silver Predator Corp. ("the Company"), which comprise the consolidated balance sheets as at May 31, 2011 and 2010 and the consolidated statements of loss and comprehensive loss and deficit, and cash flows for the years then ended, and the related financial statement notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP Chartered Accountants
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Silver Predator Corp.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
As at May 31, 2011

		May 31, 2011		May 31, 2010
ASSETS				
Current				
Cash and cash equivalents	**$**	**6,584,209**	$	65,276
Prepaid expenses and deposits		**51,396**		26,426
Receivables		**87,346**		23,161
Investments (Note 4)		**1,350,000**		752,200
Promissory notes (Note 5)		**200,000**		-
		8,272,951		867,063
Equipment		**-**		9,711
Investment (Note 6)		**900,000**		-
Resource properties (Note 7)		**9,108,769**		37,321
	$	**18,281,720**	$	914,095
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**168,317**	$	235,013
Due to related parties (Note 8)		**51,400**		-
		219,717		235,013
Future income tax liability (Note 9)		**378,390**		-
		598,107		235,013
Shareholders' equity				
Share capital (Note 10)		**20,693,343**		3,907,471
Contributed surplus (Note 10)		**1,412,211**		178,982
Accumulated other comprehensive income (Note 11)		**571,262**		(84,988)
Deficit		**(4,993,203)**		(3,322,383)
		17,683,613		679,082
	$	**18,281,720**	$	914,095

Nature of operations (Note 1)

Subsequent events (Note 15)

Approved on behalf of the Board of Directors:

"William M. Sheriff" *"John W. Legg"*

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

Silver Predator Corp.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT
(Expressed in Canadian Dollars)
Years ended May 31, 2011

	2011	2010
EXPENSES		
Amortization	**$ -**	$ 5,431
Consulting and management fees	**200,689**	275,442
General and administrative	**121,387**	99,822
Filing	**108,722**	39,577
Insurance	**13,578**	19,262
Professional fees	**97,998**	175,549
Salaries and wages	**180,631**	46,505
Stock-based compensation (Note 10)	**728,861**	-
Travel	**63,533**	-
	(1,515,399)	(661,588)
OTHER ITEMS		
Gain on sale of subsidiary (Note 5)	**299,908**	-
Realized gain on sale of investments (Note 4)	**-**	1,832,569
Loss on Copper Ridge shares	**-**	(666,667)
Professional fees and costs related to the property acquisition and listing transaction	**(347,015)**	-
Write-off of resource properties	**-**	(480,266)
Write-off of equipment	**(9,711)**	-
Foreign exchange loss	**(44,596)**	(3,409)
Fair value adjustment-warrants (Note 4)	**(152,200)**	(162,812)
Interest income	**4,443**	-
	(249,171)	519,415
Loss before taxes	**(1,764,570)**	(142,173)
Future income tax recovery (expense)	**93,750**	(79,231)
Loss for the year	**(1,670,820)**	(221,404)
Deficit, beginning of year	**(3,322,383)**	(767,646)
Return of capital	**-**	(2,333,333)
Deficit, end of year	**$ (4,993,203)**	$ (3,322,383)
Loss for the year	**$ (1,670,820)**	$ (221,404)
Unrealized gains on available-for-sale marketable securities	**656,250**	(84,988)
Loss and comprehensive loss for the year	**$ (1,014,570)**	$ (306,392)
Basic and diluted loss per common share	**$ (0.11)**	$ (0.05)
Weighted average number of common shares outstanding	**14,632,738**	4,206,927

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

Silver Predator Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
Years ended May 31, 2011

		2011		2010
CASH FLOWS USED IN OPERATING ACTIVITIES				
Loss for the year	$	**(1,670,820)**	$	(221,404)
Items not affecting cash:				
Amortization		**-**		5,431
Future income tax (recovery) expense		**(93,750)**		79,231
Fair value adjustment-warrants		**152,200**		162,812
Unrealized foreign exchange		**12,836**		-
Gain on sale of subsidiary		**(299,908)**		-
Realized gain on sale of investments		**-**		(1,832,569)
Loss on Copper Ridge shares		**-**		666,667
Write-off of resource properties		**-**		480,266
Write-off of equipment		**9,711**		-
Stock-based compensation		**728,861**		-
		(1,160,870)		(659,566)
Changes in non-cash working capital items:				
(Increase) decrease in receivables		**(56,685)**		(3,013)
(increase) decrease in prepaid expenses and deposits		**(24,970)**		7,367
Increase in due to related parties		**51,400**		-
Increase (decrease) in accounts payable and accrued liabilities		**(221,485)**		171,048
		(1,412,610)		(484,164)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of investments		**-**		(4,000,000)
Proceeds on sale of investments		**-**		2,738,066
Net cash acquired on disposal of subsidiary		**99,908**		-
Net cash acquired on acquisition of Fury Mexico (Note 3)		**1,576**		-
Exploration costs		**(452,681)**		(47,026)
		(351,197)		(1,308,960)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Private placements		**8,451,840**		-
Exercise of warrants		**207,251**		-
Share issuance costs		**(376,351)**		-
		8,282,740		-
Change in cash and cash equivalents during the year		**6,518,933**		(1,793,124)
Cash and cash equivalents, beginning of year		**65,276**		1,858,400
Cash and cash equivalents, end of year	**$**	**6,584,209**	$	65,276

Supplemental disclosures with respect to cash flows (Note 13)

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

1. NATURE OF OPERATIONS

Silver Predator Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on June 1, 2006. The Company is in the business of exploring for and developing economically viable mineral resource deposits in the United States and Canada. The Company's current focus is to advance the exploration of its silver properties.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They are expressed in Canadian dollars and include the accounts of the Company's wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

b. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting year. Significant areas requiring the use of estimates are the assessment of impairment of mineral property interests and equipment, valuation allowances for future income tax assets, the determination of the fair value of stock-based compensation, and other equity transactions. Actual results could differ from these estimates.

c. Investments

Marketable securities of listed companies are classified as available-for-sale and are measured at their fair market value based on quoted market prices. Securities of private companies are classified as available-for-sale and are recorded at cost. Changes in fair values of available-for-sale assets are reflected in accumulated other comprehensive income on the balance sheet. Investments in share purchase warrants are considered to be derivatives and are measured at fair value with changes in fair value recorded in income.

d. Asset retirement obligation

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. Asset retirement obligation liabilities are carried on the balance sheet at their discounted present value and are accreted over time for the change in their present value, with the accretion charge included in the statement of loss. As at May 31, 2011 and 2010, the Company had no asset retirement obligations.

e. Impairment of long-lived assets

Long-lived assets are tested for recoverability annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

f. Interest in mineral properties

All costs related to the acquisition and exploration of mineral properties are initially capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When an unproven mineral interest is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an unproven mineral interest is impaired, that interest is written down to its estimated fair value. An unproven mineral interest is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for unproven mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration, future profitable production or proceeds from the disposition thereof.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of mineral property.

2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

g. Income taxes

Income taxes are recorded using the asset and liability method under which future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to apply when the asset is realized or the liability settled. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, management provides a valuation allowance against the excess.

h. Foreign currency translation and transactions

The Company's foreign subsidiaries are considered to be integrated foreign operations and their accounts are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in the loss for the period.

i. Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants. Diluted loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

j. Financial Instruments

Financial instruments are classified into one of four categories: held-for-trading, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired, except for securities in private companies, which are recorded at cost.

The Company has classified its cash and cash equivalents as held-for-trading. Marketable securities and securities in private companies are classified as available-for-sale. Investments in share purchase warrants are treated as derivatives. Amounts receivable and promissory note are classified as loans and receivables and accounts payable are classified as other financial liabilities, all of which are measured at amortized cost.

k. Stock-based compensation

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method of accounting for stock-based compensation. The fair value of stock-based compensation awards is calculated using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

l. Flow-through shares

Under Canadian income tax, an enterprise may issue securities referred to as flow-through shares. These instruments permit the enterprise to renounce, or transfer to the investor, the tax deductions associated with an equal value of qualifying resource expenditures. The Company records a future income tax ("FIT") liability on the date that it files the renouncement documents with the tax authorities, provided that there is reasonable assurance that the expenditures will be made. In instances where it has sufficient unrecognized FIT assets to offset the FIT liability, the Company records a FIT recovery in its statement of loss relating to previously unrecognized FIT assets.

m. Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash.

(Expressed in Canadian Dollars)

3. ACQUISITION

Fury Exploration (Mexico) S. de R.L. de C.V.

On March 14, 2011, the Company acquired all of the issued and outstanding shares of Fury Exploration (Mexico) S. de R.L. de C.V. ("Fury Mexico"), a privately held company, incorporated in Mexico.

The consideration was $854,537 consisting of the issuance of 949,485 common shares of the Company. Fury Mexico's operating results have been recognized in the consolidated statement of loss beginning on March 14, 2011, the date of the acquisition.

The transaction is an asset acquisition and the allocation of the purchase cost to Fury Mexico's assets and liabilities is as follows:

Cash	$	1,576
Mineral properties - Magistral		1,218,515
Future income taxes		(365,554)
Total consideration	$	854,537

4. INVESTMENTS

The Company holds securities in other companies as follows:

	2011				2010			
		Market Value		Cost		Market Value		Cost
Common shares in public companies	$	1,350,000	$	684,988	$	600,000	$	684,988
Warrants in public companies		-		315,012		152,200		315,012
	$	1,350,000	$	1,000,000	$	752,200	$	1,000,000

Hy Lake Gold Inc.

On December 4, 2009, the Company acquired 5,000,000 units of Hy Lake Gold Inc. ("Hy Lake"), an Ontario company engaging in gold exploration and mine development in the Red Lake mining district in Northwestern Ontario, pursuant to a private placement at $0.20 per unit or $1,000,000.

Each unit consists of one common share and one share purchase warrant. Each warrant entitled the Company to purchase an additional share at $0.30 until June 3, 2011. The value of the warrants was reduced to $Nil at May 31, 2011 and the warrants expired unexercised. The 5,000,000 common shares acquired are classified as available-for-sale and represent approximately 15% of the issued and outstanding shares of Hy Lake.

5. PROMISSORY NOTES

On October 20, 2010, the Company sold its subsidiary, 1794298 Ontario Inc., the holding company of Eucan Minas S.A. de C.V., a Mexican exploration company for a sum of $300,000. The Mexican subsidiary has accumulated tax losses and a VAT receivable which was written down to nil in the prior year. The purchaser agreed to recompense the Company for an amount equal to 85% of any VAT recovered. $100,000 was received in cash and the remaining $200,000 was in the form of a promissory note. The promissory note is non-interest bearing with the first $100,000 payment due May 31, 2011 (received subsequent to year-end) and the second $100,000 payment due May 31, 2012. The carrying value of the subsidiary was $92, which resulted in a gain on disposal of the subsidiary of $299,908.

6. INVESTMENT

The Company acquired certain rights and mineral claims from Golden Predator Corp. ("Golden Predator") (Note 7). The option was structured as a purchase of the shares of Fury Explorations Ltd. ("Fury Canada") by Silver Predator. The Company issued 1,000,000 shares with a fair value of $900,000 to acquire 8.3% of the issued and outstanding shares of Fury Canada.

(Expressed in Canadian Dollars)

7. RESOURCES PROPERTIES

May 31, 2010	Acquisition costs	Exploration costs	Total
Balance, May 31, 2010	$ -	$ 37,321	$ 37,321
Canada			
Plata	450,000	1,254	451,254
Groundhog, Cyr, Grayling, Zap	1,810,000	-	1,810,000
Quarterback, Blue, Heaven, Ranch	478,216	-	478,216
Touchdown, Pigskin, Shar	1,800,000	-	1,800,000
Other	211,351	18,506	229,857
USA			
Treasure Hill, Silver Bow	2,745,463	2,945	2,748,408
Taylor	45,080	282,620	327,700
Other	-	7,498	7,498
Mexico			
Magistral	1,218,515	-	1,218,515
Total costs for the year	8,758,625	312,823	9,071,448
Balance, May 31, 2011	8,758,625	350,144	9,108,769

May 31, 2010	Acquisition costs	Exploration costs	Total
Balance, May 31, 2009	$ -	$ 468,311	$ 468,311
Wildhorse	2,250	12,242	14,492
Right of first refusal	-	23,113	23,113
Pinchot	-	11,830	11,830
Total costs	2,250	47,185	49,435
Written off during the year	(2,250)	(478,175)	(480,425)
Balance, May 31, 2010	-	37,321	37,321

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral property interests. The Company has investigated title to all of its mineral property interests and, other than as noted below, to the best of management's knowledge, title to all of its properties is in good standing. In respect of properties recently staked or acquired in the Yukon, the combination of a processing backlog in the Mining Recorders office, and delays in obtaining transfer documentation from stakers has resulted in properties acquired not being registered in the Company's name at the date of issuance of this report. The Company expects that this situation will be resolved in time.

Taylor, Plata, Rancheria and other Yukon Properties

In December, 2010, the Company signed definitive agreements with Golden Predator, Rockhaven Resources Ltd. ("Rockhaven") and Strategic Metals Ltd. ("Strategic") , to acquire certain predominantly silver exploration and development properties located in Yukon, Nevada, Mexico and British Columbia (the "Transactions") as contemplated by a Letter of Intent entered into in July 2010. The Transactions closed March 14, 2011. The details of the Transactions and mineral properties acquired are discussed further below. All shares in respect of the transactions were issued at March 11, 2011.

7. RESOURCES PROPERTIES *(Cont'd…)*

Taylor Property

The Company has acquired significant silver projects in Nevada and Mexico from Golden Predator and its subsidiaries:

Golden Predator has granted the Company an option to acquire a 100% interest in 261 unpatented mining claims and 4 patented mining claims located in White Pine County, Nevada, known as the Taylor Property. The option was structured as a purchase of the shares of Fury by Silver Predator, which in turn owns all of the shares of Anglo Nevada Metals Corporation ("Anglo Nevada"). Anglo Nevada owns the Taylor Property. To exercise this option, the Company must issue, in stages, a minimum of 12,000,000 additional Common Shares having a minimum aggregate value of $8,214,000 (all dollar amounts are in Canadian currency) but subject to a maximum of 18,463,333 shares. 1,000,000 shares were issued on closing of the agreement with a fair value of $900,000 (Note 6). On exercise of this option the Company will grant to Golden Predator a 2% NSR on all precious metals and 1% NSR on all other metals, except for metals extracted from claims subject to pre-existing royalties on which Golden Predator will receive a 1% NSR on precious metals and 0.5% NSR on all other metals.

The Company has also acquired, through Anglo Nevada, a 10 year right to earn a 50% interest in the Taylor Mill Facility from Taylor Mining Corp. ("Taylor Mining"), a wholly-owned subsidiary of Golden Predator. The Taylor Mill Facility comprises five mill site claims and the 1,320 ton per day mill complex located thereon. To earn its 50% interest Anglo Nevada must incur rehabilitation expenditures, invest operating capital or pay to Taylor Mining (or some combination of the foregoing) in an amount equal to the fair market value of the Taylor Mill Facility (or, to the extent that cash payments are made to Taylor Mining, in an amount equal to 50% of the fair market value). On Anglo Nevada acquiring a 50% interest in the Taylor Mill Facility, Anglo Nevada and Taylor Mining will enter into a joint venture agreement to operate the Taylor Mill facility.

Treasure Hill, Silver Bow, and Magistral Properties

The Company acquired, through its wholly-owned subsidiary Silver Predator US Holding Corp. ("SPUS"), the Treasure Hill and Silver Bow Properties located in White Pine & Nye Counties, Nevada from Golden Predator US Mines Inc. (a wholly-owned subsidiary of Golden Predator) ("GPUS") and, through the acquisition of Fury Mexico (Note 3), the Magistral property located in Jalisco State, Mexico, for an aggregate of 4,000,000 Common Shares with a fair value of $3,600,000. The Treasure Hill Property consists of certain patented and unpatented mining claims which are 100% owned by Golden Predator, and which are subject to existing NSR royalties of between 2% and 3%. GPUS will retain a 1% net profits interest ("NPI") on SPUS' interest in the Treasure Hill Property. The Silver Bow Property consists of lease rights in certain unpatented lode mining claims. The underlying owners of the Silver Bow Property retain a 3% NSR. GPUS will retain a 1% NPI on SPUS' interest in the Silver Bow Property, unless SPUS exercise its right to purchase the existing NSR, in which case GPUS will be granted a 1% NSR on all precious metals and 0.5% NSR on all other metals. Fury Mexico owns 100% of the Magistral Property, with Southern Silver Exploration Corp. ("Southern") holding an option to acquire a 65% interest in the Magistral Property. Provided that Southern exercises its option, Golden Predator will retain a 1% NPI on Fury Mexico's interest in the Magistral Property. In the event that Southern drops its option, Fury Mexico will grant Golden Predator a 2% NSR on all precious metals and 1% NSR on all other metals on the Magistral Property.

Plata Property

Rockhaven has granted the Company's wholly-owned subsidiary Silver Predator Canada Corp. ("SPCC") an option to acquire a 100% interest in certain quartz mining claims located in the Mayo Mining District, Yukon and known as the Plata Project. As consideration for this option, the Company has delivered to Rockhaven 500,000 Common Shares with a fair value of $450,000. To exercise this option, the Company must deliver, in stages, a minimum of 5,500,000 additional Common Shares having a minimum aggregate value of $3,627,000 but subject to a maximum of 8,731,667 shares. On exercise of this option, SPCC will grant to Rockhaven a 2% NSR on all precious metals and 1% NSR on all other metals.

Groundhog, Cyr, Grayling, and Zap Properties

The Company acquired, through SPCC, a 100% interest in four separate prospective mineral properties represented by certain quartz mining claims located in the Watson Lake and Mayo Mining Districts, Yukon, including the Groundhog, Cyr and Grayling carbonate replacement deposit targets and the Zap Project located 16 km northwest of ATAC's Rau Project. As consideration, the Company has delivered to Rockhaven 2,000,000 Common Shares with a fair value of $1,800,000. Rockhaven will retain a 2% NSR on all precious metals and 1% NSR on all other metals.

Quarterback, Blue, Heaven, and Ranch Properties

Strategic has granted SPCC an option to acquire a 100% interest in certain quartz mining claims located in the Blue, Rancheria Silver-Lead-Zinc District which straddles the British Columbia/Yukon border individually known as the Quarterback, Blue, Heaven and Ranch Properties and collectively known as the Rancheria property. As consideration for this option, the Company has delivered to Strategic 500,000 Common Shares with a fair value of $450,000. To exercise this option, the Company must deliver, in stages, a minimum of 5,500,000 additional Common Shares having a minimum aggregate value of $3,627,000 but subject to a maximum of 8,731,667 shares. On exercise of this option, SPCC will grant to Strategic a 2% NSR on all precious metals and 1% NSR on all other metals.

(Expressed in Canadian Dollars)

7. RESOURCES PROPERTIES *(Cont'd…)*

Touchdown, Pigskin, and Shar Properties

The Company acquired, through SPCC, a 100% interest in eight separate prospective mineral properties represented by certain quartz mining claims located in the Watson Lake and Mayo Mining Districts, Yukon and the Liard Mining Division, British Columbia, including the Touchdown, Pigskin, and Shar Properties. As consideration, the Company has delivered to Strategic 2,000,000 Common Shares with a fair value of $1,800,000. Strategic will retain a 2% NSR on all precious metals and 1% NSR on all other metals.

8. RELATED PARTY TRANSACTIONS

Amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties.

The Company paid or accrued management and consulting fees of $172,578 (2010 - $243,840) due to three directors of the Company.

The Company has entered into a cost sharing arrangement with a company having common directors. Under the agreement, the Company is provided with the use of office space, office and administrative resources, and technical services, on a cost recovery basis.

Amounts due to related parties of $51,400 (2010 - $Nil) are non-interest bearing and due on demand.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2011		2010
Loss before income taxes	$	(1,764,570)	$	(142,173)
Expected income tax recovery at statutory rates		(497,026)		(41,799)
Effect on income taxes of:				
Non-taxable portion of capital gains		(42,238)		(269,388)
Other permanent differences		205,298		196,000
Effect of reduction in statutory tax rates		-		73,596
Change in valuation allowance		240,216		120,821
Income tax (recovery) expense	$	(93,750)	$	79,231

The income tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

		2011		2010
Future income tax assets (liabilities)				
Non-capital tax losses carried forward	$	670,000	$	123,000
Share issuance costs		116,000		16,000
Capital assets		-		1,000
Mineral properties, net		(55,000)		117,000
Marketable securities		(88,000)		31,000
		643,000		288,000
Less: valuation allowance		(1,021,390)		(288,000)
Net future income tax liabilities	$	(378,390)	$	-

At May 31, 2011, the Company has Canadian non-capital loss carry forwards of approximately $2,373,000. The Canadian non-capital loss carry forwards expire at various dates from 2013 to 2031. The potential income tax benefits related to the Canadian loss carry forwards and certain of the Mexican and United States' operating losses have not been reflected in the accounts.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized: Unlimited number of common shares without par value

	Number of Shares		Share Capital		Contributed Surplus
Balance, May 31, 2009	4,202,908	$	3,905,221	$	178,982
Issuance of shares – mineral properties	4,167		2,250		-
Balance, May 31, 2010	4,207,075		3,907,471		178,982
Issuance of shares – private placements	13,905,643		7,998,485		453,355
Share issuance costs	-		(489,205)		112,854
Investment in Fury Canada (Note 6)	1,000,000		900,000		-
Acquisition of Fury Mexico (Note 3)	949,485		854,537		-
Issuance of shares – mineral properties	8,050,515		7,245,463		-
Exercise of warrants	429,500		276,592		(61,841)
Stock-based compensation	-		-		728,861
Balance, May 31, 2011	28,542,218	$	20,693,343	$	1,412,211

On September 21, 2010, the Company completed a non-brokered private placement whereby the Company issued 5,191,500 units at a price of $0.36 per unit for gross proceeds of $1,868,940. Each unit consisted of one common share and one half of one share purchase warrant with each full warrant exercisable at $0.50 for 1 year.

On September 29, 2010, the Company completed a non-brokered private placement whereby the Company issued 1,000,000 units at a price of $0.40 per unit for gross proceeds of $400,000. Each Unit consisted of one common share of the Company and one half of one share purchase warrant with each full warrant exercisable at $0.55 for 1 year.

On November 17 and November 27, 2010, the Company completed a non-brokered private placement whereby the Company issued 5,104,143 common shares at a price of $0.70 per share for gross proceeds of $3,572,900. The Company paid finder's fees of $183,687.

On December 23, 2010, the Company completed a non-brokered private placement whereby the Company issued 2,610,000 flow-through common shares at a price of $1.00 per common share for gross proceeds of $2,610,000. The Company paid a finder's fee consisting of $150,000 cash and 150,000 non-transferable share purchase warrants. Each warrant entitles the holder to purchase an additional common share of the Company at a price of $1.00 until December 23, 2012. A total fair value for the warrants of $121,137 was determined using the Black-Scholes method using volatility of 121.79%, a risk free rate of 1.69%, an expected life of 2 years, and a dividend payout rate of 0%.

Stock Options and warrants

The Company has a Stock Option Plan to provide an incentive to its directors, officers, employees and consultants. The maximum number of options granted under the Stock Option Plan may not exceed 10% of the shares outstanding. The exercise period of the options may not exceed five years from the date of grant. Vesting and the exercise price is as determined by the Company's Board of Directors and cannot be less than the market price of the Company's shares.

Stock options and share purchase warrant transactions are summarized as follows:

	Warrants			Stock Options		
	Number		Weighted average exercise price	Number		Weighted average exercise price
Outstanding, May 31, 2010	-	$	-	-	$	-
Granted	3,245,750		0.53	3,846,500		0.88
Exercised	(429,500)		0.50	-		-
Forfeited	-		-	(103,500)		0.81
Outstanding, February 28, 2011	2,816,250		0.54	3,743,000		0.89
Exercisable	2,816,250	$	0.54	462,500	$	0.72

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Cont'd…)*

Stock Options and warrants *(Cont'd…)*

As at May 31, 2011, incentive stock options and share purchase warrants were outstanding as follows:

	Number of shares		Exercise price	Expiry Date
Options	400,000	$	0.50	September 14, 2015
	1,450,000		0.78	November 18, 2015
	1,893,000		1.05	April 4, 2016
	3,743,000			
Warrants	2,166,250	$	0.50	September 21, 2011
	500,000		0.55	September 29, 2011
	150,000		1.00	December 23, 2012
	2,816,250			

During the year ended May 31, 2011, the Company recognized stock-based compensation of $728,861 that was recorded in the statement of operations. The weighted average fair value of options granted was $0.60 per share.

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2011	2010
Risk-free interest rate	2.61%	-
Expected life	5.00 years	-
Volatility	85.14%	-
Dividend rate	-	-

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

		2011		2010
Balance, beginning of year	$	(84,988)	$	554,617
Unrealized gains (losses) on marketable securities, net of tax		656,250		(84,988)
Realized gain on sale marketable securities		-		(554,617)
Balance, end of year	$	571,262	$	(84,988)

12. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

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

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non cash transactions for the year ended May 31, 2011 included:

a) The Company issued 1,000,000 common shares with a fair value of $900,000 to purchase of shares of Fury Canada (Note 7).

b) The Company issued 8,050,515 common shares with a fair value of $7,245,463 for the acquisition of mineral properties (Note 7).

Significant non cash transactions for the year ended May 31, 2010 included:

c) The Company distributed Copper Ridge shares with a fair value of $2,333,333 as a return of capital.

14. FINANCIAL INSTRUMENTS

Fair value

Investments in listed companies are carried at fair value using a level 1 fair value measurement. Investments in share purchase warrants are considered to be a level 2 instrument. Investments in private companies are considered to be a level 3 instrument.

The carrying value of receivables, promissory notes, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Receivables mainly consist of HST.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed share capital financings or proceeds from property sales or options.

Market risk

Market risk is the risk of loss that may arise from changes in market fluctuations such as those listed below.

(a) Interest rate risk

Management believes the interest rate risk is low given the current low global interest rate environment.

(b) Foreign currency risk

The Company's raises funds in Canadian dollars and major purchases and expenditures are transacted in US dollars. The Company also funds certain operations and exploration and administrative expenses in US dollars. Management believes the foreign exchange risk derived from currency conversions and relative exchange rate between Canadian dollars and US dollars is moderate and therefore does not hedge its foreign exchange risk.

15. SUBSEQUENT EVENTS

Illinois Property

In June 2011, the Company acquired a 100% interest in certain state of Alaska mining claims known as the Illinois property. As consideration for the property, the Company will pay US$25,000 and issue 25,000 common shares. To exercise the option, the Company is required to, in stages, issue an additional US$750,000 and issue 375,000 common shares, and incur explorations expenditures of US$3,400,000 by December 13, 2015.

The property will be subject to a 2% NSR on precious metals and a 1% NSR on base metals. 1% of the 2% NSR may be purchased by the Company for US$3,000,000.

Beginning in 2016, the Company will pay US$100,000 per year as an advance royalty until commercial production is reached. These payments will be credited against the royalty.

15. SUBSEQUENT EVENTS *(Cont'd…)*

Hy, Flip, and Rusty Properties

In April 2011 the Company entered into agreements with Strategic and ATAC Resources Ltd. ("ATAC") whereby it can earn a 100% interest in any or all of the Hy, Flip and Rusty Properties in Yukon. These agreements were subject to regulatory approval which was obtained subsequent to the year-end.

As consideration for the grant of the Rusty option, the Company has paid \$100,000 and is required to issue 200,000 common shares. To exercise the Rusty option and earn a 100% interest in the Rusty Property, the Company is required to pay an additional \$1,450,000 and issue up to an additional 1,800,000 common shares, in stages over a 6 year period, with a value cap of \$2.00 per share on the third year share issuance of 200,000 shares and a value cap of \$2.50 per share on the fourth year share issuance of 300,000 shares. Of the payments and issuances required to exercise the Rusty option, \$100,000 and 200,000 shares are firm commitments. Payments for the Rusty option are split 60/40 between Strategic and ATAC.

As consideration for the grant of the Hy option, the Company has paid \$25,000 and is required to issue 50,000 common shares. To exercise the Hy option and earn a 100% interest in the Hy Property, the Company is required to pay an additional \$775,000 and issue up to an additional 700,000 common shares, in stages over a 6 year period, with a value cap of \$2.00 per share on the third year share issuance of 100,000 shares and a value cap of \$2.50 per share on the fourth year share issuance of 150,000 shares. Of the payments and issuances required to exercise the Hy option, \$100,000 and 100,000 shares are firm commitments.

As consideration for the grant of the Flip option, the Company has paid \$15,000 and is required to issue 50,000 common shares. To exercise the Flip option and earn a 100% interest in the Flip Property, the Company is required to pay an additional \$305,000 and issue up to an additional 750,000 common shares, in stages over a 6 year period, with value caps of \$2.00 and \$2.50 per share, respectively, on the third and fourth year share issuances of 150,000 shares each. Of the payments and issuances required to exercise the Flip option, \$15,000 and 100,000 shares are firm commitments.

All properties are subject to a 2% Net Smelter Royalty ("NSR").