GOLD STANDARD VENTURES CORP.
(formerly Devonshire Resources Ltd.)

FINANCIAL STATEMENTS

JUNE 30, 2010 and JUNE 30, 2009

Content

DAVIDSON & COMPANY LLP — Chartered Accountants — A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of
Gold Standard Ventures Corp.
(formerly Devonshire Resources Ltd.)

We have audited the balance sheet of Gold Standard Ventures Corp. (formerly Devonshire Resources Ltd.) as at June 30, 2010 and the statements of loss and comprehensive loss, cash flows and shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited financial statements at June 30, 2009 and for the year then ended were examined by another auditor who expressed an opinion without reservation on those statements in their report dated October 21, 2009.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

October 27, 2010

NEXIA INTERNATIONAL

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GOLD STANDARD VENTURES CORP.
(formerly Devonshire Resources Ltd.)
Balance Sheets

		June 30, 2010		June 30, 2009
Assets				
Current				
Cash	$	21,733	$	67,397
Restricted cash (Notes 3 & 12)		3,556,021		-
GST receivable		10,686		1,330
Prepaid expenses		10,529		-
	$	3,598,969	$	68,727
Liabilities				
Current				
Accounts payable and accrued liabilities	$	416,643	$	159,575
Loan payable (Note 5)		96,650		-
		513,293		159,575
Shareholders' equity				
Capital stock (Note 6)		6,412,247		6,172,247
Share subscriptions received (Notes 3 & 12)		3,556,021		215,950
Contributed surplus		1,059,223		846,163
Warrants		-		213,060
Deficit		(7,941,815)		(7,538,268)
		3,085,676		(90,848)
	$	3,598,969	$	68,727

Nature and Continuance of Operations (Note 1), **Subsequent Events** (Note 13)

On Behalf of the Board:

"Richard Silas"
Richard Silas, Director

"Jonathan Awde"
Jonathan Awde, Director

The accompanying notes are an integral part of these financial statements

GOLD STANDARD VENTURES CORP.
(formerly Devonshire Resources Ltd.)
Statements of Loss and Comprehensive Loss

		For the year ended June 30, 2010		For the year ended June 30, 2009
Expense				
Bank charges and interest	$	1,876	$	12,397
Investor relations		3,187		1,130
Management fees		162,000		55,000
Office and miscellaneous		5,530		7,856
Part XII.6 tax and related		110,955		48,561
Professional fees		65,163		66,938
Regulatory and shareholder services		44,024		18,000
Telephone and communications		704		-
Travel and entertainment		10,112		-
Total general and adminstrative expenses		403,551		209,882
Loss before other items		(403,551)		(209,882)
Interest income		4		418
Write down of mineral property costs (Note 4)		-		(5,322,164)
Loss and comprehensive loss for the year	$	(403,547)	$	(5,531,628)
Basic and diluted loss per share	$	(0.14)	$	(3.58)
Weighted average number of common shares outstanding		2,914,060		1,547,192

The accompanying notes are an integral part of these financial statements

GOLD STANDARD VENTURES CORP.
(formerly Devonshire Resources Ltd.)
Statements of Cash Flows

		For the year ended June 30, 2010		For the year ended June 30, 2009
Cash flows used in operating activities				
Loss for the year	$	(403,547)	$	(5,531,628)
Adjustments to reconcile loss to net cash				
Write down of mineral property costs		-		5,322,164
Changes in non-cash working capital items				
Increase in GST receivable		(9,356)		18,676
Increase in prepaid expenses		(10,529)		-
Increase in accounts payable and accrued liabilities		257,068		19,629
		(166,364)		(171,159)
Cash flows used in investing activities				
Mineral property expenses		-		(550)
		-		(550)
Cash flows from financing activities				
Loan payable		96,650		-
Share issued for cash		24,050		-
Share subscriptions received		3,556,021		215,950
Restricted cash		(3,556,021)		-
		120,700		215,950
Change in cash		(45,664)		44,241
Cash, beginning of year		67,397		23,156
Cash, end of year	$	21,733	$	67,397
Cash paid for interest	$	-	$	10,360
Cash paid for income taxes	$	-	$	-

Supplemental disclosure with respect to cash flows (Note 9)

GOLD STANDARD VENTURES CORP.
(formerly Devonshire Resources Ltd.)
Statement of Shareholders' Equity

	Number of shares issued	Share capital	Contributed surplus	Warrants	Private placement subscriptions	Deficit accumulated during the exploration stage	Total Shareholders' equity
		$	$	$	$	$	$
Balance at June 30, 2008	1,547,192	6,172,247	846,163	213,060	-	(2,006,640)	5,224,830
Share subscriptions received ($0.16 per unit)	-	-	-	-	189,450	-	189,450
Share subscriptions received ($0.20 per unit)	-	-	-	-	26,500	-	26,500
Loss for the year	-	-	-	-	-	(5,531,628)	(5,531,628)
Balance at June 30, 2009	1,547,192	6,172,247	846,163	213,060	215,950	(7,538,268)	(90,848)
			-	-	-	-	-
Shares issued - cash (Note 6)	1,334,375	213,500	-	-	(189,450)	-	24,050
Shares issued - cash (Note 6)	132,500	26,500	-	-	(26,500)	-	-
Shares issued for finder's fee (Note 6)	122,000	34,160	-	-	-	-	34,160
Share issue costs - shares	-	(34,160)	-	-	-	-	(34,160)
Rounding adjustments due to 4:1 share consolidation	2	-	-	-	-	-	-
Share subscriptions received	-	-	-	-	3,556,021	-	3,556,021
Warrants expired	-	-	213,060	(213,060)	-	-	-
Loss for the year	-	-	-	-	-	(403,547)	(403,547)
Balance at June 30, 2010	3,136,069	6,412,247	1,059,223	-	3,556,021	(7,941,815)	3,085,676

The accompanying notes are an integral part of these financial statements

1. Nature and Continuance of Operations

The Company was incorporated on February 6, 2004 under the Business Corporations Act of British Columbia and is listed for trading on the TSX Venture Exchange. On November 18, 2009, the Company consolidated its share capital on the basis of one new common share for every four existing common shares outstanding and changed its name from Devonshire Resources Ltd. to Gold Standard Ventures Corp..

Subsequent to June 30, 2010, the Company acquired JKR Gold Resources Inc. ("JKR") (Note 12).

These financial statements have been prepared on the going concern basis, which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At June 30, 2010 the Company had a working capital surplus of $3,085,676 (June 30, 2009 – deficit of $90,848). The working capital will be utilized towards capital outlays of exploration for mineral properties owned by JKR after its acquisition and towards other general and administrative expenses incurred by both the Company and its subsidiaries. It can not be reasonably estimated as to the sustainability of the working capital and it is expected that further financing might be required to sustain the operations of the Company and its subsidiaries over the next twelve months.

These financial statements do not include any adjustments to the recoverability or classification of recorded asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize on its assets and discharge its liabilities and commitments at amounts different from those reported in the financial statements.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Basis of presentation

These financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). In the opinion of the Company's management, these financial statements reflect all the adjustments necessary to fairly present the Company's financial position at June 30, 2010 and 2009, and the results of operations and cash flow for the years ended June 30, 2010 and 2009.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant areas of estimate include the impairment of assets and rates for amortization, accrued liabilities, the determination of stock-based compensation and the application of valuation allowances against future tax assets.

Mineral properties and deferred exploration costs

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

Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future profitability of production revenues from the property or from the sale of property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest or potential interest, according to the usual industry standards for the stage of exploration of such properties, 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.

2. Significant Accounting Policies - Continued

Asset retirement obligations

The fair value of obligations associated with the retirement of the Company's mineral property with respect to its reclamation costs and closure of the properties is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through operations. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. As at June 30, 2010 and 2009, the Company has no material obligations relating to the retirement of its assets and therefore no liability has been recognized.

Future income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. These future taxes are measured by the provisions of currently enacted tax laws. Management believes that it is not sufficiently likely that the Company will generate sufficient taxable income to allow the realization of all of its future tax assets and therefore the Company has provided a valuation allowance against these assets.

Stock-based compensation

Stock options are granted in accordance with the policies of regulatory authorities. The fair value of all stock options is expensed over their vesting period with a corresponding increase to contributed surplus. The fair value of all stock options is calculated using the Black-Scholes option valuation model.

Flow-through shares

The Canadian Institute of Chartered Accountants ("CICA") has issued guidance on the accounting treatment for Canadian flow-through shares through its Emerging Issues Committee Abstract ("EIC") No. 146 (the "Abstract"). All flow-through shares issued by the Company are accounted for in accordance with this Abstract. Accordingly, upon renunciation of exploration expenditures to the shareholders, the Company reduces share capital and recognizes a future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction and is more likely than not able to utilize either these tax losses or other deductible temporary differences before expiry, the Company recognizes future tax assets, with a corresponding credit to operations, for an amount equal to the future income tax liability.

2. Significant Accounting Policies - Continued

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not included in the periods presented as the effects of the computations are anti-dilutive due to the losses incurred.

Goodwill and intangible assets

The Company follows CICA Handbook Section 3064 "*Goodwill and Other Intangible Assets*" which establishes guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

Financial instruments

The Company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its cash as held-for-trading which is measured at fair value. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities; all of which are measured at amortized cost.

2. Significant Accounting Policies - Continued

Effective October 1, 2009, CICA Section 3862 "Financial Instruments – Disclosures" was amended to require disclosures about the relative inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of fair value inputs are:

i) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly; and
iii) Level 3 – Inputs that are not based on observable market data.

See Note 10 for the related disclosure.

Comprehensive income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale investments, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivate instruments designated as cash flow hedges, all net of income taxes. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a new category in shareholders' equity.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Recent Accounting Pronouncements

a) Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "*Business Combinations*", 1601 "*Consolidated Financial Statements*" and 1602 "*Non-controlling Interests*" which replace CICA Handbook Sections 1581 "*Business Combinations*" and 1600 "*Consolidated Financial Statements*". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

The Company does not anticipate the adoption of the above standards will have a significant effect on the Company's financial statements as of June 30, 2010.

2. Significant Accounting Policies - Continued

Recent Accounting Pronouncements - Continued

b) International financial reporting standards ("IFRS")

The Canadian Accounting Standard Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. The conversion to IFRS will be applicable to the Company's reporting no later than the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology systems, internal control over financial reporting, and disclosure control and procedures. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Restricted Cash

The restricted cash consists of the proceeds from the private placement of subscription receipts plus accrued interest held in escrow pursuant to a subscription receipt agreement dated April 2010 (Note 12). The proceeds were released from escrow to the Company on completion of the JKR acquisition in July 2010.

4. Mineral Property Costs

TCH Diamond Project

The Company had a 100% interest, subject to a 2% net smelter return upon commercial production, in certain mineral claims located in the Walsh, Foxtrap Lake and Killala Townships in Ontario, known as the TCH Diamond Project. During the year ended June 30, 2009, the Company decided not to continue with exploration of the property and wrote down deferred costs of $2,799,492.

4. Mineral Property Costs - Continued

Expenditures related to the TCH Diamond Project are summarized as follows:

Balance as at June 30, 2008	$	2,798,992
Geological		500
Write down of mineral property costs		(2,799,492)
Balance as at June 30, 2009 and 2010	$	-

KMD Project

The Company was granted a 100% interest in 15 claims known as the Brown Lake property located in the territory of Nunavut. The Company's interest in the Brown Lake property was subject to a royalty obligation equal to 3% of gross revenue from the sale of diamonds mined from the property. The Company may, at any time within three years, purchase one-third of the 3% royalty for a purchase price of $1,000,000 and may purchase an additional one-third of the royalty for an additional $1,000,000. Additional mineral claims that were originally staked on behalf of the Company in an area that is contiguous to the Brown Lake property were 100% owned by the Company.

During the year ended June 30, 2009, the Company decided not to continue with exploration of the property and recorded a provision for the write down of mineral property interests of $2,522,672 related to the KMD Project.

4. Mineral Property Costs – Continued

Expenditures related to the KMD Project are summarized as follows:

Balance as at June 30, 2008	$	2,522,622
Geological		50
Write down of mineral property costs		(2,522,672)
Balance as at June 30, 2009 and 2010	$	-

5. Loan Payable

The loan payable represents advances to the Company from JKR (Note 12) and is unsecured, non-interest bearing and payable upon demand.

6. Capital Stock

On August 21, 2009, the Company closed a private placement for 1,334,375 units at $0.16 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at $0.20 per share for a period of one year and $0.40 per share for a further year. The Company also closed a private placement for 132,500 units at $0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at $0.28 per share for a period of one year and $0.40 per share for a further year. As at June 30, 2009, subscription proceeds of $215,950 had been received towards these private placements.

Pursuant to the above private placements, the Company issued 122,000 common shares valued at $34,160 for finder's fees.

On November 18, 2009, pursuant to a resolution passed by shareholders on October 9, 2009, the Company consolidated its share capital on the basis of four existing common shares for one post-consolidated common share. All common shares, per share amounts, options and warrants have been restated to give retroactive effect to the share consolidation.

Stock options

The Company has established a stock option plan in accordance with the policies of the TSX Venture Exchange under which it is authorized to grant share purchase options up to 10% of its outstanding shares. Unless otherwise stated, the options vest when granted. The options are for a maximum term of five years.

6. Capital Stock - Continued

During the year ended June 30, 2010, the Company granted nil stock options (June 30, 2009 - Nil).

A summary of stock option activities during the years ended June 30, 2010 and 2009 are as follows:

	Number of options	Weighted average exercise price $
Outstanding and exercisable as at June 30, 2008 and 2009	38,750	4.60
Expired	(7,500)	(16.00)
Outstanding and exercisable at June 30, 2010	31,250	1.86

Outstanding stock options at June 30, 2010 are as follows:

Exercise price $	Number of options	Remaining contractual life (years)
10.00	1,250	0.57
1.52	30,000	2.65
	31,250	

Subsequent to June 30, 2010, upon closing of the acquisition of JKR (Note 12), the Company cancelled all of the above options.

6 Capital Stock - Continued

Warrants

A summary of share warrant activities during the years ended June 30, 2010 and 2009 are as follows:

	Number of warrants	Weighted average exercise price $
Outstanding and exercisable at June 30, 2008 and 2009	600,000	1.12
Granted	1,466,875	0.21
Expired	(600,000)	(1.12)
Outstanding and exercisable at June 30, 2010	1,466,875	0.21

As at June 30, 2010, the following share purchase warrants were outstanding:

Exercise price $	Number of warrants	Remaining contractual life (years)
0.20 / 0.40	1,334,375	1.14
0.28 / 0.40	132,500	1.14
	1,466,875	

The 1,334,375 warrants have an exercise price of $0.20 per share on or before August 21, 2010 and $0.40 per share on or before August 21, 2011.

The 132,500 warrants have an exercise price of $0.28 per share on or before August 21, 2010 and $0.40 per share on or before August 21, 2011.

7. Income Taxes

	2010	**2009**
	$	$
Net loss before income taxes	(403,547)	(5,531,628)
Income tax recovery at statutory rates	118,037	1,687,147
Expenses not deductible	(29,589)	-
Change in future income tax asset net of valuation allowance	(88,448)	(1,687,147)
Income tax expense	-	-

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

	2010	**2009**
	$	$
Future tax assets:		
Mineral properties	1,126,708	1,243,885
Non-capital loss carry forwards	585,948	555,335
Share issue costs	9,713	9,388
	1,722,369	1,808,608
Less: valuation allowance	(1,722,369)	(1,808,608)
Actual income taxes	-	-

As at June 30, 2010, the Company had available for deduction against future taxable income, non-capital losses of approximately $2,343,000 expiring through 2030. The potential income tax benefits of these losses and other tax assets have been offset by a full valuation allowance.

8. Related Party Transactions

During the year ended June 30, 2010, the Company entered into the following transactions with related parties:

i. Paid or accrued management fees of $Nil (2009 - $55,000) to a company controlled by a former director of the Company.

ii. Paid or accrued management fees of $81,000 (2009 - $Nil) to a company controlled by a director of the Company.

iii. Paid or accrued management fees of $81,000 (2009 - $Nil) to a company controlled by an officer of the Company.

8. Related Party Transactions - Continued

iv. Paid or accrued professional fees of $3,500 (2009 - $45,000) to a company controlled by a former officer of the Company.

v. Paid or accrued professional fees of $2,250 (2009 - $Nil) to a firm controlled by a director of the Company. This director resigned subsequent to the June 30, 2010 year end.

vi. Paid or accrued deferred exploration costs of $Nil (2009 - $550) to a company controlled by an officer and director of the Company.

Included in accounts payable at June 30, 2010 was $145,125 (2009 - $Nil) owing to companies controlled by directors and an officer of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

9. Supplemental disclosure with respect to cash flows

Significant non-cash transactions consisted of:

a) Applying subscription proceeds received during fiscal 2009 of $215,950 towards private placement share issuances completed during the 2010 fiscal year.

b) Issuance of 122,000 shares at a value of $34,160 (2009 - $Nil) as a finder's fee towards private placements.

c) Allocation of $213,060 (2009 - $Nil) of warrants to contributed surplus on the expiry of the related warrants.

10. Financial Instruments and Risk Management

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and loan payables. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk

Upon completion of the acquisition of JKR (Note 12), the Company will conduct mineral property exploration activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at June 30, 2010, the Company was not exposed to significant foreign exchange risk.

b) Credit risk

Credit risk is risk of financial loss to the Company if the counterparty to a financial statement fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

10. Financial Instruments and Risk Management - Continued

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds short-term non-interest bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Price risk

The ability of the Company to explore and develop its mineral properties and the future profitability of the Company are directly related to the price of gold. The Company monitors gold prices to determine the appropriate course of action to be taken.

11. Capital Management

The objective of the Company's capital management is to maintain a strong capital base to fund exploration activities and to maintain liquidity to sustain its operations. The Company considers the components of shareholders' equity as capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets. In the case of uncertainty over the ability to raise funds in current or future economic conditions, the Company would manage capital by minimizing ongoing expenses, and if necessary, employ the use of related party funding.

There were no changes in the Company's approach to capital management for the year ended June 30, 2010 compared to the year ended June 30, 2009. The Company is not subject to any externally imposed capital requirements.

12. Acquisition of JKR

In May 2010, the Company entered into an arrangement agreement with JKR whereby the Company agreed to acquire all the issued and outstanding shares of JKR, on a one share for one share basis.

12. Acquisition of JKR - Continued

The transaction completed in July 2010, and effectively resulted in a reverse takeover of the Company by JKR, since the former shareholders of JKR acquired control of the Company. The Company acquired all 24,784,571 shares of JKR, as well as exchanged 1,410,000 special warrants of JKR into one common share of the Company and one share purchase warrant, entitling the holder to purchase one additional share of the Company for a price of $1.00 until July 2012. The Company also exchanged 98,700 JKR agent's warrants into 98,700 warrants entitling the holder to purchase one additional share of the Company for a price of $0.65 until March 2012.

Pursuant to this transaction, the Company received advances from JKR of $96,650 as at June 30, 2010 (Note 5).

Concurrent with the acquisition, the Company completed a financing whereby a total 5,564,176 subscription receipts were issued at a price of $0.65 and consisted of one common share of the Company, issued on completion of the acquisition, and one warrant entitling the holder to purchase an additional common share at a price of $1.00 for a period of 2 years, for total proceeds of $3,616,714.

As at June 30, 2010, the Company had issued 5,466,921 subscription receipts for gross proceeds of $3,553,499, plus interest of $2,522 for a total of $3,556,021 which were held in escrow to be released upon completion of the transaction.

Upon closing of the transaction, the Company cancelled all 31,250 stock options that were outstanding at that time.

Certain of the shares issued and exchanged in the transaction are subject to escrow agreements.

JKR is a private, exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of gold properties in Nevada, US. JKR has two mineral properties, the Railroad property and the Crescent Valley property, which are subject to certain future lease payments to maintain good standing of their ownership. These obligations are assumed by the Company upon their acquisition by JKR.

13. Subsequent Events

a) In July 2010, the Company granted 2,050,000 stock options to certain executive officers, directors and consultants of the Company exercisable for a period of five years at a price of $0.65 per share.

b) On August 2, 2010, the Company received a Writ of Garnishment issued by a foreign district court regarding a judgment obtained by a plaintiff against a Judgment Debtor, with which, the Company's subsidiary, JKR Gold Resources Inc. has a mineral property option agreement. As per the agreement, JKR is obligated for the balance of an option payment of US$100,000 due to the Judgment Debtor.

   The judgment was subsequently registered in the Supreme Court of British Columbia. In September 2010, the Company paid the US$100,000 into Court and is considered to be the option payment to the Judgment Debtor.

c) In August 2010, the Company entered a mining lease and option to purchase agreement to acquire, subject to a 4% net smelter royalty, a 100% interest in the Douglas Camp projects in Nevada. Under the terms of the agreement, the Company is to pay cumulative lease payments of US$550,000 and incur expenditures of US$900,000 by August 2018, and thereafter lease payments and annual expenditures will be subject to negotiation.

13. Subsequent Events – Continued

d) In September 2010, the Company completed a private placement and issued 7,809,493 units at a price of $0.65 per unit for gross proceeds of $5,076,170. Each unit consisted of one common share and on share purchase warrant exercisable at a price of $1.00 for a period of 2 years. The warrants are subject to an acceleration clause whereby, if the volume weighted average trading price of the Company's shares for 15 consecutive trading days is at least $1.50 per share, the Company will have the right to provide notice to the holders that the warrants will expire following a notice period of at least 30 days. The Company paid cash commissions of $333,281 and issued 405,725 finders options in relation to this financing. Each finder's option entitles the holder to acquire one common share at a price of $0.65 for a period of two years.

e) In September 2010, the Company entered into lease agreements for a period of 10 years to acquire additional claims in relation to the Railroad project held by JKR. The claims have estimated annual lease payments of US$60,000 increasing to US$85,700 in 8 years.