NORTHERN CAPITAL RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)

Consolidated Financial Statements

June 30, 2011 and 2010

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Independent Auditor's Report

To the Board of Directors and Stockholders of
Northern Capital Resources Corporation

We have audited the accompanying consolidated balance sheets of Northern Capital Resources Corporation and Subsidiaries (An Exploration Stage Company) as of June 30, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern Capital Resources Corporation and Subsidiaries at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As described in note 1, at June 30, 2011 the Company had not yet commenced revenue producing operations and has funded operations through equity and debt financing since inception. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's plans in regard to these matters are also discussed in note 1.

PKF

New York, NY
December 22, 2011

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NORTHERN CAPITAL RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Balance Sheets
June 30, 2011 and 2010

	June 30, 2011 CDN$	June 30, 2010 CDN$	Convenience Translation 2011 US$
ASSETS			
Current Assets			
Cash	3,862,998	1,101,257	3,954,899
Receivables	167,002	96,925	170,976
Advances to affiliates (note 5)	-	47,160	-
Prepaid expenses and deposits	40,494	141,411	41,457
Total Current Assets	4,070,494	1,386,753	4,167,332
Non Current Assets			
Cash held for site remediation (note 12)	108,830	924,485	111,419
Property, plant and equipment (note 13)	979,020	6,756,598	1,002,311
Mineral rights (note 11)	39,763,440	43,790,295	40,709,412
Total Non Current Assets	40,851,290	51,471,378	41,823,142
Total Assets	44,921,784	52,858,131	45,990,474
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	898,500	2,092,857	919,876
Note payable (note 5)	900,000	-	921,411
Other current liability (note 15)	-	2,098,798	-
Total Current Liabilities	1,798,500	4,191,655	1,841,287
Non Current Liabilities			
Accrued site remediation (notes 10 and 12)	-	2,400,000	-
Note payable (note 5)	-	900,000	-
Advances from affiliates (note 5)	650,831	1,548,557	666,314
Deferred tax liability (note 16)	6,372,633	2,623,538	6,524,237
Total Non Current Liabilities	7,023,464	7,472,095	7,190,551
Total Liabilities	8,821,964	11,663,750	9,031,838
Commitments (note 9)			
Stockholders' Equity:			
Common Stock: $.001 par value			
400,000,000 shares authorized			
223,073,351 and 207,823,451 issued and outstanding	158,498	143,010	162,269
Additional paid-in-capital	16,405,735	10,322,900	16,796,028
Accumulated other comprehensive loss	(307)	(307)	(314)
Retained profit (deficit) during exploration stage	3,987,312	11,328,958	4,082,170
Retained profit prior to exploration stage	1	1	1
Northern Capital Resources Stockholders' Equity	20,551,239	21,794,562	21,040,154
Non Controlling Interests (note 10)	15,548,581	19,399,819	15,918,482
Total Equity	36,099,820	41,194,381	36,958,636
Total Liabilities and Equity	44,921,784	52,858,131	45,990,474

The accompanying notes are an integral part of the consolidated financial statements

NORTHERN CAPITAL RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Operations
For the years ended June 30, 2011 and 2010
and for the cumulative period May 10, 2006
(inception of exploration activities) to June 30, 2011

	June 30, 2011 CDN$	June 30, 2010 CDN$	Convenience Translation 2011 US$	May 10, 2006 to June 30, 2011 CDN$
Revenues	$-	$-	$-	$-
Costs and expenses:				
Stock based compensation	216,738	39,421	221,894	256,159
Exploration expenditure	2,486,135	3,325,976	2,545,280	5,858,687
Depreciation and amortization	430,527	488,295	440,769	918,822
Interest (income) expense, net	(61,263)	147,356	(62,720)	86,787
Legal, accounting and professional	741,783	698,155	759,430	1,444,876
Administration expenses	2,222,271	2,233,507	2,275,139	4,951,415
Total costs and expenses	6,036,191	6,932,710	6,179,792	13,516,746
(Loss) from operations	(6,036,191)	(6,932,710)	(6,179,792)	(13,516,746)
Foreign currency exchange (loss)	(356,930)	(17,201)	(365,421)	(258,025)
Adjustment to fair value on stepped acquisition (note 10)	-	7,433,008	-	7,433,008
Gain on bargain purchase (note 10)	-	10,305,011	-	10,305,011
Profit on disposal of property, plant and equipment	48,342	-	49,492	48,342
Write off of property, plant and equipment	(170,450)	-	(174,505)	(170,450)
Other income:				
Profit from sale of equity investment (note 14)	-	1,355,502	-	1,355,502
Gain on settlement of guarantee obligation (note 15)	1,198,796	-	1,227,315	1,198,796
Net gain from sale of subsidiary (note 10)	640,866	-	656,112	640,866
Interest income – other	6,067	287,451	6,211	293,609
Profit/(loss) before deferred income taxes and equity in profits of unconsolidated entities	(4,669,500)	12,431,061	(4,780,588)	7,329,913
Provision for deferred income taxes (note 16)	(3,749,095)	(2,623,538)	(3,838,286)	(6,372,633)
Profit/(loss) before equity in profits of unconsolidated entities	(8,418,595)	9,807,523	(8,618,874)	957,280
Equity in profits of unconsolidated entities	-	234,064	-	234,064
Net profit/(loss)	(8,418,595)	10,041,587	(8,618,874)	1,191,344
Net loss attributable to non-controlling interests	1,076,949	1,719,020	1,102,570	2,795,969
Net profit/(loss) attributable to Northern Capital Resources stockholders	(7,341,646)	11,760,607	(7,516,304)	3,987,313
Basic and diluted net profit/(loss) per common equivalent shares	(0.03)	0.06	(0.03)	0.03
Weighted average number of common equivalent shares used per share calculation	218,752,012	195,819,424	218,752,012	142,706,195

The accompanying notes are an integral part of the consolidated financial statements

NORTHERN CAPITAL RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
June 30, 2011 and 2010
and for the cumulative period May 10, 2006
(inception of exploration activities) to June 30, 2011

	Shares	Common Stock Amount	Additional Paid-in Capital	Retained Profit/(Deficit) (during the Exploration stage)	Retained Profit (prior to Exploration stage)	Deferred Compen-sation	Accumulated Other Compre-hensive Loss	Non-Controlling Interests	Total
		CDN$	CDN$	CDN$	CDN$	CDN$	CDN$	CDN$	CDN$
Balance May 10, 2006									
Founders subscription	100,000,000	22,439	-	-	-	-	-	-	22,439
Net unrealized (loss) on foreign exchange	-	-	-	-	-	-	(45)	-	(45)
Net (loss)	-	-	-	-	-	-	-	-	-
Balance June 30, 2006	100,000,000	22,439	-	-	-	-	(45)	-	22,394
Net unrealized (loss) on foreign exchange	-	-	-	-	-	-	(1,214)	-	(1,214)
Net profit	-	-	-	-	1	-	-	-	1
Balance June 30, 2007	100,000,000	22,439	-	-	1	-	(1,259)	-	21,181
Share subscription	3,572,500	3,590	714,783	-	-	-	-	-	718,373
Net unrealized gain on foreign exchange	-	-	-	-	-	-	1,303	-	1,303
Net (loss)	-	-	-	(104,991)	-	-	-	-	(104,991)
Balance June 30, 2008	103,572,500	26,029	714,783	(104,991)	1	-	44	-	635,866
Share subscription	650,000	666	132,059	-	-	-	-	-	132,725
Net unrealised (loss) on foreign exchange	-	-	-	-	-	-	(3,356)	-	(3,356)
Net (loss)	-	-	-	(326,658)	-	-	-	-	(326,658)
Balance June 30, 2009	104,222,500	26,695	846,842	(431,649)	1	-	(3,312)	-	438,577
Share subscription	103,600,951	116,315	24,954,240	-	-	-	-	-	25,070,555
Net unrealised gain on foreign exchange	-	-	-	-	-	-	3,005	-	3,005
Fair value non-controlling interests	-	-	-	-	-	-	-	23,531,416	23,531,416
Adjustment for additional investment in consolidated subsidiary	-	-	(15,478,182)	-	-	-	-	(2,412,577)	(17,890,759)
Net loss attributable to non-controlling interests	-	-	-	1,719,020	-	-	-	(1,719,020)	-
Net profit	-	-	-	10,041,587	-	-	-	-	10,041,587
Balance June 30, 2010	207,823,451	143,010	10,322,900	11,328,958	1	-	(307)	19,399,819	41,194,381
Share subscription	15,249,900	15,488	3,082,173	-	-	-	-	-	3,097,661
Amortisation of options under stock option plan	-	-	54,726	-	-	-	-	-	54,726
Adjustment for additional investment in subsidiary	-	-	2,945,936	-	-	-	-	(2,774,289)	171,647
Net (loss) attributable to non-controlling interests	-	-		1,076,949	-	-	-	(1,076,949)	-
Net (loss)	-	-		(8,418,595)	-	-	-	-	(8,418,595)
Balance June 30, 2011	223,073,351	158,498	16,405,735	3,987,312	1	-	(307)	15,548,581	36,099,820

The accompanying notes are an integral part of the consolidated financial statements

NORTHERN CAPITAL RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010
and for the cumulative period May 10, 2006
(inception of exploration activities) to June 30, 2011

	2011 CDN$	2010 CDN$	Convenience Translation 2011 USD$	May 10, 2006 to June 30, 2011 CDN$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit/(loss)	(8,418,595)	10,041,587	(8,618,874)	1,191,344
Adjustments to reconcile net profit (loss) to net cash (used) in operating activities				
Foreign currency exchange loss	356,930	17,201	365,421	258,025
Depreciation/amortization of property, plant and equipment	430,527	488,295	440,769	918,822
Stock based compensation	216,738	39,421	221,894	256,159
Provision for deferred income tax	3,749,095	2,623,538	3,838,286	6,372,633
Equity in profits of unconsolidated entities	-	(234,064)	-	(234,064)
Bargain purchase of controlled entities	-	(10,305,011)	-	(10,305,011)
Adjustment to fair value on stepped acquisition	-	(7,433,008)	-	(7,433,008)
Profit on sale of equity investment	-	(1,355,502)	-	(1,355,502)
Profit on disposal of property, plant and equipment	(48,342)	-	(49,492)	(48,342)
Gain on settlement of guarantee obligation	(1,198,796)	-	(1,227,315)	(1,198,796)
Net gain from sale of subsidiary	(640,866)	-	(656,112)	(640,866)
Write off of exploration costs	376,945	-	385,912	376,945
Write off of plant and equipment	170,450	-	174,505	170,450
Accrued interest added to principal	(61,263)	147,356	(62,720)	86,787
Net change net of acquisition in:				
Receivables	(78,559)	(90,411)	(80,428)	(176,707)
Prepaid expenses and deposits	70,917	(141,411)	72,604	(70,494)
Accounts payable and accrued expenses	82,251	3,350,033	84,208	4,648,545
Accrued site remediation	(200,000)	-	(204,758)	(200,000)
Net Cash (Used in) Operating Activities	(5,192,568)	(2,851,976)	(5,316,099)	(7,383,080)
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of majority owned subsidiary net of cash acquired	(3,097,661)	(25,302,248)	(3,171,354)	(28,399,909)
Proceeds from sale of equity investment	-	1,962,838	-	1,962,838
Proceeds from disposal of property, plant and equipment	76,000	-	77,808	76,000
Proceeds from disposal of subsidiary (net)	9,802,749	-	10,035,956	9,802,749
Purchase of property, plant and equipment	(189,880)	(154,838)	(194,397)	(344,718)
Net Cash Provided/(Used) in Investing Activities	6,591,208	(23,494,248)	6,748,013	(16,903,040)
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings from affiliates	3,135,204	1,495,948	3,209,791	4,717,941
Repayments to affiliates	(4,876,434)	-	(4,992,445)	(4,876,434)
Proceeds from issuance of stock	3,097,661	25,070,555	3,171,354	28,300,941
Net Cash Provided by Financing Activities	1,356,431	26,566,503	1,388,700	28,142,448
Effects of Exchange Rate on Cash	6,670	-	6,829	6,670
Net Increase in Cash	2,761,741	220,279	2,827,443	3,862,998
Cash at Beginning of Period	1,101,257	880,978	1,127,456	-
Cash at End of Period	3,862,998	1,101,257	3,954,899	3,862,998
Supplemental Disclosures				
Interest Paid	44,000	139,000	45,047	183,000

NON CASH FINANCING ACTIVITY
Acquisition of subsidiary (note 10)

(1) ORGANIZATION AND BUSINESS

Northern Capital Resources Corporation (“Northern Capital Resources”) was incorporated under the laws of the State of Nevada on May 10, 2006. The principal shareholders of Northern Capital Resources are companies associated with Mr J I Gutnick, Northern Capital Resources’ President, and his spouse. These companies own approximately 36.52% of Northern Capital Resources at June 30, 2011.

The financial statements presented herein have been prepared on a consolidated basis to include the accounts of Northern Capital Resources and its direct and indirect subsidiaries, namely Golden River Resources Corporation group (“Golden River”) and Acadian Mining Corporation group (TSX:ADA) (“Acadian”) (collectively “the Company”). All intercompany balances and transactions have been eliminated in consolidation. The Company, Golden River and Acadian are all under common management (see note 5).

The Company has never generated any revenues from operations and is still considered an exploration stage company.

On July 8, 2009, Northern Capital Resources completed an off-market purchase of 11,027,456 common shares in Golden River and paid CDN$14,538,262, giving Northern Capital Resources an 87.03% holding of Golden River.

During fiscal 2010, Northern Capital Resources also entered into a subscription agreement with Golden River, whereby the Company would subscribe for 9,960,351 shares at an issue price of US$1.00 per share by March 31, 2010. In September 2009, pursuant to the subscription agreement, Northern Capital Resources purchased 5,056,671 shares of common stock of Golden River at an issue price of US$1.00 for an aggregate of CDN$5,582,790. On March 31, 2010, the Company completed the purchase of 4,903,680 shares of common stock of Golden River at an issue price of US$1.00 for an aggregate of CDN$5,181,196.

Northern Capital Resources subscribed for an additional 1,427,580 shares of common stock at an issue price of US$1.00 per share in Golden River, for an aggregate CDN$1,475,580, pursuant to the subscription agreement dated July 14, 2010 between Northern Capital Resources and Golden River. On December 31, 2010, Northern Capital Resources subscribed for an additional 32,448,000 shares at an issue price of US$0.05 per share for an aggregate CDN$1,622,400 in Golden River pursuant to the subscription agreement dated December 31, 2010 between Northern Capital Resources and Golden River. At June 30, 2011, Northern Capital Resources held 54,863,387 shares of common stock in Golden River for a 96.58% interest. The remaining 3.42% interest is held by third party investors.

In fiscal 2009, Golden River announced that it had reached an agreement with Acadian to subscribe in a private placement transaction for up to 33,811,133 common shares ("Offering") in Acadian for aggregate gross investment of up to CDN$10 million. The Offering was contemplated to close in two or more tranches giving Golden River a 68.76% holding of Acadian. Golden River held a 19.9% interest in Acadian at June 30, 2009.

Throughout July 2009, Golden River subscribed for further shares to a value of CDN$4 million and at July 31, 2009, held a 52.76% interest in Acadian. As a result, Golden River has since that time consolidated the results of Acadian. On September 30, 2009, a further closing for an aggregate of CDN$1 million occurred increasing Golden River’s interest in Acadian to 57.15% and during October 2009, Golden River completed its subscription in Acadian by subscribing for shares to the value of CDN$4 million which increased its interest in Acadian to 68.76%. On July 8, 2010, Golden River subscribed for a further 4,923,387 common shares at a price of CDN$0.03 per share for an aggregate CDN$1,477,016. At June 30, 2011, Golden River held 71.48% interest in Acadian. During July 2011, Golden River purchased a further 259,500 common shares in Acadian at a cost of CDN$79,985. Golden River currently holds 38,994,020 common shares in Acadian for a 71.96% interest. Effective November 1, 2010, Golden River had a 1-for-10 reverse stock split of its Common Stock and accordingly, all comparison figures have been retroactively restated.

In November 2010, Acadian consolidated its outstanding common shares on a basis of one post-consolidation share for every ten pre-consolidation shares as approved by the shareholders of Acadian. Acadian’s common shares commenced trading on a consolidated basis on November 17, 2010. All comparative figures have been retroactively adjusted as if this share consolidation occurred on January 1, 2010.

During fiscal 2011, the Company has issued in private placement transactions 15,249,900 shares of common stock for CDN$3,097,661; received advances from affiliates amounting to approximately CDN$1,000,000; and has utilized these funds to increase its investment in Golden River; made advances to affiliates for working capital purposes; and for its own working capital purposes. Since that time, the advances from affiliates have been repaid by the affiliates and the Company has used these repayments to repay its own advances from affiliates. Furthermore, the Company’s indirect subsidiary, Acadian has raised approximately CDN$10 million in funds from the sale of its holdings in ScoZinc in May 2011 (see note 10) and now has sufficient funds to cover its own activities. Accordingly, the Company’s funding obligations have reduced substantially.

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company is an exploration stage company which has not yet commenced revenue producing operations and has sustained recurring losses since inception, all of which raises substantial doubt as to its ability to continue as a going concern.

In addition, the Company has historically relied on loans and advances from corporations affiliated with the President of Northern Capital Resources and fund raising through the sale of equity instruments. Based on discussions with these affiliate companies, the Company believes this source of funding will continue to be available.

Other than the arrangements noted above, the Company has not confirmed any other arrangement for ongoing funding. The Company’s ability to continue operations through fiscal 2012 is dependent upon future funding from capital raisings, or its ability to commence revenue producing operations and positive cash flows.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in connection with the preparation of the consolidated financial statements.

(a) Principles of Consolidation

The consolidated financial statements include the assets and liabilities of the Company and the entities it controlled at the end of the financial period and the results of the Company and the entities it controlled during the year. Where entities are not controlled throughout the entire financial year, the consolidated results include the results of those entities for that part of the period during which control exists. The effect of all transactions between entities in the group and the inter-entity balances are eliminated in full in preparing the consolidated financial statements.

(b) Functional and Reporting Currency

As a result of the purchase of the controlling interest in Golden River in July 2009, the Company’s revenue and expenses are primarily denominated in Canadian dollars (CDN$). ASC Topic 830 “Foreign Currency Matters” states that the functional currency of an entity is the currency of the primary economic environment in which the entity operates. Accordingly the Company determined that the functional and reporting currency of the Company is the Canadian dollar. Assets, liabilities and portions of equity were translated at the rate of exchange at July 1, 2009 and portions of equity were translated at historical exchange rates. Revenue and expenses were translated at actual rates. Translation gains and losses were included as part of accumulated other comprehensive loss.

(c) Business Combinations

The Company follows the provisions of ASC Topic 805 “Business Combinations” for guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interests in the acquiree. The guidance also provided disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

In April 2009, ASC Topic 805 was updated to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This update is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. Northern Capital Resources acquisition of the 91.52% interest in Golden River, completed during July 2009, was accounted for using this guidance.

(d) Noncontrolling Interests

The Company follows the provisions of ASC Topic 810 “Consolidation” for guidance for accounting and reporting standards pertaining to: (i) ownership interests in subsidiaries held by parties other than the parent (“noncontrolling interests”), (ii) the amount of net income attributable to the parent and to the noncontrolling interests, (iii) changes in a parent’s ownership interest, and (iv) the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. If a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary is measured at fair value and a gain or loss is recognized in net income based on such fair value. For presentation and disclosure purposes, the guidance requires noncontrolling interests to be classified as a separate component of equity. Noncontrolling interests reflect third parties' ownership interest in entities that are consolidated as less than 100% owned.

(e) Fair Value of Financial Instruments

The Company follows ASC Topic 825 "Financial Instruments" which requires the Company to disclose, when reasonably attainable, the fair market values of its assets and liabilities which are deemed to be financial instruments. The Company's financial instruments consist primarily of cash, receivables, accounts payable and accrued expenses and advances from affiliates. The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate their fair values due to the short term maturities of these instruments. The fair value of advances from affiliates are not practicable to estimate as no similar market exists for these instruments and as it does not have a specified date of repayment.

(f) Mineral Property Acquisition, Exploration Costs and Amortization of Mineral Rights

Mineral property acquisition, exploration and development costs are expensed as incurred until such time as economic reserves are quantified. To date, the Company has not established any proven or probable reserves on its mineral properties. When it is determined that a mining deposit can be economically and legally extracted or produced based on established proven and probable reserves, further exploration costs and development costs incurred after such determination will be capitalized. The establishment of proven and probable reserves is based on results of final feasibility studies which indicate whether a property is economically feasible. Upon commencement of commercial production, capitalized costs will be transferred to the appropriate asset category and amortized over their estimated useful lives. Capitalized costs, net of salvage values, relating to a deposit which is abandoned or considered uneconomic for the foreseeable future, will be written off.

(g) Reclamation and Remediation Obligations (Asset Retirement Obligations)

Reclamation costs are allocated to expense over the life of the exploration activity and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and remediation costs. The asset retirement obligation is based on when the spending for an existing environmental disturbance will occur. The Company reviews, on at least an annual basis, the asset retirement obligation at each exploration site.

Future remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred. Such cost estimates include, where applicable, plugging of drill holes, removal of consumables and ripping of drill pads and tracks. Changes in estimates are reflected in earnings in the period an estimate is revised.

Accounting for reclamation and remediation obligations requires management to make estimates unique to each exploration operation of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Any such increases in future costs could materially impact the amounts charged to earnings for reclamation and remediation.

(h) Comprehensive Income (Loss)

The Company follows ASC Topic 220 "Comprehensive Income" which requires a company to report comprehensive income/(loss) and its components in a full set of financial statements. Comprehensive income/(loss) is the change in equity during a period from transactions and other events and circumstances from non-owner sources, such as unrealized gains (losses) on foreign currency translation adjustments. Changes in unrealized foreign currency translation losses during fiscal 2011 and 2010 amounted to CDN$nil and CDN$3,005 respectively. Accordingly, comprehensive income (loss) attributable to Northern Capital Resources shareholders for the years ended June 30, 2011 and 2010 amounted to CDN$(7,341,646) and CDN$11,763,612 respectively.

(i) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided for using the declining balance method at the following annual rates (in the year of acquisition one-half of the calculated depreciation is recognized):

Automotive equipment	30%
Building	5%
Office fixtures and computer equipment	20%
Equipment	20%

In fiscal 2010, mine site assets were depreciated over the expected life of the mine at thirteen and one half years.

All other assets are depreciated over a period covering their estimated useful lives.

(j) Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. For the periods presented there were no cash equivalents.

(k) Federal Income Tax

The Company follows the provisions of Topic 740 on how the Company should recognise, measure, present and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. Additionally for tax positions to qualify for deferred tax benefit recognition under ASC 740, the position must have at least "more than likely not" chance of being sustained upon challenge by the respective taxing authorities, and whether or not it meets that criteria is a matter of significant judgement. The Company believes that it does not have any uncertain tax positions that would require the recognition or disclosure of a potential tax liability,

The Company follows the asset and liability approach which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. For the period presented, there was no taxable income. There are no deferred income taxes resulting from temporary differences in reporting certain income and expense items for income tax and financial accounting purposes. The Company, at this time, is not aware of any net operating losses which are expected to be realised.

(l) Net Profit/Loss per Share

The Company follows the FASB ASC Topic 260 "Earnings per Share" provisions which require the reporting of both basic and diluted profit/(loss) per share. Basic profit/(loss) per share is computed by dividing net profit/(loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net profit/(loss) per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Anti-dilutive effects on net profit/(loss) per share are excluded.

(m) Lease Liability

Leases meeting certain criteria are accounted for as a capital lease. Imputed interest is charged against income. The capitalised value of the assets is depreciated over the term of the lease. The Company has entered into leasing agreements of four year terms for mining equipment. Obligations under capital lease are reduced by the rental payments net of imputed interest. All other leases are treated as operating leases.

(n) Impairment of Long-Lived Assets

The Company accounts for its long-lived assets in accordance with ASC Topic 360, "Impairment or Disposal of Long-Lived Assets". ASC Topic 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of its assets, including property, plant and equipment and mineral rights, by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, the impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value.

(o) Stock Options

For the issuances of stock options, the Company follows the fair value provisions of ASC Topic 718, "Compensation-Stock Compensation". Topic 718 requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on grant date fair value. The cost will be recognised over the period during which an employee is required to provide service in exchange for the award – usually the vesting period. In the case where there is no required service period, the fair value of the equity instruments is expensed immediately.

(p) Pension Plans

The Company does not have any pension or profit sharing plans. The Company's staff employed in Canada are subject to Canadian requirements for contributions to pension plans required by the Canadian government. Contributions to employee benefit or health plans during the years ended June 30, 2011 and 2010 were CDN$50,163 and CDN$34,469 respectively.

(q) Concentrations of credit risk

The Company monitors its position with, and the credit quality of, the financial institution it invests with. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

(r) Convenience Translation to US$

The consolidated financial statements as of and for the year ended June 30, 2011 have been translated into United States dollars using the rate of exchange of the United States dollar at June 30, 2011 (CDN$1.00=US$1.02379). The translation was made solely for the convenience of readers in the United States of America.

(s) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on 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 could differ from those estimates.

(t) Comparative Figures

Where necessary, comparative figures have been restated to be consistent with current year presentation.

(3) CONCENTRATION OF RISKS

Cash Balances

Cash consists of all cash balances and highly liquid investments with an original maturity of three months or less. Because of the short term nature of these investments, the carrying amounts approximate their fair value.

The Company held in interest bearing cash accounts at June 30, 2011, CDN$3,781,457 (US$3,871,418) in Canadian banking institutions, CDN$9,536 (US$9,763) in Australian banking institutions and CDN$72,005 (US$73,718) in US banking institutions.

Mineral Rights and Foreign Operations

The Company has mineral rights in Canada and Australia.

(4) INVESTMENT SECURITIES

The Company has several small historical cost based investments that it has provided a full valuation for diminution and carries at a $nil value at June 30, 2011.

(5) AFFILIATE TRANSACTIONS

The Company advances to and receives advances from various affiliates. All advances between consolidated affiliates are eliminated in consolidation.

The Company has entered into an agreement with AXIS Consultants Pty Ltd (“AXIS”) to provide geological, management and administration services to the Company. AXIS is affiliated through common management. The Company is one of ten affiliated companies to which AXIS provides services. Each of the companies has some common Directors, officers and shareholders. Golden River holds a 9.09% interest in AXIS at a cost of A$1 and is accounted for under the cost method. Any profits generated by AXIS are returned to its shareholders in the form of dividends.

During fiscal 2011 and 2010, AXIS provided services in accordance with the service agreement of CDN$346,095 and CDN$190,780 respectively. During fiscal 2011 and 2010, AXIS advanced the Company CDN$1,884,489 and CDN$475,169 respectively. The amounts owed to AXIS at June 30, 2011 and 2010 were CDN$585,114 and CDN$1,280,976 respectively, and are reflected in non-current liabilities – advances from affiliates. During fiscal 2011 and 2010, no interest was charged by AXIS.

During fiscal 2009, Mr J I Gutnick advanced Northern Capital Resources CDN$49,726. During fiscal 2011, the Company repaid Mr J I Gutnick CDN$49,082 via Northern Raizel (a company associated with Mr J I Gutnick). The amount owed to Mr J I Gutnick at June 30, 2011 and 2010 was CDN$977 and CDN$53,657 respectively and is reflected in non-current liabilities – advances from affiliates.

During fiscal 2009, Great Central Resources Corporation (“Great Central Resources”), a company associated with Mr J I Gutnick, advanced the Company CDN$23,066. During fiscal 2011, Northern Capital

Resources repaid Great Central Resources CDN$19,758. The amounts owed to Great Central Resources at June 30, 2011 and 2010 were CDN$nil and CDN$20,960 respectively and is reflected in non-current liabilities – advances from affiliates. Northern Capital Resources advanced Northern Raizel CDN$43,525. During fiscal 2011, Northern Raizel repaid Northern Capital Resources $43,998. The amount owed by Northern Raizel at June 30, 2011 and 2010 was CDN$nil and CDN$47,160 respectively and is reflected in current assets – advances to affiliates.

During fiscal 2011 and 2010, Legend International Holdings, Inc., a company associated with Mr J I Gutnick, advanced Northern Capital Resources CDN$2,411,339 and CDN$192,964 respectively. On July 14, 2010, Legend agreed to accept 7,137,900 shares as satisfaction of repayment of CDN$1,475,261 of the loan. On June 7, 2011, Northern Capital Resources repaid Legend CDN$1,064,301. The amount owing to Legend at June 30, 2011 and 2010 was CDN$64,740 and CDN$192,964 respectively and is reflected in non-current liabilities – advances from affiliates.

In addition, Legend International Holdings, Inc. of which Mr J I Gutnick is the President, Chairman and Chief Executive Officer, owns 31.46% of Northern Capital Resources

The CDN$900,000 notes payable at June 30, 2011 was due to the former President and CEO of Acadian in relation to the acquisition of the 15 Mile Stream property. On July 8, 2010 Acadian extended the terms of the CDN$1.0 million note for a further 12 months and paid CDN$100,000 principal payment. The note was non-interest bearing and was repaid in July 2011 in full.

(6) STOCKHOLDERS EQUITY

In May 2006, Northern Capital Resources issued 20,000,000 shares of common stock at an issue price of US$0.001. In December 2007, the Company undertook a forward share split of its shares of common stock such that every share of common stock on issue became five shares of common stock, resulting in 100,000,000 of common stock on issue at December 31, 2007.

During fiscal 2008, Northern Capital Resources issued 3,572,500 shares of common stock at an issue price of US$0.20 and raised CDN$718,373 pursuant to a share subscription.

During fiscal 2009, Northern Capital Resources issued 650,000 shares of common stock at an issue price of US$0.20 and raised CDN$132,725 pursuant to a share subscription.

During fiscal 2010, Northern Capital Resources issued 48,600,951 shares of common stock at an issue price of US$0.20 and raised CDN$10,550,420. The Company also issued 55,000,000 shares of common stock at an issue price of US$0.2275 and raised CDN$14,520,135 as consideration for the purchase of 11,000,000 shares of Golden River.

During fiscal 2011, Northern Capital Resources issued 15,249,900 shares of common stock at an issue price of US$0.20 and raised CDN$3,097,661 (US$3,049,980).

(7) ISSUE OF OPTIONS UNDER STOCK OPTION PLAN

The Company follows the provisions of ASC Topic 718 Compensation-Stock Compensation ("ASC 718"), which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of that company or (b) liabilities that are based on the fair value of the Company's equity instruments or that may be settled by the issuance of such equity instruments.

Northern Capital ResourcesIn June 2008, the Board of Directors of Northern Capital Resources adopted a Stock Option Plan ("the Plan"). Options granted under the Plan have a ten-year term. Under the Plan, options to purchase shares of stock can be granted with exercise prices not less than the fair market value of the underlying stock at the date of grant. The options will vest 1/3 after 12 months, 1/3 after 24 months and the balance 1/3 after 36 months.

Effective July 1, 2010, Northern Capital Resources issued 1,000,000 options over shares of common stock to one Acadian director with an exercise price of US$0.20 per share expiring June 30, 2020. In determining the stock-based compensation expense, the fair value of the options issued were estimated using a binomial option valuation model with the weighted average assumptions used of risk-free interest rate of 1.50%, expected dividend yield of 0.00%, expected stock price volatility of 63.28%, expected life of options of 4.5, 5 and 5.5 years and call option values of US$0.0918, US$0.0955 and US$0.0989 respectively. For the year ended June 30, 2011, the stock-based compensation expense relating to these stock options was CDN$54,726.

A summary of the Northern Capital Resources options outstanding and exercisable at June 30, 2011 are as follows:

	Outstanding	Exercisable
Number of options	1,000,000	333,333
Exercise price	CDN$0.20	CDN$0.20
Expiration date	June 30,2020	June 30,2020

As at June 30, 2011, there was CDN$28,309 of unrecognized compensation cost, before income taxes, related to unvested options.

Effective as of August 7, 2009, the Board of Directors of Northern Capital Resources approved the issuance to certain parties of non-transferable options on the anticipated basis of the parties assisting in future capital raising in the event that Northern Capital Resources is listed for trading in the over-the-counter market and quoted on the OTCBB. An aggregate of 7,377,500 options were issued for no consideration, each of which is exercisable to purchase one share of common stock of Northern Capital Resources at an exercise price of US$0.25 per share with a latest exercise date of June 30, 2012. The options may not be exercised until the shares underlying the options are registered under federal and state securities laws. At the date of this report no shares underlying the options are registered.

Golden River

In October 2004, the Board of Directors and Remuneration Committee of the Company adopted a Stock Option Plan. The Company issued 605,000 options under the plan. At June 30, 2011, the options are fully vested.

Since the issue of the options, 120,000 options have lapsed following the termination of participants to the issue.

A summary of the Golden River options outstanding and exercisable at June 30, 2011 are as follows:

	Outstanding	Exercisable	Outstanding	Exercisable
Number of options	80,000	80,000	405,000	405,000
Exercise price	CDN$10.00	CDN$10.00	CDN$3.08	CDN$3.08
Expiration date	October 15, 2014	October 15, 2014	October 15, 2016	October 15, 2016

Acadian

At the annual and special meeting of shareholders of Acadian held on June 14, 2007, the shareholders adopted a 10% "rolling" incentive stock option plan (the "Plan"). Options granted under the Plan have a five-year term. Options are granted at a price no lower than the market price of the common shares at the time of the grant. The rules of the Toronto Stock Exchange ("TSX") provide that all unallocated options issuable under a "rolling" stock option plan must be approved by shareholders every three years after institution of the stock option plan. The plan was approved at the Annual General Meeting of Acadian held June 24, 2010.In determining the stock-based compensation expense, in fiscal 2011, the fair value of the options issued were estimated using a Black-Scholes option pricing model with the weighted average assumptions used of risk-free interest rate of 1.50%, expected dividend yield of 0.00%, expected stock price volatility of 62%, expected life of options of 5 years and grant date fair value of CDN$0.30.

On June 15, 2010, Acadian granted 500,000 options to one Acadian director with an exercise price of CDN$0.45 per share expiring June 15, 2015, to be vested one-third on grant date, one-third after 12 months from grant date and one-third after 24 months from grant date. The total value of the options equates to CDN$138,765 and such amount is amortized over the vesting period. For the years ended June 30, 2010 and 2011, stock based compensation expense relating to stock options was CDN$nil and CDN$115,638, respectively.

A summary of the Acadian options outstanding and exercisable at June 30, 2011 are as follows:

	Outstanding	Exercisable
Number of options	500,000	333,333
Exercise price	CDN$0.45	CDN$0.45
Expiration date	June 15, 2015	June 15, 2015

As at June 30, 2011, there was CDN$23,127 of unrecognized compensation cost, before income taxes, related to unvested stock options.

On August 18, 2010, Acadian granted 300,000 options to three Acadian directors with an exercise price of CDN$0.45 per share expiring August 18, 2015, to be vested one-third on grant date, one-third after 12 months from grant date and one-third after 24 months from grant date. The total value of the options equates to

CDN$56,349 and such amount is amortized over the vesting period. For the year ended June 30, 2011, stock based compensation expense relating to stock options was CDN$42,261.

A summary of the Acadian options outstanding and exercisable at June 30, 2011 are as follows:

	Outstanding	**Exercisable**
Number of options	300,000	100,000
Exercise price	CDN$0.45	CDN$0.45
Expiration date	August 18, 2015	August 18, 2015

As at June 30, 2011, there was CDN$14,088 of unrecognized compensation cost, before income taxes, related to unvested stock options.

On June 23, 2011, Acadian granted 100,000 options to its Chief Financial Officer with an exercise price of CDN$0.45 per share, expiring on June 23, 2016 to be vested one third on grant date, one third after 12 months from grant date and one third after 24 months from grant date. The total value of the options equates to CDN$12,338 and such amount is amortized over the vesting period. For the year ended June 30, 2011, stock based compensation expense relating to stock options was CDN$4,113.

A summary of the Acadian options outstanding and exercisable at June 30, 2011 are as follows:

	Outstanding	**Exercisable**
Number of options	100,000	33,333
Exercise price	CDN$0.45	CDN$0.45
Expiration date	June 23, 2016	June 23, 2016

As at June 30, 2011, there was CDN$8,225 of unrecognized compensation cost, before income taxes, related to unvested stock options.

(8) PROFIT(LOSS) PER SHARE

The following table reconciles the weighted basic and diluted average shares outstanding used for the computation:

	Year ended June 30	
	2011	2010
Weighted basic and diluted average shares		
Outstanding - basic	218,752,012	195,819,424
Effect of employee stock-based awards	-	-
Weighted average shares outstanding	218,752,012	195,819,424

Options issued to certain parties on the anticipated basis of the parties assisting in future capital raising in the event Northern Capital Resources is listed for trading in the over-the-counter market and quoted on the OTCBB to acquire 7,377,500 shares of common stock were not included in the diluted weighted average shares outstanding as the options may not be exercised until the shares underlying the options are registered (see note 7). Options issued under the Northern Capital Resources Stock Option Plan to acquire 1,000,000 shares of common stock were not included in the diluted weighted average shares outstanding as such effects would be anti-dilutive (see note 7).

(9) COMMITMENTS

The Company is committed to minimum annual lease payments of CDN$103,607 on its office premises until October 2013. Effective September 1, 2010, the Company has sublet the office premises for a rental equivalent of the lease commitment

In July 2011, the Company entered into a lease for an office premises with minimum annual lease payments of CDN$112,682. The lease begins on July 1, 2011 and ends on June 30, 2016 with a right to terminate after June 30, 2013 for a penalty equal to four months base rent.

Future minimum contractual obligations under operating leases are as follows:

	CDN$
2012	216,289
2013	216,289
2014	147,218

2015	112,682
2016	112,682
	805,160

Total rent expense incurred by the Company amounted to CDN$29,341 and CDN$107,676 in fiscal 2011 and 2010, respectively.

Golden River and Acadian, collectively, have an obligation to spend CDN$1,252,237 and issue 29,118 Acadian shares on its exploration properties during fiscal 2012 to maintain its properties.

(10) INVESTMENTS/SUBSIDIARIES

During July 2009, Golden River completed its acquisition of a majority interest in Acadian.

The transaction was accounted for using the acquisition method required by ASC Topic 805, Business Combinations. On the acquisition date of July 31, 2009, the fair value of Golden River's non-controlling interest was CDN$20,533,528. The fair value of non-controlling interest was based on an estimate of the fair value of Acadian's net assets. The following table summarises the aggregate purchase price allocation and fair value of Golden River's non-controlling interest in Acadian as of July 31, 2009:

	CDN$000's	Fair Value Hierarchy
Cash and cash equivalents	1,413,888	Level 1
Receivables	44,644	Level 3
Property, plant & equipment (net)	7,088,692	Level 3
Prepayments	71,282	Level 3
Investment in Royal Roads Corp	855,431	Level 3
Cash held for remediation	924,755	Level 3
Mineral rights	43,790,295	Level 3
Fair value of assets	54,188,987	Level 3
Accounts payable & accrued expenses	(3,151,828)	Level 3
Other current liability	(2,098,795)	Level 3
Equipment loans payable	(370,997)	Level 3
Advance from related parties	(2,654,024)	Level 3
Accrued site remediation	(2,400,000)	Level 3
Fair value of liabilities	(10,675,644)	
Net assets acquired	43,513,343	
less: Cash consideration	(4,000,000)	
less: Fair value of non-controlling interest	(20,553,528)	Level 1
less: Fair value of previously held equity interest by subsidiary	8,654,804	
Bargain purchase gain	10,305,011	

The aggregate value of (a) the purchase price paid for the acquisition by Golden River of the Acadian shares, (b) the fair value of non-controlling interest in Acadian and (c) the fair value of our previously held equity interest in Acadian before the additional share acquisition was less than the fair value of the net assets acquired net of income taxes, which resulted in a bargain purchase gain, which has been recognised in the Company's consolidated statement of operations.

The non-controlling interest of CDN$23,531,416 included in the accompanying consolidated statement of stockholders' equity (deficit) represents Northern Capital Resources' non-controlling interest of its acquisition of Golden River and Golden River's non-controlling interest on its acquisition of Acadian.

The fair-value of the mineral rights acquired in the acquisition was prepared by an investment banking firm with substantial experience in merger and acquisition transactions including provision of fairness opinions and valuations. Accordingly, the Company has attributed a fair value of CDN$43,790,295 to mineral rights and the inputs categorised as Level 3 inputs under the accounting guidance for fair value measurements.

The fair value of the non-controlling interest was based on the report and inputs categorised as Level 1 inputs under the accounting guidance for fair value measurement.

The fair value of the assets acquired includes receivable which are fair valued using the income approach and inputs categorised as Level 3 inputs under the accounting guidance for fair value measurements. The fair value of property, plant and equipment was based on the value assigned in the investment banker's report; and for cash held for site remediation is as agreed with the relevant authorities in Canada.

The fair value of the liabilities includes accounts payable and accrued expenses, equipment loans payable, advance from equity accounted associate which were valued based on underlying terms and maturity dates; non-interest bearing liability was valued based on information available. The fair value of accrued site remediation is as agreed with the relevant authorities in Canada and from information provided.

The gain on the identifiable net assets of Acadian caused a difference in the carrying value of the Company's Acadian investment between financial reporting and income taxes and resulted in a deferred tax liability (see note 15).

The transaction to acquire Acadian contemplated several closings and was subject to several pre-conditions including approval by TSX and due diligence. Between the time of entering into the agreement and the acquisition date, world economic conditions have improved, metal prices have increased significantly and world stock markets have rallied. This resulted in significantly higher fair values for the assets of Acadian compared to the values at the time the agreement was entered into. Furthermore, Acadian was in a distressed state in 2009 at the time the agreement was entered into.

During September and October of 2009, Golden River purchased additional shares in Acadian increasing its holding in Acadian from 52.67% to 68.76%. During September 2009 and March 2010, Northern Capital purchased additional shares in Golden River, increasing its holding in Golden River from 87.03% to 91.52%. As a result of the transactions, during the year ended June 30, 2010, the Company recorded a CDN$(15,478,182) and CDN$(2,412,577) adjustment to additional paid in capital and non-controlling interest, respectively

The consolidated statement of operations of the Company includes the consolidated operations of Golden River since July 31, 2009, which is the acquisition date. The following unaudited pro-forma information presents the results of operations for the fiscal year ended June 30, 2010, as if the acquisition of Golden River had occurred on July 1, 2009.

	2010 CDN$
Revenue	-
Net loss attributable to Golden River	(4,032,000)
Basic and diluted (loss) per share	(0.02)

The pro-forma information disclosed above includes the operations of Acadian which includes CDN$680,042 of operating expenses and recorded a gain on settlement of liabilities under Companies' Creditors Arrangement Act of CDN$2,793,094.

During the year ended June 30, 2011, Golden River purchased an additional 4,923,387 shares, increasing its holding in Acadian to 71.48% at June 30, 2011. During July and December of 2010, Northern Capital purchased additional shares in Golden River for CDN$3,097,661, increasing its holding in Golden River from 91.52% to 96.58%. As a result of the transactions, the Company recorded a CDN$2,945,936 and CDN$(2,774,289) adjustment to additional paid-in capital and non-controlling interest, respectively.

The amount of revenue of Acadian for the year ended June 30, 2011 and June 30, 2010 included in the Consolidated Statement of Operations were CDN$nil and CDN$nil and the amount of profit/(loss) was CDN$757,854 and CDN$(7,354,910) respectively.

A portion of the mineral rights and property, plant and equipment acquired by Golden River in its acquisition of Acadian was allocated to ScoZinc, which was Acadian's zinc and lead mining operations. During fiscal 2011, Acadian signed a letter agreement with Selwyn Resources Ltd (Selwyn) on February 18, 2011 whereby Selwyn would acquire the zinc and lead assets of the Company. On May 31, 2011, Acadian closed the transaction and sold 100% of the shares of ScoZinc Limited, a wholly owned subsidiary, for cash consideration of CDN$10 million (US$10.2 million), less legal costs CDN$197,251 (US$201,944). Net proceeds were CDN$9,802,749 (US$10,035,956). The following table presents summarized financial information of the net assets sold:

Assets	
Current assets	$120,796
Cash held for remediation	2,812,500
Property, Plant and Equipment	4,954,355
Mineral rights	4,026,855
Total assets sold	$11,914,506
Liabilities	

Accounts payable and accrued liabilities	$152,623
Accrued site remediation	2,600,000
Total liabilities related to assets sold	$2,752,623
Net book value of assets sold	$9,161,883

The Company, through Golden River, recorded a gain from the sale of ScoZinc, net of closing costs, of CDN$640,866 (US$656,112) in fiscal 2011. Acadian has used part of the proceeds to repay a loan from Golden River and Golden River used the repayment to pay part of its advances from affiliates.

Included in the Company's consolidated statement of operations are costs and expenses of ScoZinc during the Company's term of ownership. Such costs and expenses which were for certain maintenance work incurred to secure ScoZinc's mining properties and related environmental monitoring amounted to CDN$1,418,000 and CDN$784,000 for the years ended June 30, 2011 and 2010, respectively. During the course of the Company's term of ownership as its mine was on care and maintenance before and during the Company's ownership period, ScoZinc did not have any revenues from mining operations, nor was any exploration activity cost expended.

The Company has accounted for the disposal of ScoZinc in accordance with accounting guidance for the impairment or disposal of long-lived assets.

The sale of ScoZinc caused an adjustment to deferred tax liability (see note 15).

(11) MINERAL RIGHTS

The fair-value of the mineral rights acquired in the acquisition of Acadian was based upon a valuation report prepared by an investment banking firm with substantial experience in merger and acquisition transactions including provision of fairness opinions and valuations. Accordingly, the Company has attributed a fair value of CDN$43,790,295 to mineral rights. On the sale by Acadian of 100% of the shares in ScoZinc Limited, a wholly owned subsidiary, the attributed fair value of CDN$4,026,855 to ScoZinc mineral rights was included in assets sold as discussed in note 10 Investments/Subsidiaries.

The carrying value of mineral rights at June 30, 2011 is CDN$39,763,440.

Under US GAAP, exploration expenditure is expensed to the income statement as incurred, unless there is a reserve on the property.

(12) CASH HELD FOR SITE REMEDIATION

Acadian has agreed with the relevant authorities in Canada to remediate exploration and mine sites to an agreed status at the end of exploration and /or mining operations at the sites. Currently the Company has CDN$108,830 on deposit with the relevant authorities in Canada to cover the cost of this remediation work.

(13) PROPERTY, PLANT AND EQUIPMENT

	At June 30, 2011			At June 30, 2010		
	Cost CDN$	Accumulated Depreciation CDN$	Net Book Value CDN$	Cost CDN$	Accumulated Depreciation CDN$	Net Book Value CDN$
Office	260,119	(21,986)	238,133	260,119	(7,184)	252,935
Automotive equipment	93,726	(9,373)	84,353	63,015	(20,214)	42,801
Office fixtures and computer equipment	339,238	(88,321)	250,917	257,702	(53,230)	204,472
Land	405,617	-	405,617	405,617	-	405,617
Mine site	-	-	-	6,258,440	(407,667)	5,850,773
Other	-	-	-	6,589	(6,589)	-
	1,098,700	(119,680)	979,020	7,251,482	(494,884)	6,756,598

The value of assets acquired on acquisition of Acadian was CDN$7,088,692. The depreciation expense for the year ended June 30, 2011 amounted to CDN$430,527 (US$440,769) and for the year ended June 30, 2010 amounted to CDN$488,295.

(14) INVESTMENT IN UNCONSOLIDATED ENTITY

On April 23, 2010, Acadian completed the sale of the investment in Royal Roads Corp. for CDN$1,962,838. The Company recorded CDN$1,355,502 profit on sale of equity investment.

(15) OTHER CURRENT LIABILITY

ScoZinc (a subsidiary of Acadian until it was sold on May 31, 2011) entered into lease agreements for heavy equipment with an Equipment Supplier ("Equipment Supplier") which transferred substantially all the benefits and risks of ownership to ScoZinc. ScoZinc's obligations under the leases were guaranteed by Acadian. In addition, Acadian had guaranteed the payment obligations with regard to such lease agreements. The accompanying financial statements reflect an accrual of the estimated amount owing under this obligation which amounted to approximately CDN$2.1 million at June 30, 2010.

During November 2010, Acadian entered into an agreement with the Equipment Supplier to make monthly instalment payments through May 2011 totalling CDN$900,000 which would satisfy in full the aforementioned obligation under the guarantee. Acadian made payments in accordance with the agreement through May 2011.

The agreement contained a provision that states that in the event Acadian fails to make any of the payments as required, the Equipment Supplier shall be entitled to take any and all actions available to it to enforce its rights under the guarantee. During May 2011, the period in which all of the payments required under the agreement were made in full and Acadian was relieved of its obligation by the Equipment Supplier, the remaining balance of the accrued liability was derecognized and a related gain of approximately CDN$1.2 million was recorded by Acadian during fiscal 2011.

(16) INCOME TAXES

At June 30, 2011 and 2010, deferred taxes consisted of the following:

	USA 2011 CDN$
Deferred tax assets	
Net operating loss carry-forward	208,371
Exploration expenditure	136,465
	344,836
Less valuation allowance	(344,836)
	-
Deferred tax liability	
Investment in subsidiary	6,372,633
Net deferred taxes	(6,372,633)

	USA 2010 CDN$
Deferred tax assets	
Net operating loss carry-forward	166,263
Exploration expenditure	29,524
	195,787
Less valuation allowance	(195,787)
	-
Deferred tax liability	
Investment in subsidiary	2,623,538
Net deferred taxes	(2,623,538)

Under ASC 740-10 tax benefits are recognised only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The valuation allowance offsets the net deferred tax asset for which there is no assurance of recovery. The valuation allowance will be evaluated at the end of each year, considering positive and negative evidence about whether the deferred tax asset will be realized.

At that time, the allowance will either be increased or reduced; reduction could result in the complete elimination of the allowance if positive evidence indicates that the value of the deferred tax assets is no longer impaired and the allowance is no longer required.

Total available net operating loss carryforwards in the United States, which are subject to limitations, amount to approximately CDN$985,000 at June 30, 2011 which expire in years 2023 through 2030.

Net operating loss carryforwards in Australia do not have a definite expiration date, and amounted to approximately CDN$399,000. In addition, the Company will need to file tax returns for those years having losses on which returns have not been filed to establish the tax benefits of the net operating loss carryforwards.

Included in accounts payable and accrued expenses is an amount of approximately CDN$246,000 being an estimated liability to the IRS in relation to late filing of prior year tax returns. The Company has estimated and accrued an estimate of this liability and is corresponding with the IRS in relation to the quantum of this liability.

(17) SUBSEQUENT EVENTS

The Company has evaluated significant events subsequent to the balance sheet date, through the date these financial statements were issued, and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the consolidated financial statements, other than noted herein.

Since June 30, 2011, Golden River purchased a further 259,500 common shares in Acadian at a cost of CDN$79,985. Golden River currently holds 38,994,020 common shares in Acadian for a 71.96% interest.

On July 8, 2011, Acadian made a final payment of CDN$900,000 in relation to the acquisition of the 15 Mile Stream property (note 5).

On July 13, 2011, Acadian granted a further aggregate of 200,000 options to seven employees with an exercise price of $0.45 per share expiring July 13, 2016. The total value of the options equates to CDN$20,712 and such amount is amortised over the vesting period.