

# **Georgetown Capital Corp.**

(An exploration stage company)

Consolidated Financial Statements  
Years ended June 30, 2011 and 2010

(Expressed in Canadian dollars)

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## AUDITORS' REPORT

To the Shareholders of Georgetown Capital Corp.

We have audited the consolidated financial statements of Georgetown Capital Corp., which comprise the consolidated balance sheets as at June 30, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

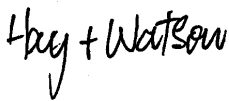
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements, and plan and perform the audits to obtain reasonable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

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Vancouver, British Columbia  
October 20, 2011

# GEORGETOWN CAPITAL CORP.

(An exploration stage company)

Consolidated Balance Sheets  
June 30, 2011 and 2010

Expressed in Canadian Dollars

	June 30, 2011	June 30, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 1,999,882	\$ 496,755
Receivables	23,442	3,417
Prepaid expenses	8,773	2,635
	<u>2,032,097</u>	<u>502,807</u>
Resource property and deferred exploration costs (note 5)	558,728	-
	<u>\$ 2,590,825</u>	<u>\$ 502,807</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 198,631	\$ 22,295
<b>Shareholders' Equity</b>		
Share capital (note 6)	2,692,881	602,509
Contributed surplus (note 6(e))	19,717	23,768
Accumulated deficit	(320,404)	(145,765)
	<u>2,392,194</u>	<u>480,512</u>
	<u>\$ 2,590,825</u>	<u>\$ 502,807</u>

**Nature of operations** (note 1)

**Subsequent events** (note 11)

Approved by the Board of Directors:

"Ivan Bebek"

Director

"Tony Ricci"

Director

SEE ACCOMPANYING NOTES

# GEORGETOWN CAPITAL CORP.

(An exploration stage company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit  
Years ended June 30, 2011 and 2010

*Expressed in Canadian Dollars*

	Year ended June 30, 2011	Year ended June 30, 2010
Administration expenses:		
Consulting fees, wages and benefits (note 7)	\$ 42,238	\$ -
Legal and accounting	32,979	25,179
Office, rent and administration (note 7)	41,529	11,464
Regulatory, transfer agent and shareholder information	21,888	11,456
Stock-based compensation	-	11,828
Travel, promotion and investor relations	7,940	15,185
	<u>146,574</u>	<u>75,112</u>
Other expenses (income):		
Project investigation costs	23,230	-
Foreign exchange loss	4,884	-
Interest income	(49)	(982)
	<u>28,065</u>	<u>(982)</u>
Loss and comprehensive loss for the year	174,639	74,130
Deficit, beginning of the year	145,765	71,635
Deficit, end of the year	<u>\$ 320,404</u>	<u>\$ 145,765</u>
Weighted average number of shares outstanding (note 6(f))	10,922,878	4,143,897
Loss per share - basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>

SEE ACCOMPANYING NOTES

# GEORGETOWN CAPITAL CORP.

(An exploration stage company)

Consolidated Statements of Cash Flows  
Years ended June 30, 2011 and 2010

*Expressed in Canadian Dollars*

	2011	2010
Cash provided by (used in):		
<b>Operating Activities:</b>		
Loss for period	\$(174,639)	\$(74,130)
Items not involving cash:		
Stock-based compensation	-	11,828
Unrealized foreign exchange	516	-
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	3,699	7,391
Prepaid expenses and deposits	(6,138)	(2,635)
Receivables	(20,024)	3,346
	<hr/>	<hr/>
	(196,586)	(54,200)
<b>Investing activities:</b>		
Resource properties and deferred exploration costs	(292,591)	-
<b>Financing activities:</b>		
Proceeds from issuance of common shares	1,992,821	394,489
Impact of foreign exchange rates on cash and cash equivalents	(517)	-
	<hr/>	<hr/>
<b>Increase in cash</b>	1,503,127	340,289
<b>Cash and cash equivalents, beginning of the year</b>	496,755	156,466
	<hr/>	<hr/>
<b>Cash, end of the year</b>	\$1,999,882	\$496,755
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Reclassification of contributed surplus on the exercise of options and brokers' warrants (note 6(e))	\$ 4,051	\$ 3,854
Shares issued for the acquisition of resource properties:	\$ 93,500	-

SEE ACCOMPANYING NOTES

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 1

For the years ended June 30, 2011 and 2010

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## 1. Nature of operations

Georgetown Capital Corp. (“Georgetown” or the “Company”) was incorporated on June 9, 2008, under the British Columbia Business Corporations Act.

The Company’s principal business activities include the acquisition, exploration and development of resource properties. The Company is in the exploration stage and has not yet determined whether its resource property contains mineral reserves that are economically recoverable.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern company which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Company to meet its commitments as they become due, including completion of the acquisition, exploration and development of its resource property is dependent upon the existence of economically recoverable reserves, the Company’s ability to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of these properties. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

As at June 30, 2011 the Company had cash and cash equivalents in the amount of \$1,999,882 (June 30, 2010: \$496,755) and working capital of \$1,833,466 (June 30, 2010: \$480,512).

## 2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and in the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements.

### (a) Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Georgetown Alaska Inc. All significant intercompany amounts and transactions have been eliminated on consolidation. All figures presented are in Canadian dollars except otherwise noted.

### (b) Financial instruments

#### i. Financial assets and financial liabilities

The Company’s financial instruments are comprised of cash and cash equivalents, receivables and accounts payable and accrued liabilities. Financial instruments are measured and classified as follows:

- Held-for-trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in net earnings (loss) in the period in which they arise. Cash and cash equivalents are classified as held-for-trading and are measured at fair value.
- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net earnings (loss), using the effective interest method less any impairment. Receivables are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities.

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 2

For the years ended June 30, 2011 and 2010

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## 2. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### i. Financial assets and financial liabilities (continued)

- Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings (loss). Other than temporary impairments on available-for-sale financial assets are recorded in net earnings (loss).
- Derivatives embedded in other financial instruments or non-financial contracts (the “host instrument”) are treated as separate derivatives with fair value changes recognized in the statement of operations when their economic characteristics and risks are not clearly and closely related to those of the host instrument, and the combined instrument or contract is not held for trading. There were no embedded derivatives identified in a review of the Company’s contracts. Free-standing derivatives that meet the definition of an asset or liability are measured at their fair value and reported in the Company’s financial statements.

#### ii. Transaction costs

The Company has chosen to recognize all transaction costs related to all financial instruments in operations in the period they are incurred.

### (c) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturity dates of less than ninety days or which are fully redeemable on demand without penalty. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

### (d) Comprehensive loss

Comprehensive income consists of net loss and other comprehensive income (“OCI”). OCI represents changes in shareholders’ equity during a period arising from transactions and other events with non-owner sources. For the period covered by these financial statements comprehensive loss and net loss are the same.

### (e) Future income taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values (temporary differences). Future income tax assets and liabilities are measured using enacted or substantially enacted income tax rates expected to apply to taxable income in years in which temporary differences are expected to be recovered, or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that, in the opinion of management, is more likely than not to be realized. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it does not recognize the asset.

### (f) Loss per share

Basic earnings per share are calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year.

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 3

For the years ended June 30, 2011 and 2010

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## 2. Significant accounting policies (continued)

### (g) Loss per share (continued)

Diluted earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of exercising stock options and warrants based on the treasury stock method.

For the years ended June 30, 2011 and 2010, common equivalent shares (consisting of shares issuable on exercise of stock options and warrants), totaling nil and 402,500 respectively, were not included in the computation of diluted loss per share because the effect was anti-dilutive.

### (h) Stock-based compensation

The Company has a stock option plan as described in note 6(c). The Company records all stock-based compensation using the fair value method.

Compensation expense attributable to share based awards to employees is measured at the fair value at the date of grant using the Black-Scholes option-pricing model. The fair value takes into account a number of variables, including the exercise price of the award, the expected dividend rate, the expected life of the options and the risk free interest rate. The expense is calculated and recorded over the graded vesting period of the award. The forfeiture rate is assumed to be nil and the expense is adjusted prospectively as forfeitures occur. Compensation expense attributable to awards that call for settlement in cash or other assets is measured at intrinsic value and recognized over the vesting period.

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the goods and/or services received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the performance period of the award. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

### (i) Recent accounting pronouncements issued but not yet implemented

#### i. Consolidations and non-controlling interests

CICA Handbook Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, International Accounting Standards ("IAS") 27 (Revised), *Consolidated and Separate Financial Statements*. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company expects to adopt this standard on July 1, 2011.

#### ii. Business combinations

CICA Handbook Section 1582, *Business Combinations*, replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - *Business Combinations*. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to



# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 4

For the years ended June 30, 2011 and 2010

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## 2. Significant accounting policies (continued)

(i) Recent accounting pronouncements issued but not yet implemented (continued)

ii. Business combinations

obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. Earlier application is permitted. The Company expects to adopt this standard on July 1, 2011.

iii. Financial instruments – recognition and measurement

CICA Handbook Section 3855 was amended in June 2010 to clarify the application of the effective interest rate method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition. The amendments are applicable for the Company's interim and annual financial statements for its fiscal year beginning July 1, 2011 with earlier adoption permitted. The Company expects to adopt this standard on July 1, 2011 and does not expect a material impact on the financial statements.

iv. Convergence with International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board of the Canadian Institute of Chartered Accountants (the "CICA") confirmed the mandatory changeover date of January 1, 2011 to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities.

The Company's management has assessed the impact of the adoption of IFRS and has completed its transition and training activities. The Company will adopt IFRS and will commence reporting under these standards for the period beginning July 1, 2011, with a July 1, 2010, date of transition. Comparative amounts for fiscal 2011 will also be restated under IFRS. The Company's first financial statements prepared under IFRS will be for the three months ended September 30, 2011.

(j) Comparative amounts

Certain prior period amounts have been restated to conform to the current year's presentation.

## 3. Qualifying Transaction

As at June 30, 2010 and until February 22, 2011, the Company was classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the Toronto Venture Exchange ("the Exchange"). As a CPC, the Company's principal business objective was the identification and evaluation of assets, properties or businesses with a view to acquire them or an interest therein as a result of the closing of a purchase transaction or the exercising of an option transaction, subject to regulatory and, if required, shareholder approval (the "Qualifying Transaction"). The purpose of such an acquisition was to satisfy the related conditions of a Qualifying Transaction under the Exchange rules.

Effective October 6, 2010, the Company entered into an option agreement (the "Option Agreement") with Full Metal Minerals Inc. ("Full Metal") to acquire a 60% interest in the Tanacross mineral property located in Alaska (the "Tanacross Property") (see Note 5(a) for details). This transaction met the requirements of the Exchange, constituted the Company's Qualifying Transaction and was approved on February 22, 2011. As of February 23, 2011, the Company is no longer a CPC and is now classified as a "mineral and exploration development" company trading on Tier 2 of the Exchange.

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 5

For the years ended June 30, 2011 and 2010

## 4. Cash and cash equivalents

As at June 30, 2010, cash and cash equivalents include Guaranteed Investment Certificates (“GICs”) held at a Canadian brokerage firm. As at June 30, 2010, the fair value of the short-term investments approximated their respective carrying values. All amounts are fully redeemable without penalty or loss of accrued interest. The Company did not hold any GICs as at June 30, 2011.

June 30, 2010

Maturity	Interest rate	Carrying value
October 21, 2010	0.15%	\$ 127,700

## 5. Resource property and deferred exploration costs

### (a) Tanacross mineral property

Effective October 6, 2010, the Company entered into an option agreement with Full Metal Minerals USA Inc., a wholly owned subsidiary of Full Metal, which grants the Company an exclusive right to acquire a 60% undivided beneficial interest in the Tanacross mineral property in Alaska by fulfilling the following requirements:

Date	Incur cumulative exploration expenditures	Issue common shares	Make cash payments
October 1, 2010	-	-	US\$25,000
February 22, 2011	-	50,000	US\$25,000
October 1, 2011	US\$500,000	150,000	US\$50,000
October 1, 2012	US\$1,000,000	250,000	US\$50,000
October 1, 2013	US\$2,000,000	250,000	US\$50,000
October 1, 2014	US\$4,000,000	-	US\$50,000

The Company may accelerate the above payments at anytime and thereby exercise the option early.

Upon the Company earning 60% interest, the parties will form a joint venture, which will require each party to proportionately contribute to future programs or be diluted to a net profits interest.

As at June 30, 2011, the Company paid \$49,965 (US\$ 50,000) and issued 50,000 shares to Full Metal pursuant to the agreement.

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 6

For the years ended June 30, 2011 and 2010

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## 5. Resource property and deferred exploration costs (continued)

(b) Acquisition and deferred exploration costs

<b>Resource property</b>	<b>Tanacross</b>
	\$
<b>Acquisition costs</b>	
Balance, June 30, 2010	-
Additions	
Cash	49,965
Issue of 50,000 common shares	93,500
<b>Balance, June 30, 2011</b>	<b>143,465</b>
<b>Exploration costs</b>	
Balance, June 30, 2010	-
Additions:	
Camp rental	2,922
Drilling and support costs	297,648
Equipment & field supplies	36,039
Geochemical assaying	4,308
Geological consulting	11,216
Salaries wages & benefits	59,777
Travel & other	3,353
<b>Balance, June 30, 2011</b>	<b>415,263</b>
<b>Total deferred costs, June 30, 2011</b>	<b>558,728</b>

(c) Title to resource properties

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequent ambiguous conveyancing history characteristic of many resource properties.

The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing. However, this should not be construed as a guarantee to title. The concessions may be subject to prior claims, agreements or transfer and rights of ownership may be affected by undetected defects.

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 7

For the years ended June 30, 2011 and 2010

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## 6. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding common shares

	Number of shares	Amount
Balance, June 30, 2009	4,000,000	\$ 204,166
Issued for cash:		
Pursuant to a private placement		
- at \$0.075 per share	5,333,333	400,000
Share issuance costs	-	(15,261)
Pursuant to the exercise of warrants		
- at \$0.10 per share	97,500	9,750
Transferred from contributed surplus for the exercise of warrants	-	3,854
Balance, June 30, 2010	9,430,833	602,509
Issued for cash:		
Pursuant to the exercise of warrants		
- at \$0.10 per share	102,500	10,250
Pursuant to a private placement		
- at \$0.55 per share	3,752,272	2,063,750
Share issuance costs	-	(81,179)
Issued pursuant to a resource property option agreement		
- at \$1.87 per share	50,000	93,500
Transferred from contributed surplus for the exercise of warrants	-	4,051
Balance, June 30, 2011	13,335,605	\$ 2,692,881

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 8

For the years ended June 30, 2011 and 2010

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## 6. Share capital (continued)

### Shares issued during the year ended June 30, 2011

On February 22, 2011 50,000 common shares were issued with a fair value of \$93,500 for payment on option agreement with Full Metal related to the acquisition of Tanacross mineral property (note 5(a)).

On February 14, 2011 an aggregate of 3,752,272 common shares were issued for gross proceeds of \$2,063,750 on a non-brokered private placement at \$0.55 per share. Share issuance costs of \$81,179 were incurred and charged against share capital.

An aggregate of 102,500 common shares were issued for gross proceeds of \$10,250 on exercise of agent warrants. In addition, a reclassification of \$4,051 from contributed surplus was recorded on the exercise of these options.

### Shares issued during the year ended June 30, 2010

On November 9, 2009, an aggregate of 97,500 common shares were issued for gross proceeds of \$9,750 on exercise of agent warrants. In addition, a reclassification of \$3,854 from contributed surplus to share capital was recorded on the exercise of these options.

On November 2, 2009, the Company closed a non-brokered private placement of 5,333,333 common shares of Georgetown at a per share price of \$0.075 for aggregate proceeds of \$400,000. Shares acquired by the places are subject to a hold period until April 24, 2010. Issuance costs of \$15,261 were incurred and charged against share capital. 1,333,333 of the common shares were placed into escrow (note 6(f)).

On October 8, 2008, the Company closed its initial public offering. The offering consisted of 2,000,000 common shares at a price of \$0.10 per share, resulting in gross proceeds of \$200,000 less a cash commission of 10% of the gross proceeds of the offering, a work fee of \$10,000 plus G.S.T., and expenses paid to the offering agent. In addition, the Company granted the agent and other participating agents warrants to acquire an aggregate 200,000 common shares of the Company at a per share price of \$0.10 exercisable for a period of 24 months from the date the Company's common shares are listed on the Exchange.

### (c) Stock options

The Company has adopted a stock option plan pursuant to which it may grant options to purchase common shares to directors, officers, employees and other eligible persons. The options will be exercisable at the market price of the common shares on the date they are granted and for a period of up to five years from the date of grant.

Any shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow.

The Company had granted stock options to its directors to acquire 400,000 shares, exercisable at \$0.10 per share for a period of five years from the date the shares are listed for trading on the Exchange. Options granted by the Company prior to completion of the Qualifying Transaction to those individuals who do not continue as directors, officers, employees or consultants after the Qualifying Transaction were terminated after the Completion of the Qualifying Transaction.

A summary of the stock options granted under the Company's stock option plan for the years ended June 30, 2011 and 2010 is presented below:

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(An exploration stage company)

Notes to the Consolidated Financial Statements, page 9

For the years ended June 30, 2011 and 2010

## 6. Share capital (continued)

### (c) Stock options (continued)

	Number of shares	Weighted average Exercise price
Balance, June 30, 2009	400,000	\$ 0.10
Granted	-	-
Forfeited	(100,000)	0.10
Balance, June 30, 2010	300,000	0.10
Granted	-	-
Forfeited	(300,000)	0.10
Balance, June 30, 2011	-	-

The number of stock options exercisable as at June 30, 2010 was 300,000.

### (d) Warrants

The continuity of share purchase warrants for the year ended June 30, 2011 is as follows:

Exercise price	Expiry date	June 30, 2010	Issued	Exercised	Expired	June 30, 2011
\$ 0.10	October 8, 2010	102,500	-	(102,500)	-	-
		102,500	-	(102,500)	-	-

The continuity of share purchase warrants for the year ended June 30, 2010 is as follows:

Exercise price	Expiry date	June 30, 2009	Issued	Exercised	Expired	June 30, 2010
\$ 0.10	October 8, 2010	200,000	-	(97,500)	-	102,500
		200,000	-	(97,500)	-	102,500

### (e) Contributed surplus

	Year ended June 30, 2011	Year ended June 30, 2010
Balance, beginning of year	\$ 23,768	\$ 15,794
Stock based compensation	-	11,828
Transferred to share capital for the exercise of options and brokers' warrants	(4,051)	(3,854)
Balance, end of year	\$ 19,717	\$ 23,768

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 10

For the years ended June 30, 2011 and 2010

## 6. Share capital (continued)

### (f) Escrow shares

As at June 30, 2011, the Company had 4,618,500 (June 30, 2010: 3,333,333) common shares held in escrow pursuant to the requirements of the Exchange and escrow agreements. Pursuant to the escrow agreements, the remaining escrowed shares will be released in semi-annual increments of 15% until February 22, 2014.

For the purposes of loss-per-share calculations, escrowed shares, where the release was subject to completion of the Qualifying Transaction, were excluded from the weighted average number of shares outstanding.

## 7. Related party transactions

During the year ended June 30, 2011, the Company paid \$66,024 (2010: \$nil) for reimbursable expenses (office overhead, consulting and wages), to a company with directors and officers in common. Outstanding balance owing at June 30, 2011 was \$10,720 (2010: \$nil).

The Company also paid \$17,500 in consulting fees to a company controlled by an officer and director of the Company. Outstanding balance owing at June 30, 2011 was \$3,920.

The Company also paid \$558,728 (2010: \$nil) for resource property acquisition and exploration expenses, to a company with a director in common. Outstanding balance owing at June 30, 2011 was \$171,133 (2010: \$nil).

The Company paid \$nil (2010: \$10,800) in rent to a company with a former director in common.

These transactions were conducted in the normal course of operations and were measured by the exchange amount which was agreed upon by the transacting parties.

## 8. Income taxes

The Company has accumulated non-capital losses of approximately \$370,100 (2010 - \$163,200) in Canada for income tax purposes, which may be carried forward to reduce taxable income of future years. The non-capital losses expire as follows:

Year of expiry	Non-capital loss
2029	\$ 80,000
2030	85,000
2031	205,000
	\$ 370,000

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

	2011	2010
Average statutory tax rate	27.50%	29.25%
Loss before income taxes	\$ (174,600)	\$ (74,100)
Expected income tax recovery	(48,000)	(21,700)
Increase (decrease) in income tax recovery resulting from:		
Stock based compensation	-	3,500
Share issuance costs	(22,300)	(3,800)
Other	6,900	13,400
Increase in the valuation allowance	63,400	8,600
Income tax recovery	\$ -	\$ -

# Georgetown Capital Corp.

(An exploration stage company)

Notes to the Consolidated Financial Statements, page 11

For the years ended June 30, 2011 and 2010

## 8. Income taxes (continued)

The significant components of the Company's future income tax assets are as follows:

	2011	2010
Non-capital and capital losses	\$ 93,300	\$ 40,800
Share issuance costs	27,300	16,200
Cumulative eligible capital	-	200
	120,600	57,200
Less: valuation allowance	(120,600)	(57,200)
	\$ -	\$ -

The Company has recorded a valuation allowance against its future income tax assets as it was determined that under current conditions it is not more like-than-not that these future tax benefits in Canada will be realized.

## 9. Financial instruments

As at June 30, 2011, the Company's financial instruments consist of cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit, liquidity, or market risks arising from these financial instruments.

As introduced by the amendments to Section 3862, the following summarizes the designation and fair value hierarchy under which the Company's financial instruments are valued:

- Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at June 30, 2011 and June 30, 2010, the Company did not measure any of its financial instruments at fair value. The Company's financial instruments fair value approximates their carrying value, unless otherwise noted.

The risk exposure of the Company's financial instruments is summarized as follows:

### (a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits this risk by holding cash and cash equivalent balances in strong Canadian based financial institutions and in deposits which are readily redeemable.

### (b) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at June 30, 2011, the Company had a cash and cash equivalents balance of \$1,999,882 to settle current liabilities of \$198,631 that mainly consist of accounts payable and accrued liabilities that are considered short-term and settled within 30 days.



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## 9. Financial instruments (continued)

### (c) Market risk

#### i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reduces this risk by only investing in highly liquid short-term deposits.

The Company's cash attract interest at floating rates. The interest is typical of Canadian banking rates, which are at present low, however the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 1% in the interest rates would not be material to the consolidated financial statements.

#### ii. Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. As at June 30, 2011 the Company held financial assets denominated in the US dollars in the amount of US\$21,229 (June 30, 2010 – nil) and financial liabilities of US\$178,991 (June 30, 2010 – nil). As at June 30, 2011, the Company had no hedging agreements in place with respect to foreign exchange rates.

A 10% appreciation or deprecation of the US dollar compared with the Canadian dollar would result in a corresponding increase or decrease in net asset of approximately \$15,000 (June 30, 2010 – nil).

### (d) Fair value

The carrying values of cash and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of the instruments.

## 10. Capital management

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. The Company has no debt and is not subject to externally imposed capital requirements.

The property in which the Company currently has an interest in is in the exploration stage, as such, the Company does not recognize revenue from its exploration property. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration, development, potential acquisition of interest in mineral properties, and pay for administrative costs, the Company will spend its working capital and raise additional amounts externally as needed.

The Company has policies and procedures in place for employee and officer expenditure authorization limits and capital expenditure authorization. Management reviews its capital management approach on an ongoing basis and believes this approach, given the size of the Company, is reasonable.

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## 11. Subsequent events

Effective September 30, 2011, the Company signed an amendment agreement with Full Metal to delay the payment of US\$50,000 and issuance 150,000 shares as required under the Option Agreement from October 1, 2011 to January 15, 2012.