OMINECA MINING AND METALS LTD
(An Exploration Stage Corporation)
CONDENSED INTERIM FINANCIAL STATEMENTS
For the period ended
June 30, 2011

(Unaudited – prepared by management)

OMINECA MINING AND METALS LTD.
(An Exploration Stage Corporation)
UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the period ended June 30, 2011.

NOTICE TO READER OF THE
INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements of Omineca Mining and Metals Ltd. as at June 30, 2011 are the responsibility of the Company's management.

The condensed interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, MacKay LLP.

The condensed interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated financial statements in accordance with International Financial Reporting Standards.

"Timothy J Termuende"	*"Glen J Diduck"*
Timothy J. Termuende, P. Geo	Glen J. Diduck, CA
President and Chief Executive Officer	Chief Financial Officer

OMINECA MINING AND METALS LTD.
(An Exploration Stage Corporation)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(Unaudited – prepared by management)

	Jun 30 2011 (unaudited)
Assets	
Current	
Cash and cash equivalents	$ 2,983,107
Accounts receivable	4,677
Investments (Note 4)	123,000
	3,110,784
Long term investments (Note 4)	24,000
Exploration and evaluation assets (Note 5)	227,670
	$ 3,362,454
Liabilities and Shareholder's Equity	
Current	
Accounts payable and accrued liabilities	$ 58,945
Shareholder's equity	
Share capital (Note 6)	3,367,843
Contributed surplus (Note 6)	373,763
Accumulated other comprehensive loss (Note 4,12)	(16,101)
Deficit	(421,996)
	3,303,509
	$ 3,362,454

Nature of operations (Note 1)
Commitments and contingencies (Note 9)
Subsequent events (Note 14)

On behalf of the Board:

"Timothy J Termuende" Director
Mr. Timothy J. Termuende (Signed)

"Glen J Diduck" Director
Mr. Glen J. Diduck (Signed)

OMINECA MINING AND METALS LTD.
(An Exploration Stage Corporation)
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited – prepared by management)

	Three Months Ended Jun 30 **2011**	Period Ended Jun 30 **2011**
Expenses		
Administration costs	**$ 26,693**	**$ 26,693**
Professional fees (Note 8)	**14,547**	**14,547**
Public company costs	**3,033**	**3,033**
Share-based payments (Note 6)	**373,763**	**373,763**
Trade shows, travel and promotion	**3,997**	**3,997**
Loss before other items	**(422,033)**	**(422,033)**
Other items		
Investment income	**37**	**37**
Net loss for the period	**(421,996)**	**(421,996)**
Other comprehensive loss		
Unrealized loss on investments	**(16,101)**	**(16,101)**
Comprehensive loss for the period	**$ (438,097)**	**$ (438,097)**
Loss per share – basic and diluted (Note 7)	**$ (0.03)**	**$ (0.03)**
Weighted average number of shares – basic and diluted (Note 7)	**15,917,743**	**15,917,743**

OMINECA MINING AND METALS LTD.
(An Exploration Stage Corporation)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – prepared by management)

	Three Months Ended Jun 30 **2011**	Period Ended Jun 30 **2011**
Cash flows from operating activities		
Loss for the period	**$ (421,996)**	**$ (421,996)**
Adjustment for:		
Share-based payments	**373,763**	**373,763**
	(48,233)	**(48,232)**
Changes in non-cash working capital items		
(Increase) decrease in accounts receivable	**(4,677)**	**(4,677)**
Increase (decrease) in accounts payable	**58,944**	**58,944**
	6,034	**6,034**
Cash flows from financing activity		
Proceeds from plan of arrangement	**2,500,000**	**2,500,000**
Cash flows from investing activities		
Proceeds from sale of investments	**501,568**	**501,568**
Exploration of mineral exploration properties	**(24,496)**	**(24,496)**
	477,072	**477,072**
Decrease in cash and cash equivalents	**2,983,106**	**2,983,106**
Cash and cash equivalents, beginning of period	**1**	**1**
Cash and cash equivalents, end of period	**$ 2,983,107**	**$ 2,983,107**
Cash and cash equivalents comprise:		
Bank deposits	**$ 133,107**	**$ 133,107**
Term deposits	**2,850,000**	**2,850,000**
	$ 2,983,107	**$ 2,983,107**

The Company made no cash payments for income taxes or interest.

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited – prepared by management)

	Share Capital		Contributed	Accumulated Other Comprehensive		
	Shares	Amount	Surplus	Income (loss)	Deficit	Equity
On incorporation – March 15, 2011	-	$ 1	$ -	$ -	$ -	$ 1
Balance, March 31, 2011		$ 1	$	$	$	$ 1
Shares issued	15,917,743	3,367,842				3,367,842
Share-based payments			373,763			373,763
Comprehensive loss for the period				(16,101)		(16,101)
Loss for the period					(421,996)	(421,996)
Balance, June 30, 2011	**15,917,743**	**$3,367,843**	**$ 373,763**	**$ (16,101)**	**$ (421,996)**	**$3,303,509**

1. Nature and continuance of operations

Omineca Mining and Metals Ltd (the “Company” or “Omineca” or “OMM”) was incorporated on March 15, 2011, pursuant to the Alberta Business Corporation Act (Alberta), and is extra provincially registered in the Yukon and British Columbia.

The Company was created as a result of a plan of arrangement undertaken in conjunction with the acquistion of Copper Canyon Resources Ltd by Novagold Resources Inc and completed on May 20, 2011. The Company holds properties in British Columbia and the Yukon for the purpose of exploring for, and the development of mineral resources. As the Company has not commenced production on any of its mining properties the Company is an exploration stage company.

The Company’s corporate office and principal place of business is Suite 200, 44-12th Avenue South, Cranbrook, British Columbia, Canada.

These statements have been prepared on the basis of accounting principles applicable to a going concern. Management has assessed that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Recoverability of the amounts shown for mineral exploration properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and attain profitable production or proceeds from the disposition of the properties in excess of the carrying amount.

2. Basis of preparation

(a) Statement of Compliance

The financial statements for the Company for the year-ending December 31, 2011 will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements for the period ended June 30, 2011 have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied. These condensed interim financial statements do not include all of the information required for full annual financial statements. However, they have been prepared in accordance with accounting policies the Company expects to adopt in its December 31, 2011 financial statements.

(b) Basis of Measurement

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments classified as FVTPL and available-for-sale which are stated at their fair value.

These condensed interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

(c) Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Financial results as determined by actual events could differ from these estimates.

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

2. Basis of preparation - continued

Significant areas requiring the use of management estimates and judgement include impairment of mineral properties; reclamation and environmental obligations; determining the provision for deferred income taxes and classification of financial instruments.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the IFRS statement of financial position at June 30, 2011. The accounting policies have been applied consistently by the Company.

The condensed interim financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, bank balances, term deposits and investments with maturities of three months or less from the date of purchase that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Financial instruments
Financial instruments recognized in the balance sheet include cash and cash equivalents, trade and other receivables, investments, and trade and other payables.

Financial assets

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit and loss.

The Company has classified cash and cash equivalents as held for trading.

Available-for-sale financial assets ("AFS")

Investments in marketable securities are classified as AFS financial assets. Investments are initially recognized at fair value and are subsequently carried at fair value with changes recognized in other comprehensive income or loss. Fair value is based on closing market prices for publicly traded shares without recognizing the possible effects of price fluctuations, quantities traded and similar items.

Shares held in escrow have been valued at fair value, discounted by the put option for the length of the escrow period; which is calculated using the Black-Scholes option-pricing model.

The Company has classified investments as AFS.

Loans and receivables

Trades receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The Company has classified accounts receivable as loans and receivables.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Objective evidence of impairment could include the following:

3. Significant Accounting Policies - continued

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

Where impairment has occurred, the cumulative loss is recognized in the income statement.

Financial liabilities

Financial liabilities primarily consist of payables, accruals and indebtedness and are measured at fair value.

The Company holds various financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. Investments in entities in which the Company does not have control or significant influence are designated as available-for-sale. The fair value for investments designated as available-for-sale is recorded on the balance sheet, with unrealized gains and losses, net of related income taxes, recorded in accumulated other comprehensive income (“AOCI”). The cost of securities sold is based on the specific identification method. Realized gains and losses, including any other-than-temporary decline in value, on these equity securities are removed from AOCI and recorded in income or loss.

The Company has designated its cash and cash equivalents as held-for trading, which are measured at fair value. Investments are classified as available-for-sale and are recorded at fair value with changes in fair value recorded in other comprehensive income until such gains or losses are recognized or an other than temporary impairment is determined to have occurred. Accounts receivable are classified as receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Transaction costs are expensed as incurred.

The carrying amounts and fair values of financial assets and liabilities are as follows:

	Jun 30 2011	
	Carrying Value	**Estimated Fair Value**
FVTPL		
Cash and cash equivalents	**$2,983,107**	**$2,983,107**
Loans and receivables		
Accounts receivable	**4,677**	**4,677**
Available-for-sale financial assets		
Investments	**147,000**	**147,000**
Financial liabilities		
Payables and accrued liabilities	**58,945**	**58,945**

c) Exploration and evaluation expenditures

Pre -exploration costs
Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures
Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

3. Significant Accounting Policies - continued

The Company may occasionally enter into option arrangements, whereby the Company may transfer part of a mineral interest, as consideration, for an agreement by the optionee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain on disposal.

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

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties. As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

d) <u>Mineral tax credit</u>
The Federal and Provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accrues these credits as a reduction of exploration and evaluation expenditures in the period that the related expenditures were incurred. These accrued credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments if any, resulting from such a review are recorded in the period that the tax filings are amended.

e) <u>Option Agreements</u>
Certain of the Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

f) <u>Impairment of non-financial assets</u>
At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in the income statement for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit and loss.

g) <u>Rehabilitation obligations</u>
The Company recognizes the fair value of a legal liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operation. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant asset retirement obligations.

3. Significant Accounting Policies - continued

h) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. As a result of the method adopted, the Company restated the measurement of warrants impacting shareholders' equity from contributed surplus to share capital.

m) Per share amounts

Basic income per common share is computed by dividing the net income for the year by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

n) Share based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at

3. Significant Accounting Policies - continued

each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

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

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

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

o) New accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2013.

4. Investments

The Company holds securities that have been designated as available-for-sale as follows:

	June 30, 2011	
	Market Value	**Cost**
Current:		
Common shares in public companies	**$ 123,000**	**$ 125,649**
Long-term:		
Common shares of public companies held in escrow	**24,000**	**37,452**
	$ 147,000	**$ 163,101**

4. Investments - continued

For securities traded in an active market, market value is based on the quoted closing prices of the securities at June 30, 2011. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded.

The Company holds public traded securities held in escrow to be released to the Company over a period from October 28, 2011 to February 15, 2015. Securities held in escrow have been recorded at fair value, discounted by the put option for the length of the escrow period; which is calculated using the Black-Scholes option-pricing model.

Accumulated other comprehensive loss of $16,101 is the result of the change in fair value up to June 30, 2011.

5. Exploration and Evaluation Assets

The Company received three properties per the Plan of Arrangement recorded at a cost of $175,623.

During the second quarter, acquisition and exploration expenditures totalled $52,047. Of the total acquisition and exploration expenditures, $2,445 was expended in B.C. and $49,602 in the Yukon.

	Acquisition Per Plan of Arrangement	Acquisition & Exploration Costs	**June 30 2011**
British Columbia			
Abo	$ 35,524	$ 2,445	**$ 37,969**
Yukon			
Kiwi	140,098	49,602	**189,700**
Severance	1	-	**1**
	$ 175,623	$ 52,047	**$ 227,670**

Abo
Omineca has an unencumbered 100% interest in the Abo property located 130 km east of Vancouver, in south-western British Columbia. Historical diamond drilling work has defined a NI43-101 compliant Indicated Resource of 1.845 Million tonnes grading 2.79 g/t gold containing 165,000 oz Gold and an Inferred Resource of 0.6 million tonnes grading 2.8 g/t gold containing 55,000 oz of Gold. Total Resources contained on the Abo property to date - 220,000 oz of Gold.

Kiwi
Omineca has an unencumbered 100% interest in the Kiwi property located 70 km northeast of Ross River, in the central Yukon. The claims consist of 32 units (652 ha) located 25km west of the North Canol Road which overlie high-grade gold occurrences associated with intrusive rocks and north-west trending structures. Past operators reported in-situ visible gold with analytical values of up to 115 g/t gold and 32 g/t silver reported from a grab sample at the VG Showing.

Severance Project
The property, located in the west-central Yukon, was originally acquired through an option agreement whereby a 2% Net Smelter Royalty is reserved for the vendor, 4763 NWT Ltd., half of which may be purchased at any time for $1,000,000. The Company has also agreed to reserve for the vendor 25% of the proceeds from any subsequent third-party sale or option of the claims, to a maximum of $100,000.

5. Exploration and Evaluation Assets - continued

On March 21, 2007, an option agreement was executed with Northern Freegold Resources Ltd. ("NFR"; which has common directors with the Company) whereby NFR may earn a 100% interest (less 3% NSR, of which 2% may be purchased for $1,500,000) in the Severance Property.

Pursuant to the March 21, 2007, Severance Property Option Agreement with Northern Freegold Resources Ltd., Omineca has the right to receive 500,000 shares of Northern Freegold Resources Ltd. following:

(a) the commencement of commercial production;
(b) Northern Freegold Resources Ltd.'s transfer of its interest in the Severance Property without Omineca's consent; or
(c) the sale, transfer, conveyance or other disposition of a control interest in Northern Freegold Resources Ltd. (control interest being an interest allowing a holder to direct or cause the direction of the management and policies of Northern Freegold).

Under the agreement, Northern Freegold Resources Ltd. also agreed to:

(a) assume Omineca's obligation to pay to 4763 NWT Ltd. a 2% Net Smelter Royalty on all mineral production from the Severance Property,
(b) pay to Omineca a 1% Net Smelter Royalty following commercial production on the Severance Property.

As Omineca assumed Copper Canyon Resources Ltd.'s rights and obligations relating to the Severance Property pursuant to the agreement between Eagle Plains Resources Ltd. and 4763 NWT Ltd. dated January 30, 2003, Omineca has the right to buy down the 2% Net Smelter Royalty Interest from 4763 NWT Ltd. to 1% for $1,000,000 and is obligated to transfer 25% of the 500,000 shares, to a maximum value of $55,625, it receives from Northern Freegold Resources Ltd. referred to above to 4763 NWT Ltd. upon its receipt of same.

6. Equity Instruments

a) Authorized

Unlimited number of common shares without nominal or par value.

Unlimited number of first and second preference shares without nominal or par value, with the rights, privileges and conditions thereof determined by the directors of the Company at the time of issuance.

b) Issued and outstanding

	Number of shares	Amount	Contributed Surplus Warrants	Contributed Surplus Options
On incorporation – March 15, 2011		$ 1	$	
Balance, March 31, 2011	-	1		-
Issuance of shares – Plan of Arrangement	15,917,743	3,367,842		
Share-based payment				373,763
Balance, June 30, 2011	**15,917,743**	**$ 3,367,843**	**-**	**$ 373,763**

2011 share issuance

In the second quarter, the Company issued 15,917,743 shares on the completion of the Plan of Arrangement.

6. Equity Instruments - continued

c) Stock Option Plan

The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% of the issued and outstanding common shares of the Company. The exercise price and vesting period of options granted is not less than the market price of the common shares traded less the available discount under TSX Venture Exchange Inc. policies, and is determined by the Board of Directors. Options granted can have a term of up to 10 years.

As at June 30, 2011, the Company has the following stock options outstanding:

Total issued and outstanding	Number of Options	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding, March 31, 2011	-	-	-
Options issued	1,445,000	$0.40	$0.40
Options outstanding, June 30, 2011	**1,445,000**	**$0.40**	**$0.40**

The following table summarizes information about stock options outstanding at June 30, 2011:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
1,445,000	**$0.40**	**$0.40**	**5.00 years**	**1,445,000**	**$0.40**

d) Compensation expense for share options

As at June 30, 2011, $373,763 has been recorded as stock based compensation related to the options vested during the period.

7. Per Share Amounts

The calculation of per share amounts have been calculated based on the weighted average number of shares outstanding during the period ended June 30, 2011 of 15,917,743 shares.

The net effect of applying the treasury-stock method to the weighted average number of shares outstanding had an anti-dilutive effect for the period ended June 30, 2011.

8. Related Party Transactions

The Company was involved in the following related party transactions during the quarter:

(a) The Company is related to Eagle Plains Resources Ltd ("EPL") and Terralogic Exploration Inc. ("TL") through common directors. During the quarter the Company had the following transactions with the related companies:

8. Related Party Transactions - continued

	2011
Operating expenses paid by EPL	**17,486**
Exploration services provided by Terralogic	**24,495**

At June 30, 2011, $36,300 is included in accounts payable.

Compensation to key management:

(a) Included in administration expenses is $3,500 paid for accounting services and related expenses to Glen J. Diduck, a director and officer of the Company. At June 30, 2011, $3,920 is included in accounts payable and accrued liabilities.

(b) Included in professional fees is $9,267 paid for legal fees to a law firm of which one of the directors, Darren Fach, is a partner. At June 30, 2011, $9,027 is included in accounts payable and accrued liabilities.

(c) Included in administration expenses is $6,942 paid for consulting fees to Toklat Resources Ltd, a company owned by Tim Termuende, a director and officer of the Company.

(d) The Company issued 1,445,000 options in the period with an exercise price of $0.40 expiring June 8, 2016, of which 1,050,000 were issued to directors of the Company.

All related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties.

9. Commitments and Contingencies

The Company has agreed to indemnify directors and officers under the bylaws of the Company to the extent permitted by law. The nature of the indemnifications prevent the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks association with such indemnification.

10. Financial Instruments

CICA Handbook Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

June 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 2,983,107	$ -	$ -	$ 2,983,107
Investments	$ 147,000	$ -	$ -	$ 147,000

10. Financial Instruments - continued

As disclosed in Note 3 (c), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to concentration risk, credit risk, currency risk and price risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

a) Concentration risk
At June 30, 2011, substantially all of the Company's cash was held at two recognized Canadian National financial institutions. As a result, the Company was exposed to all of the risks associated with those institutions. Concentration risk also exists in marketable securities (investments) because the Company's investments are primarily in shares of junior resource companies involved in gold exploration.

b) Credit risk
The Company is exposed to credit risk, which is the risk that a customer or counterparty will fail to perform an obligation or settle a liability, resulting in financial loss to the Company. The Company manages exposure to credit risk by adopting credit risk guidelines that limit transactions according to counterparty credit worthiness. The maximum credit exposure associated with accounts receivable is the carrying value.

c) Currency risk
Currency risk is the risk to the Company's operations that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at June 30, 2011, the Company has no cash in US$.

d) Price risk
The Company's investments designated as available-for-sale are traded on the TSX Venture and TSE. A 1% change in the cumulative quoted share price would change the fair value of the investments by approximately $1,470. The change would be recorded in Accumulated Other Comprehensive Income (Loss).

11. Statement of Cash Flow

At June 30, 2011, the Company held cashable guaranteed investment certificates (GIC's) and term deposits bearing interest rates of 0.90% to 1.20% (with maturity terms of July 4, 2011 to Sept 6, 2011). All of these investments are cashable before maturity and have been treated as cash equivalents.

12. Accumulated other comprehensive income (loss)

No future income tax liability has been recorded as a result of the accumulated other comprehensive gain. The balance of accumulated other comprehensive income is entirely comprised of unrealized gains and losses on available for sale investments.

13. Capital management

The Company includes cash and cash equivalents and equity, comprising of issued common shares, contributed surplus and deficit, in the definition of 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. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

13. Capital management - continued

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

14. Subsequent Events

There were no subsequent events to note.

15. Transition to IFRS

First time adoption of IFRS - The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements prepared in accordance with IFRS. These financial statements prepared by the Company are prepared in accordance with IFRS.

16. Plan of Arrangement

In June 2006, Copper Canyon Resources Ltd. was created by way of plan of arrangement and spun-off from Eagle Plains Resources Ltd. on a one for one share basis to the shareholders with three projects in its portfolio, Copper Canyon, Abo and Severance.

In May 2011, NovaGold Resources Inc acquired all of the outstanding common shares of Copper Canyon by way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta).

Under the Arrangement, Copper Canyon shareholders received 0.0735 common shares of NovaGold for each common share of Copper Canyon, plus one common share of a newly incorporated company ("Omineca") for every four shares of Copper Canyon.

As part of the Plan of Arrangement, Copper Canyon transfered to Omineca $2,500,000 cash and its interests in the Harrison Lake (Abo) Gold Property, the Severance Project and the Kiwi Project as well as all share positions in other companies held by Copper Canyon