

**ANSELL CAPITAL CORP.**  
**FINANCIAL STATEMENTS**  
**JULY 31, 2011 AND 2010**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Ansell Capital Corp.

We have audited the accompanying financial statements of Ansell Capital Corp. which comprise the balance sheets as at July 31, 2011 and 2010 and the statements of loss and comprehensive loss, cash flows, and shareholders' equity 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.

### *Auditors' 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 audit 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

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



***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Ansell Capital Corp.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

November 23, 2011

**ANSELL CAPITAL CORP.**

**BALANCE SHEETS**

	<b>JULY 31</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,767,368	\$ 1,405,111
Short term investments	1,054,672	-
Receivable	129,839	7,763
Prepaid expenses	4,328	4,634
	4,956,207	1,417,508
<b>Equipment</b> (Note 4)	6,425	8,821
<b>Investment</b> (Note 5 and Note 6(d))	30,000	-
<b>Exploration advances</b> (Note 6(f))	100,000	-
<b>Mineral property and deferred exploration expenditures</b> (Note 6)	6,684,591	87,208
	\$ 11,777,223	\$ 1,513,537
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 533,694	\$ 29,972
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	12,778,779	2,578,059
Contributed surplus	891,130	312,951
Obligation to issue shares (Note 6(h))	30,250	-
Accumulated other comprehensive income	(20,000)	-
Deficit	(2,436,630)	(1,407,445)
	11,243,529	1,483,565
	\$ 11,777,223	\$ 1,513,537

Nature and continuance of operations (Note 1)

Commitments (Note 13)

Subsequent events (Note 16)

On behalf of the Board:

*"Jevin Werbes"*

Director

*"Matthew G. Wright"*

CFO

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

**ANSELL CAPITAL CORP.**

**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	YEARS ENDED JULY 31	
	2011	2010
Expenses		
Amortization	\$ 2,396	\$ 1,330
Consulting fees	53,500	43,500
Management fees	45,000	36,000
Office and miscellaneous	46,200	32,284
Professional fees	145,344	67,596
Regulatory and filing fees	24,878	19,576
Rent, net of recoveries	(1,033)	12,798
Shareholder communications	74,884	14,001
Stock-based compensation (Note 8)	422,985	16,367
Transfer agent fees	20,529	13,249
Travel and property evaluation	116,347	34,828
Wages and benefits	53,735	42,160
Loss before the following items	<b>(1,004,765)</b>	(333,689)
Interest income	12,745	2,981
Write off of mineral property costs (Note 6)	<b>(37,165)</b>	(595,341)
Net loss for the year	<b>(1,029,185)</b>	(926,049)
<b>Other Comprehensive Loss</b>		
Net unrealized losses on available for sale investments during the year	<b>(20,000)</b>	-
Comprehensive loss for the year	<b>\$ (1,049,185)</b>	\$ (926,049)
Loss per common share, basic and diluted	<b>\$ (0.03)</b>	\$ (0.05)
Weighted average number of common shares	<b>31,857,107</b>	17,717,306

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

**ANSELL CAPITAL CORP.**  
**STATEMENTS OF CASH FLOWS**

	<b>YEARS ENDED JULY 31</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash Provided By (Used In):</b>		
<b>Operating Activities</b>		
Net loss for the year	\$ (1,029,185)	\$ (926,049)
Amounts not affecting cash:		
Amortization	2,396	1,330
Stock-based compensation	422,985	16,367
Write off of mineral property costs	37,165	595,341
Net changes in non-cash operating working capital items:		
Receivable	(122,076)	455
Prepaid expenses	306	(3,149)
Accounts payable and accrued liabilities	29,426	(2,363)
	<u>(658,983)</u>	<u>(318,068)</u>
<b>Investing Activities</b>		
Equipment	-	(7,000)
Exploration advances	(100,000)	
Mineral properties	(2,245,408)	(488,212)
Mineral property recoveries	-	54,249
Short term investments	(1,054,672)	-
	<u>(3,400,080)</u>	<u>(440,963)</u>
<b>Financing Activities</b>		
Issuance of share capital	6,984,000	1,462,500
Share issue costs	(562,680)	(118,346)
	<u>6,421,320</u>	<u>1,344,154</u>
<b>Change in cash and cash equivalents</b>	<b>2,362,257</b>	<b>585,123</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,405,111</b>	<b>819,988</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,767,368</b>	<b>\$ 1,405,111</b>
<b>Supplemental cash flow information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

**See Note 15**

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

**ANSELL CAPITAL CORP.**

**STATEMENTS OF SHAREHOLDERS' EQUITY**

**YEARS ENDED JULY 31, 2011 AND 2010**

	SHARE CAPITAL		CONTRIBUTED SURPLUS	OBLIGATION TO ISSUE SHARES	ACCUMULATED OTHER COMPREHENSIVE INCOME	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
Balance, July 31, 2009	15,505,032	\$ 1,404,107	\$ 126,382	\$ -	\$ -	\$ (481,396)	\$ 1,049,093
Exercise of stock options	75,000	12,298	(4,798)	-	-	-	7,500
Exercise of warrants	375,000	75,000	-	-	-	-	75,000
Shares issued for cash	6,900,000	1,380,000	-	-	-	-	1,380,000
Share issue costs	-	(293,346)	175,000	-	-	-	(118,346)
Fair value of stock options vesting in year	-	-	16,367	-	-	-	16,367
Net loss for the year	-	-	-	-	-	(926,049)	(926,049)
Balance, July 31, 2010	22,855,032	2,578,059	312,951	-	-	(1,407,445)	1,483,565
Units issued for cash – flow- through	1,875,000	750,000	-	-	-	-	750,000
Units issued for cash – non-flow- through	15,100,000	4,832,000	-	-	-	-	4,832,000
Share issue costs	-	(851,180)	288,500	-	-	-	(562,680)
Shares issued for property and related finders fees	315,312	94,594	-	-	-	-	94,594
Units issued for property	12,000,000	3,840,000	-	-	-	-	3,840,000
Exercise of stock options	375,000	81,447	(36,447)	-	-	-	45,000
Exercise of brokers warrants	420,000	141,087	(57,087)	-	-	-	84,000
Exercise of share purchase warrants	4,185,000	1,312,772	(39,772)	-	-	-	1,273,000
Obligation to issue shares	-	-	-	30,250	-	-	30,250
Fair value of stock options vesting in period	-	-	422,985	-	-	-	422,985
Revaluation of investment to market value	-	-	-	-	(20,000)	-	(20,000)
Net loss for the year	-	-	-	-	-	(1,029,185)	(1,029,185)
<b>Balance, July 31, 2011</b>	<b>57,125,344</b>	<b>\$ 12,778,779</b>	<b>\$ 891,130</b>	<b>\$ 30,250</b>	<b>\$ (20,000)</b>	<b>\$ (2,436,630)</b>	<b>\$ 11,243,529</b>

# **ANSELL CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**JULY 31, 2011 AND 2010**

### **1. NATURE AND CONTINUANCE OF OPERATIONS**

#### a) Nature of Operations

Ansell Capital Corp. ("Company") was incorporated under the Business Corporations Act (BC) on July 26, 2006 and is listed on the TSX Venture Exchange. The Company's principal business activity is the acquisition and exploration of mineral properties.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of any amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production.

#### b) Going Concern

The Company's financial statements have been prepared on the basis of accounting principles applicable to a going concern and assume the realization of assets and discharge of liabilities in the normal course of business. The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. There is no assurance that the Company will be successful with any financing ventures. It is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives, there is no assurance that any such activity will generate funds that will be available for operations. These financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### a) Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

As at July 31, 2011, the Company held \$Nil (2010 - \$750,578) in cash equivalents, being bankers acceptances.

#### b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Areas requiring use of significant estimates include the carrying value of mineral properties, fair value of investments, stock-based compensation and future income taxes. Actual results could differ from these estimates.

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### c) Equipment

Equipment is recorded at cost and amortized over their estimated useful lives at the following rates:

Office equipment	20% declining balance method
Vehicles	30% declining balance method

#### d) Financial instruments – recognition and measurement

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

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 income (loss), using the effective interest method.

Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income (loss) until the asset is realized, at which time they will be recorded in net income (loss).

Held-for-trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in the statement of operations in the period in which they arise.

All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses resulting from changes in their fair value are included in the results of operations in the period in which they arise.

In accordance with this standard, the Company has classified its financial instruments as follows:

Cash and cash equivalents, and short term investments are classified as held-for-trading; investment is classified as available for sale; receivables and exploration advances are classified as loans or receivables; and accounts payable and accrued liabilities are classified as other liabilities.

#### f) Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### g) Mineral properties

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

Although the Company has taken steps to verify title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance regulatory requirements.

#### h) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred 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 operations. 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.

As at July 31, 2011 the Company did not have any significant asset retirement obligations.

#### i) Share capital

##### i) Stock based compensation

The Company measures the cost of the service received for all stock options made to consultants, employees and directors based on an estimate of fair value at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date. Stock based compensation is recognized as expense with a corresponding increase in contributed surplus. On exercise of the stock option, consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

i) Share capital (cont'd...)

ii) Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

j) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations.

Diluted loss per share is not presented for years ended July 31, 2011 and 2010 as it was anti-dilutive.

k) Future income taxes

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

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements are applicable to future reporting periods. The Company is currently evaluating the effects of adopting these standards:

i) Section 1582, Business Combinations

Section 1582 applies prospectively to the Company's business combinations on or after August 1, 2011. Early adoption of this recommendation is permitted. This section replaces Section 1581, "Business Combination", and harmonizes the Canadian accounting standards with International Financial Reporting Standards ("IFRS"). Under the new guidance, the purchase price used in a business combination will be the new fair value of the shares exchanged at their market price on the date of the exchange.

Currently, when shares are issued, they are valued based on the market price for a reasonable period before and after the date the acquisition is agreed upon and announced. Under the new guidelines, all acquisition costs are expensed where currently they are capitalized as part of the acquisition costs. There are also a number of other differences between the new guidelines and current GAAP.

ii) Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests

Section 1601 and 1602 change the accounting and reporting of ownership in interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position (balance sheet) within equity, but separately from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income (loss). In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interest of the non-controlling owners.

iii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The Company's will adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

**ANSELL CAPITAL CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JULY 31, 2011 AND 2010**

**4. EQUIPMENT**

	JULY 31, 2011		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Office and equipment	\$ 3,317	\$ 1,300	\$ 2,017
Vehicles	7,000	2,592	4,408
	<u>\$ 10,317</u>	<u>\$ 3,892</u>	<u>\$ 6,425</u>

	JULY 31, 2010		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Office and equipment	\$ 3,317	\$ 796	\$ 2,521
Vehicles	7,000	700	6,300
	<u>\$ 10,317</u>	<u>\$ 1,496</u>	<u>\$ 8,821</u>

**5. INVESTMENT**

	JULY 31	
	2011	2010
Driven Capital Corp - 200,000 common shares	<u>\$ 30,000</u>	<u>\$ -</u>

These shares were received pursuant to a mineral property option agreement at a value of \$50,000 (Note 6(d)).

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

**JULY 31, 2011 AND 2010**

### 6. MINERAL PROPERTIES

Title to mineral 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 frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Mineral properties and deferred exploration expenditures comprise:

	BALANCE JULY 31 2010	COSTS INCURRED	COST RECOVERY	COSTS WRITTEN OFFS	BALANCE JULY 31 2011
<b>Mineral Property Acquisition Costs</b>					
Kuyakuz, Canada (d)	\$ 10,043	\$ -	\$ -	\$ -	\$ 10,043
Vilcoro Gold, Peru (e)	34,400	-	-	(34,400)	-
Charlotte, Canada (f)	-	4,340,000	-	-	4,340,000
Dal, Canada (g)	-	225,719	-	-	225,719
Discovery Creek, Canada (h)	-	230,250	-	-	230,250
Etzel, Canada (i)	-	835,000	-	-	835,000
	<u>44,443</u>	<u>5,630,969</u>	<u>-</u>	<u>(34,400)</u>	<u>5,641,012</u>
<b>Deferred Exploration Expenditures</b>					
North Battle Mountain, Nevada(b)	\$ 2,765	\$ -	\$ -	\$ (2,765)	\$ -
Kuyakuz, Canada (d)	40,000	76,207	(85,000)	-	31,207
Charlotte, Canada (f)	-	1,012,372	-	-	1,012,372
Dal, Canada (g)	-	-	-	-	-
Etzel, Canada (i)	-	-	-	-	-
	<u>42,765</u>	<u>1,088,579</u>	<u>(85,000)</u>	<u>(2,765)</u>	<u>1,043,579</u>
<b>Total</b>	<u>\$ 87,208</u>	<u>\$ 6,719,548</u>	<u>\$ (85,000)</u>	<u>\$ (37,165)</u>	<u>\$ 6,684,591</u>

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

**JULY 31, 2011 AND 2010**

### 6. MINERAL PROPERTIES (Cont'd)

	BALANCE JULY 31 2009	COSTS INCURRED	COST RECOVERY	COSTS WRITTEN OFFS	BALANCE JULY 31 2010
<b>Mineral Property Acquisition Costs</b>					
Guijoso Property, Mexico (a)	\$ 183,090	\$ -	-	\$ (183,090)	\$ -
Pires, Brazil (c)	-	75,000	-	(75,000)	-
Kuyakuz, Canada (d)	-	10,043	-	-	10,043
Vilcoro Gold, Peru (e)	-	34,400	-	-	34,400
	<u>183,090</u>	<u>119,443</u>	<u>-</u>	<u>(258,090)</u>	<u>44,443</u>
<b>Deferred Exploration Expenditures</b>					
Guijoso Property, Mexico (a)	\$ 102,261	\$ 15,952	-	\$ (118,213)	\$ -
Redrock, Nevada (b)	-	50,642	(50,642)	-	-
North Battle Mountain, Nevada(b)	-	6,372	(3,607)	-	2,765
Pires, Brazil (c)	-	219,038	-	(219,038)	-
Kuyakuz, Canada (d)	-	40,000	-	-	40,000
	<u>102,261</u>	<u>332,004</u>	<u>(54,249)</u>	<u>(337,251)</u>	<u>42,765</u>
<b>Total</b>	<u>\$ 285,351</u>	<u>\$ 451,447</u>	<u>(54,249)</u>	<u>\$ (595,341)</u>	<u>\$ 87,208</u>

#### a) Guijoso Property, Mexico

The Company entered into an agreement with Fury Explorations Ltd. ("Fury"), pursuant to which the Company could earn 70% of Fury's interest in the Guijoso Property which consisted of exploration concessions located in Mexico. The interest could be earned by making cash payments of US\$275,000 (paid \$55,880); issuing 1,800,000 common shares of the Company (issued 400,000 shares valued at \$48,000) and by spending an aggregate of US\$2,000,000 in exploration expenditures in installments over a three year period ending March 2, 2011. The agreement was subsequently amended to allow the Company the option to pay cash at current trading value in lieu of shares to be issued. The Company paid \$50,000 in lieu of the second installment of 400,000 shares.

The Company agreed to issue up to 386,000 common shares (issued 63,000 shares valued at \$7,560) as a finders fee over three years.

During the year ended July 31, 2010 the Company abandoned its interest in the property and wrote off a total of \$301,303 of acquisition and explorations cost relating to the property.

#### b) Nevada, USA Properties

##### i) Redrock Property

In April 2008, the Company entered into a lease agreement to secure a lease with an option to acquire a 100% interest in the Redrock property located in Lander County, Nevada.

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 6. MINERAL PROPERTIES (Cont'd)

#### b) Nevada, USA Properties (cont'd)

##### i) Redrock Property (cont'd)

The aggregate consideration payable under the option was US\$2,000,000 (an advance gross production royalty, ("GPR")), 1,100,000 common shares of the Company and exploration expenditures to be incurred over 10 years of US\$2,000,000 (paid \$12,193).

##### ii) North Battle Mountain Property

The Company also entered into a lease agreement to acquire a 100% interest in the North Battle Mountain property. The aggregate consideration payable under the option is US\$1,500,000 (an advance GPR) (paid US\$2,500), 1,000,000 common shares (issued 25,000 at a value of \$3,500) of the Company and exploration expenditures to be incurred over 10 years of US\$1,900,000.

In July 2009, the Company entered into a Letter of Agreement with Challenger Deep Capital Corp. ("Challenger") pursuant to which the Company agreed to assign its interests in the Redrock and Battle Mountain properties to Challenger, subject to a retained back in right to participate to the extent of a 25% undivided interest in the further development of either or both properties after Challenger has fulfilled its obligations under the agreement.

As consideration, the Company received \$25,000 in fiscal 2009 and \$54,249 in fiscal 2010 as reimbursement of costs incurred and Challenger must incur US\$210,000 of expenditures within two years. Challenger also agreed to assume all of the Company's obligations in the underlying agreements with the property vendors.

During March 2011, the Company received notice that Challenger intended to surrender the leases. Accordingly, the Company has written off the remaining balance of exploration costs amounting to \$2,765 as it no longer holds an interest in the properties.

#### c) Pires Property, Brazil

In February 2010, the Company signed a Letter of Intent ("LOI") with Entourage Mining Ltd. ("Entourage"), wherein the Company agreed to complete due diligence on certain mineral claims, known as the Pires property claims ("Pires") in Brazil, pay \$75,000 to Entourage (paid) and incur expenditure on the claims of not less than US\$200,000 (completed). After the due diligence period, the Company could decide to acquire Entourage.

The LOI stated that should the Company decide not to proceed with the acquisition, the Company will have earned a 25% interest in Entourage's interest in the Pires property which may be re-purchased by Entourage at cost, being \$294,038, for a period of 18 months from the date the Company elects not to proceed with the acquisition.

In July 2010, the Company advised Entourage that it would not be proceeding with the agreement, and accordingly wrote off its costs of \$294,038, but is continuing to pursue opportunities to recover these costs.

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 6. MINERAL PROPERTIES (Cont'd)

#### d) Kuyakuz Mountain Project, British Columbia, Canada

The Company acquired, for the cost of staking, certain mineral tenures located in the Province of British Columbia.

During the year ended July 2011, the Company entered into an option agreement with Driven Capital Corp. ("Driven"), whereby Driven was granted the option to acquire an undivided 70% interest in the Company's Kuyakuz Mountain property.

In order for Driven to earn its 70% interest in the property the Company will receive consideration aggregating \$160,000 cash and 800,000 shares of Driven in staged tranches, and Driven has an obligation to incur aggregate exploration expenditures of \$1,000,000 in staged tranches as follows:

#### i) Cash consideration;

- \$15,000 as a refundable deposit, (received);
- \$20,000 within five days of the approval date (being April 2011), (received)
- \$50,000 on or the first anniversary of the approval date
- \$75,000 on or before the second anniversary of the approval date

#### ii) Stock consideration

- 200,000 shares within 5 days of approval date, (received at a value of \$50,000)
- 200,000 shares on or before the first anniversary of the approval date
- 400,000 shares on or before the second anniversary of the approval date

#### iii) Property exploration commitment aggregating \$1,000,000 as follows:

- \$ 100,000 in aggregate on or before the first anniversary of the approval date
- \$ 300,000 in aggregate on or before the second anniversary of the approval date
- \$1,000,000 in aggregate on or before the third anniversary of the approval date

Driven has the further option to acquire the remaining 30% undivided interest in the property by issuing an additional 1,200,000 shares to the Company on or before the third anniversary of the approval date.

The Company will retain a 2% net smelter return royalty ("NSR") upon commercial production. Driven also has the right to acquire the entire NSR by paying the Company \$1,000,000 on or before the sixth anniversary of the approval date.

#### e) Vilcoro Gold Property, Peru

In April 2010, the Company entered into a letter agreement with St. Elias Mines Ltd. and Emilsen Medina Inga de Brophy, whereby the Company would acquire an option to earn 65% interest in the Vilcoro Gold Property in northern Peru. To earn its interest the Company would have to make staged cash payments aggregating to \$500,000 (\$34,400 advanced), issue 1,000,000 common shares and incur exploration expenditures aggregating to \$2,500,000.

As at July 31, 2011, the Company determined that it would not complete on the transaction and accordingly wrote off its costs of \$34,400, but is continuing to pursue opportunities to recover these costs.

## ANSELL CAPITAL CORP.

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

#### 6. MINERAL PROPERTIES (Cont'd)

##### f) Charlotte Property, Yukon Territory, Canada

In March 2011, the Company entered into an option agreement with Eagle Trail Properties Inc. ("Eagle Trail") and Guinness Exploration, Inc. ("Guinness") to acquire up to an 85% undivided interest in the Charlotte project in the Yukon Territory (the "property").

The Company can acquire a 49% interest by paying Eagle Trail \$1,000,000, issuing 12,000,000 units to Eagle Trail and spending \$5,000,000 on expenditures on the property over 3 years, of which \$2,000,000 is to be spent in the first year. Of the cash consideration, \$500,000 is payable on the effective date and the remainder is payable 14 months thereafter. The 12,000,000 units are issuable on the effective date.

Each unit to be issued to Eagle Trail will consist of one common share and 0.67 share purchase warrants with one full warrant being exercisable to purchase one additional common share of the Company at a price of \$0.35 for two years.

The Company will be the operator of the project.

The Company can increase its interests to 85% of which 26% can be earned by the Company delivering to Eagle Trail and Guinness a bankable Feasibility Study on the property within five years of obtaining its 49% interest and the final 10% can be earned by arranging for the production financing to place the property into commercial production.

The property is encumbered with a 3% NSR due and payable to Eagle Trail of which 1% can be purchased by the Company for \$1,500,000 provided the Company has first acquired a 75% undivided interest in and to the Property.

As at July 31, 2011, the Company had issued 12,000,000 units valued at \$3,840,000 (Note 7) and made cash payments aggregating \$500,000 pursuant to the agreement.

During the year ended July 31, 2011, the Company incurred \$52,454 of property investigation costs on the property prior to acquisition which were expensed as property investigation costs.

The Company has advanced \$100,000 to a contractor towards future exploration.

The agreement also gives Eagle Trail and Guinness the right, until the Company acquires a 75% interest, to elect to include any properties acquired from Aurchem, including the Discovery Creek and Etzel properties, as part of the properties subject to this agreement.

##### g) Dal Property, Yukon Territory, Canada

On March 4, 2011, the Company entered into an option agreement with Shawn Ryan and Wildwood Exploration Inc. to purchase mining claims located in the Yukon Territory.

In order to earn its 100% interest the Company will pay the vendors in staged payments \$450,000 cash, 2,000,000 common shares (300,000 issued) and incur expenditures on the property of \$2,200,000 by October 2015 as follows:

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 6. MINERAL PROPERTIES (Cont'd)

#### g) Dal Property, Yukon Territory, Canada (cont'd)

##### i) Cash consideration;

\$125,000 on the effective date, (paid);  
\$75,000 on or before the first anniversary of the effective date  
\$75,000 on or before the second anniversary of the effective date  
\$75,000 on or before the third anniversary of the effective date  
\$100,000 on or before the fourth anniversary of the effective date

##### ii) Stock consideration

300,000 on the effective date, (issued at a value of \$90,000);  
300,000 shares on or before the first anniversary of the effective date  
300,000 shares on or before the second anniversary of the effective date  
300,000 shares on or before the third anniversary of the effective date  
300,000 shares on or before the fourth anniversary of the effective date  
250,000 shares upon incurring cumulative exploration expenditures \$4,000,000  
250,000 shares upon incurring cumulative exploration expenditures \$7,500,000

##### iii) Property exploration expenditures

\$ 150,000 in aggregate on or before the first anniversary of the effective date  
\$ 450,000 in aggregate on or before the second anniversary of the effective date  
\$ 950,000 in aggregate on or before the third anniversary of the effective date  
\$1,450,000 in aggregate on or before the fourth anniversary of the effective date  
\$2,200,000 in aggregate on or before the fifth anniversary of the effective date

From 2016 until commercial production, the Company must make annual advance royalty payments of \$30,000. The interest is subject to a 2% NSR of which the Company can purchase 1% for \$2,500,000 upon commercial production.

Finders fees are also payable by the Company in staged payments comprising an aggregate of \$26,375 cash and the issuance of 65,938 shares as follows:

##### i) Cash consideration;

\$6,125 on the effective date, (paid);  
\$4,875 on or before the first anniversary of the effective date  
\$4,875 on or before the second anniversary of the effective date  
\$4,875 on or before the third anniversary of the effective date  
\$5,675 on or before the fourth anniversary of the effective date

##### ii) Stock consideration

15,312 on the effective date, (issued) at a value of \$4,594;  
12,188 shares on or before the first anniversary of the effective date  
12,188 shares on or before the second anniversary of the effective date  
12,188 shares on or before the third anniversary of the effective date  
14,062 shares on or before the fourth anniversary of the effective date

## ANSELL CAPITAL CORP.

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

#### 6. MINERAL PROPERTIES (Cont'd)

##### h) Discovery Creek Property, Yukon Territory, Canada

In May 2011, the Company entered into an option agreement with Aurchem Exploration Ltd, ("Aurchem") to acquire up to a 100% interest in certain mineral claims IN THE Yukon Territory. Pursuant to the option agreement, the Company can acquire its 100% interest in the property by paying \$3,000,000 cash in staged payments over a five year period as follows:

- \$ 50,000 on signing the LOI, (paid);
- \$ 150,000 on signing the Agreement (paid)
- \$ 200,000 on or before the first anniversary of the Agreement
- \$ 300,000 on or before the second anniversary of the Agreement
- \$ 400,000 on or before the third anniversary of the Agreement
- \$ 400,000 on or before the fourth anniversary of the Agreement
- \$1,500,000 between the fifth and sixth anniversary of the agreement if the price of gold is above US\$1,000 per ounce.

Finders fees are also payable by the Company in staged payments comprising the issuance of 564,061 common shares as follows:

- 62,500 shares on the effective date (see below),
- 54,687 shares on or before the first anniversary of the effective date
- 67,187 shares on or before the second anniversary of the effective date
- 82,812 shares on or before the third anniversary of the effective date
- 62,500 shares on or before the fourth anniversary of the effective date
- 234,375 shares on or before the fifth anniversary of the effective date

The Company has recorded an obligation to issue shares of \$30,250 in respect of the finders fee of 62,500 shares to be issued.

##### i) Etzel Property, Yukon Territory, Canada

On June 22, 2011, the Company entered into a Mineral Property purchase agreement with Aurchem to acquire up to a 100% interest in certain mineral claims in the Yukon Territory for \$835,000 (paid).

The property is subject to 1.5% NSR upon commercial production.

Subsequent to the year end on August 18, 2011, the Company entered into an Option and Joint Venture Agreement with Great Bear Resources Ltd, ("Great Bear") whereby Great Bear would acquire up to a 65% undivided interest in the Etzel mineral claims.

In order for Great Bear to earn its 65% interest in the property Ansell will receive consideration aggregating \$500,000 cash and 2,500,000 shares of Great Bear in staged tranches, and Great Bear has an obligation to incur aggregate exploration expenditures of \$9,750,000 (Note 16).

## ANSELL CAPITAL CORP.

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

#### 7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Issued

In the year ended July 31, 2011, the Company:

- i) Completed a brokered private placement comprising 1,875,000 flow-through-units at \$0.40 per unit and 10,400,000 non-flow-through units at \$0.32 per unit for total aggregate gross proceeds of \$4,078,000. Each flow-through unit consists of one common share of the Company and one half of one share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$0.50 to purchase one additional common share at any time before April 29, 2013. Each non-flow-through unit consists of one common share of the Company and one share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$0.40 to purchase one additional common share at any time before April 29, 2012 or \$0.50 prior to April 29, 2013.

In connection with the private placement the Company paid \$285,460 in cash and issued 859,250 agents' warrants with a fair value of \$226,620. Each agents' warrant is exercisable at a price of \$0.40 to purchase one additional common share at any time before April 29, 2012 or \$0.50 prior to April 29, 2013.

- ii) Completed a non-brokered private placement comprising 4,700,000 non-flow-through-units at \$0.32 per unit for aggregate gross proceeds of \$1,504,000. Each unit consists of one common share of the Company and one half of one share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$0.40 to purchase one additional common share at any time before April 29, 2012 or \$0.50 prior to April 29, 2013.

In connection with the private placement the Company paid \$84,403 in cash and issued 234,623 agents' warrants with a fair value of \$61,880. Each agents' warrant is exercisable at a price of \$0.40 to purchase one additional common share at any time before April 29, 2012 or \$0.50 prior to April 29, 2013.

In connection with the above two private placements the Company also incurred legal fees, filing fees and other expenses aggregating \$192,817 which have been classified as share issuance costs

- iii) Issued 12,000,000 units pursuant to the acquisition of the Charlotte mineral property (Note 6(f)), with a fair value of \$3,840,000. Each unit consists of one common share of the Company and 0.67 of one share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$0.35 to purchase one additional common share at any time before April 29, 2013.
- iv) Issued 300,000 common shares pursuant to the acquisition of the Dal mineral property (Note 6(g)), with a fair value of \$90,000. The Company also issued 15,312 common shares pursuant to a finders fee agreement associated with the Dal mineral property with a fair value of \$4,594.
- v) Issued 375,000 common shares pursuant to the exercise of stock options at \$0.12 per share for aggregate proceeds of \$45,000, The Company also recorded a reallocation of contributed surplus to share capital of \$36,447 as a result of the options being exercised.

## ANSELL CAPITAL CORP.

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

#### 7. SHARE CAPITAL (Cont'd)

##### b) Issued

- vi) Issued 420,000 units for proceeds of \$84,000 pursuant to the exercise of brokers' warrants. Each unit consists of one common share and one share purchase warrant which is exercisable at \$0.30 to purchase one additional common share at any time up to 12 months from the effective date or \$0.35 during the next 12 months. The Company also recorded a reallocation of contributed surplus to share capital of \$57,087 as a result of the brokers' warrants being exercised.
- vii) Issued 4,185,000 common shares for proceeds of \$1,273,000 pursuant to the exercise of share purchase warrants at \$0.30 and \$0.35 per warrant. The Company also recorded a reallocation of contributed surplus to share capital of \$39,722 as a result of warrants being exercised which were acquired upon the prior exercise of brokers' warrants.

In the year ended July 31, 2010, the Company:

- i) Completed a non-brokered private placement of 6,900,000 units at a price of \$0.20 per unit for aggregate gross proceeds of \$1,380,000. Each unit consists of one common share of the Company and one share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$0.30 to purchase one additional common share at any time before 12 months from the effective date or \$0.35 during the next 12 months.

In connection with the private placement the Company paid \$104,400 in cash and issued 677,500 broker's warrants with a fair value of \$175,000, that are exercisable at \$0.20 into units. Each unit received upon exercise of a broker's warrant consists one common share of the Company and one share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$0.30 to purchase one additional common share at any time before 12 months from the effective date or \$0.35 during the next 12 months.

- ii) Issued 75,000 common shares pursuant to the exercise of stock options at \$0.10 per share for aggregate proceeds of \$7,500, and recorded a reallocation of contributed surplus to share capital of \$4,798.
- iii) Issued 375,000 common shares pursuant to the exercise of warrants at \$0.20 per share for aggregate proceeds of \$75,000.

##### c) Shares held in escrow

As at July 31, 2011, 770,110 (July 31, 2010 - 1,540,200) shares are subject to an escrow agreement and will be released from escrow in accordance with regulatory requirements of four semi-annual releases of 385,050 shares per release.

**ANSELL CAPITAL CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JULY 31, 2011 AND 2010**

**7. SHARE CAPITAL (Cont'd)**

d) Share purchase warrants

As at July 31, 2011, the following share purchase warrants were outstanding:

<b>NUMBER OF WARRANTS</b>	<b>PRICE PER SHARE</b>	<b>NUMBER EXERCISABLE AT JULY 31, 2011</b>	<b>EXPIRY DATE</b>
3,040,000	\$ 0.35	3,040,000	April 12, 2012
95,000	\$ 0.35	95,000	April 12, 2012
7,550,000	\$ 0.40 yr 1/ \$ 0.50 yr 2	7,550,000	April 29, 2013
937,500	\$ 0.50	937,500	April 29, 2013
8,040,000	\$ 0.35	8,040,000	April 29, 2013
<u>19,662,500</u>		<u>19,662,500</u>	

A summary of changes in share purchase warrants for the years ended July 31, 2011 and 2010 is presented below:

	<b>YEAR ENDED JULY 31, 2011</b>		<b>YEAR ENDED JULY 31, 2010</b>	
	<b>NUMBER</b>	<b>WEIGHTED AVERAGE EXERCISE PRICE</b>	<b>NUMBER</b>	<b>WEIGHTED AVERAGE EXERCISE PRICE</b>
Balance, beginning of year	<b>6,900,000</b>	<b>\$ 0.30</b>	<b>6,321,666</b>	<b>\$ 0.20</b>
Granted	<b>16,947,500</b>	<b>0.38</b>	<b>6,900,000</b>	<b>0.30</b>
Exercised	<b>(4,185,000)</b>	<b>(0.30)</b>	<b>(375,000)</b>	<b>(0.20)</b>
Expired	<b>-</b>	<b>-</b>	<b>(5,946,666)</b>	<b>(0.20)</b>
Balance, end of year	<b>19,662,500</b>	<b>\$ 0.38</b>	<b>6,900,000</b>	<b>\$ 0.30</b>

e) Brokers' warrants

As at July 31, 2011, the following brokers' warrants were outstanding:

<b>NUMBER OF BROKERS WARRANTS</b>	<b>PRICE PER SHARE</b>	<b>NUMBER EXERCISABLE AT JULY 31, 2011</b>	<b>EXPIRY DATE</b>
<u>257,500</u>	\$ 0.20	<u>257,500</u>	April 12, 2012

**ANSELL CAPITAL CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JULY 31, 2011 AND 2010**

**7. SHARE CAPITAL (Cont'd)**

e) Brokers' warrants

A summary of changes in brokers' warrants for the years ended July 31, 2011 and 2010 is presented below:

	YEAR ENDED JULY 31, 2011		YEAR ENDED JULY 31, 2010	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	677,500	\$ 0.20	-	\$ -
Granted	-	-	677,500	0.20
Exercised	(420,000)	(0.20)	-	-
Balance, end of year	<u>257,500</u>	<u>\$ 0.20</u>	<u>677,500</u>	<u>\$ 0.20</u>

The fair value of each brokers' warrant issued is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2010
Risk free interest rate	1.93%
Expected life	2 year
Expected volatility	139%
Expected dividend yield	-
Weighted average fair value per broker warrant granted	\$0.26

f) Agents' warrants

As at July 31, 2011, the following agents' warrants were outstanding:

NUMBER OF AGENTS' WARRANTS	PRICE PER SHARE	NUMBER EXERCISABLE AT JULY 31, 2011	EXPIRY DATE
1,093,873	\$ 0.40 yr 1/ 0.50 yr 2	1,093,873	April 29,2013

## ANSELL CAPITAL CORP.

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

#### 7. SHARE CAPITAL (Cont'd)

##### f) Agents' warrants (Cont'd)

A summary of changes in agents' warrants for the years ended July 31, 2011 and 2010 is presented below:

	YEAR ENDED JULY 31, 2011		YEAR ENDED JULY 31, 2010	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	-	\$ -	-	\$ -
Granted	1,093,873	0.40	-	-
Balance, end of year	1,093,873	\$ 0.40	-	\$ -

The fair value of each agent's warrant issued is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011
Risk free interest rate	1.61
Expected life	1.5years
Expected volatility	105%
Expected dividend yield	-
Weighted average fair value per agent's warrant granted	\$0.26

#### 8. STOCK BASED COMPENSATION

The Company has a Stock Option Plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum of 5 years and vest as determined by the board of directors. Options granted for investor relations services vest over a 12 month period with no more than ¼ of any grant vesting in a three month period. The exercise price of each option may not be less than the fair market value of the common shares.

**ANSELL CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2011 AND 2010**

**8. STOCK BASED COMPENSATION (Cont'd)**

As at July 31, 2011, the following stock options are outstanding:

NUMBER OF STOCK OPTIONS	PRICE PER SHARE	NUMBER EXERCISABLE AT JULY 31, 2011	EXPIRY DATE
250,000	\$ 0.10	250,000	September 8, 2011
200,000	\$ 0.25	200,000	April 14, 2012
475,000	\$ 0.12	475,000	May 14, 2014
50,000	\$ 0.40	25,000	December 2, 2013
700,000	\$ 0.40	175,000	March 4, 2014
800,000	\$ 0.38	800,000	June 17, 2016
<u>2,475,000</u>		<u>1,925,000</u>	

A summary of changes in stock options for the years ended July 31, 2011 and 2010 is presented below:

	YEAR ENDED JULY 31, 2011		YEAR ENDED JULY 31, 2010	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	1,300,000	\$ 0.14	1,175,000	\$ 0.11
Granted	1,550,000	0.39	200,000	0.25
Exercised	(375,000)	0.12	(75,000)	0.10
Balance, end of year	<u>2,475,000</u>	<u>\$ 0.30</u>	<u>1,300,000</u>	<u>\$ 0.14</u>

During the year ended July 31, 2011, the Company recorded \$422,985 (2010 - \$16,367) in stock based compensation for options granted and/or vesting during the year.

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

	YEARS ENDED JULY 31	
	2011	2010
Risk free interest rate	2.11%	1.93%
Expected life	3.9 years	2 years
Expected volatility	115%	133%
Expected dividend yield	-	-
Weighted average of fair value per option granted	\$0.29	\$0.16

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 9. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

The types of risk exposure, their impact on the Company's financial instruments and the way in which such exposure is managed is as follows:

a) Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents and short term investments are primarily held in large Canadian financial institutions. The Company's receivables consist mainly of GST/HST receivable due from the Federal Government of Canada. Management believes that the credit risk with respect to cash and cash equivalents, short term investments and receivables is remote.

b) Liquidity risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. As at July 31, 2011, the Company had cash and cash equivalents and short term investments totaling \$4,822,040 (2010 - \$1,405,111) to settle current liabilities of \$533,694 (2010 - \$29,972). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company believes that its sources of financing will be sufficient to cover the expected short and long term cash requirements.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

ii) Foreign currency risk

During the fiscal year ended July 31, 2011 the Company has divested its overseas assets, and now only has exploration assets in Canada. As a result of this development the Company's operations are not subject to significant foreign exchange risks

iii) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 9. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (Cont'd)

#### d) Fair Values

The carrying values of amounts receivable, exploration advances and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

Cash and cash equivalents, short term investments and investment are valued using quoted market prices in active markets, and are therefore classified as Level 1.

### 10. CAPITAL MANAGEMENT

The Company defines its capital as shareholder's equity. 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, 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.

### 11. RELATED PARTY TRANSACTIONS

During the 2011 fiscal year, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$46,000 (2010 - \$36,000) to companies controlled by officers and directors.
- b) Received rent recoveries of \$95,183 (2010 - \$70,792) from companies with directors and officers in common.
- c) Paid or accrued professional fees of \$14,800 (2010 - \$11,000) to a company controlled by an officer of the Company.
- d) Paid or accrued wages of \$46,100 (2010 - \$42,160) to a director and the secretary of the Company.
- e) Paid or accrued consulting fees of \$45,000 (2010 - \$36,000) to a company controlled by a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties. Included in accounts payable and accrued liabilities as at year end is \$6,024 (2010 - \$Nil) owing to directors and officers of the Company.

## ANSELL CAPITAL CORP.

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

#### 12. INCOME TAXES

A reconciliation of income taxes at statutory rates to the Company's effective income tax expense is as follows:

	YEARS ENDED	
	2011	2010
Loss for the year	<b>(1,029,185)</b>	(926,049)
Expected tax recovery based on statutory Canadian combined federal and provincial tax rates	\$ <b>(281,311)</b>	\$ (269,712)
Items not deductible for tax purposes	<b>126,968</b>	177,311
Share issue costs	<b>(46,357)</b>	(16,619)
Unrecognized benefits of tax losses	<b>200,700</b>	109,020
Future income tax (recovery)	<b>\$ -</b>	\$ -

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

	YEARS ENDED	
	2011	2010
Future income tax assets		
Other assets	\$ <b>3,000</b>	\$ -
Non-capital losses carried forward	<b>358,000</b>	176,000
Share issuance costs deductible in future periods	<b>142,000</b>	58,000
Mineral properties	<b>151,000</b>	149,000
	<b>654,000</b>	383,000
Valuation allowance	<b>(654,000)</b>	(383,000)
Net future income tax assets	<b>\$ -</b>	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$1,400,000. These losses, if not utilized, will expire through to 2031. Future tax benefits which may arise as a result of these non-capital losses and share issue costs have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

#### 13. COMMITMENTS

The Company's commitment for annual future lease payments under office rental agreements are approximately as follows:

2012	\$ 120,000
2013	\$ 120,000

During the year ended July 31, 2011, the Company recovered \$120,183 (2010 - \$97,369) of the rent charged pursuant to the rental agreement by way of monthly non-contractual sub-tenant rent recharges.

# ANSELL CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2011 AND 2010

### 14. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographical categorization of the Company's capital assets are as follows:

	YEARS ENDED	
	2011	2010
Capital assets		
Canada	\$ 6,691,016	\$ 58,864
United States of America	-	2,765
Peru	-	34,400
	<u>\$ 6,691,016</u>	<u>\$ 96,029</u>

### 15. SUPPLEMENTARY CASH FLOW INFORMATION

	YEARS ENDED	
	2011	2010
<b>Supplementary disclosure for non-cash investing and financing activities</b>		
Transfer from contributed surplus to share capital on exercise of options, brokers warrants and share purchase warrants	\$ 133,306	\$ 4,798
Brokers warrants issued for finders' fees upon private placements		175,000
Shares issued for mineral properties and finders fees	\$ 3,934,594	\$ -
Obligation to issue shares for mineral property finders fee	30,250	-
Mineral property expenditures included in accounts payable	\$ 474,296	\$ -
Agents warrants issued pursuant to private placements	\$ 288,500	\$ -
Fair value of shares received pursuant to granting option on mineral property	\$ 50,000	\$ -

### 16. SUBSEQUENT EVENTS

Subsequent to the year end the Company issued 250,000 common shares to directors pursuant to the exercise of stock options for aggregate proceeds of \$25,000.

The Company also received \$100,000 and 500,000 common shares of Great Bear pursuant to the Etzel option agreement (Note 6(i)).