

SEGO RESOURCES INC.

**Financial Statements
June 30, 2011 and 2010**

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Sego Resources Inc. have been prepared by and are the responsibility of the Company's management. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The balance sheets as at June 30, 2011 and 2010 and statements of operations and deficit and cash flows for the years then ended have been audited by Smythe Ratcliffe LLP, an independent firm of Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

"J. Paul Stevenson" (signed)

"Tyler Ducharme" (signed)

J. Paul Stevenson
Chief Executive Officer

Tyler Ducharme
Chief Financial Officer

Vancouver, British Columbia
October 25, 2011

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SEGO RESOURCES INC.

We have audited the accompanying financial statements of Sego Resources Inc., which comprise the balance sheets as at June 30, 2011 and 2010, and the statements of operations and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, the financial statements present fairly, in all material respects, the financial position of Sego Resources Inc. as at June 30, 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.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
October 25, 2011

SEGO RESOURCES INC.**Balance Sheets****June 30**

	2011	2010
Assets		
Current		
Cash	\$ 359,495	\$ 1,240
Other receivables	33,041	9,072
Mining tax credit receivable	144,281	191,802
Prepaid expenses	10,113	8,320
	546,930	210,434
Reclamation Deposit (note 12)	10,000	7,280
Equipment (note 7)	24,592	6,842
Mineral Property Interests (note 6)	2,336,260	1,936,793
	\$ 2,917,782	\$ 2,161,349
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 97,720	\$ 36,720
Due to related parties (note 11)	16,077	106,113
	113,797	142,833
Shareholders' Equity		
Capital Stock (note 8)	4,283,111	2,753,145
Contributed Surplus (note 8(f))	1,143,852	1,264,411
Deficit	(2,622,978)	(1,999,040)
	2,803,985	2,018,516
	\$ 2,917,782	\$ 2,161,349

Commitments (note 9)

Subsequent Event (note 13)

Approved on behalf of the Board:

"J. Paul Stevenson" (signed)..... Director
J. Paul Stevenson*"Tyler Ducharme" (signed)*..... Director
Tyler Ducharme

SEGO RESOURCES INC.
Statements of Operations and Deficit
Years Ended June 30

	2011	2010
Expenses		
Stock-based compensation (note 8(c))	\$ 222,157	\$ 283,884
Office and administrative (note 11)	114,785	152,758
Investor relations	96,528	41,016
Professional fees	77,471	58,956
Rent (note 11)	47,655	31,144
Management fees (note 11)	36,000	36,000
Transfer agent fees	13,479	10,005
Insurance	10,570	11,980
Amortization	11,256	10,993
Loss Before Other Items	629,901	636,736
Other Items		
Write-down of mineral property interests (note 6)	-	265,623
Gain on sale of mineral property interests (note 6)	(4,999)	-
Interest income	(964)	(1,516)
	(5,963)	264,107
Net Loss and Comprehensive Loss for Year	623,938	900,843
Deficit, Beginning of Year	1,999,040	953,494
Warrant Extension (note 8(d))	-	144,703
Deficit, End of Year	\$ 2,622,978	\$ 1,999,040
Basic and Diluted Loss Per Share	\$ 0.01	\$ 0.03
Weighted Average Number of Common Shares Outstanding	42,938,797	33,345,904

SEGO RESOURCES INC.
Statements of Cash Flows
Years Ended June 30

	2011	2010
Operating Activities		
Net loss	\$ (623,938)	\$ (900,843)
Items not involving cash		
Stock-based compensation	222,157	283,884
Write-down of mineral property interests	-	265,623
Gain on sale of mineral property interests	(4,999)	-
Amortization	11,256	10,993
	(395,524)	(340,343)
Changes in non-cash working capital		
Other receivables	(23,969)	9,430
Prepaid expenses	(1,793)	762
Accounts payable and accrued liabilities	17,170	179
Due to related parties	5,600	-
	(2,992)	112,105
Cash Used in Operating Activities	(398,516)	(228,238)
Investing Activities		
Reclamation deposit	(2,720)	(102)
Proceeds on sale of mineral property interests	5,000	-
Mineral property interests	(355,108)	(517,483)
Equipment	(29,006)	-
Cash Used in Investing Activities	(381,834)	(517,585)
Financing Activity		
Issuance of capital stock, net of share issue costs	1,138,605	608,974
Increase (Decrease) in Cash	358,255	(136,849)
Cash, Beginning of Year	1,240	138,089
Cash, End of Year	\$ 359,495	\$ 1,240
Supplementary Cash Flow Information		
Stock-based compensation included in mineral property interests	\$ 37,645	\$ -
Shares issued for mineral property interests	\$ 11,000	\$ -
Mining tax credit included in mineral property interests	\$ 144,281	\$ 191,802
Accounts payable included in mineral property interests	\$ 59,575	\$ 15,745
Due to related parties included in mineral property interests	\$ 10,477	\$ 106,113
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. NATURE OF OPERATIONS

Sego Resources Inc. (the "Company") was incorporated under the laws of British Columbia and is in the process of exploring and developing its mineral property interests and has not determined whether these properties contain economically recoverable reserves of ore. The Company has not earned any revenues from its mineral property interests and is considered to be in the exploration stage. The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada.

2. GOING CONCERN

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

The Company has incurred operating losses over the past several fiscal years. As at June 30, 2011, the Company has a working capital of \$433,133 (2010 - \$67,601) and an accumulated deficit of \$2,622,978 (2010 - \$1,999,040). The Company's ability to continue in operation is dependent on its ability to secure additional financing to fund planned exploration and its ongoing administrative expenditures, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars, which is the Company's functional and reporting currency. The following is a summary of significant accounting policies.

(a) Mineral property interests

The Company defers all costs related to investments in mineral property interests on a property-by-property basis. Such costs include acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Mining tax credits are recorded when there is a reasonable assurance the tax credits will be received by the Company.

All deferred mineral property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property interest for an amount exceeding the deferred costs, a provision is made for the impairment in value.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Mineral property interests (Continued)

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

(b) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates 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. Significant areas requiring the use of management estimates include the determination of environmental obligations, AROs, rates of amortization for equipment, impairment of mineral property interests, accrued liabilities, valuation allowance for future income tax assets, the variables used in the calculation of stock-based compensation and the fair value of agent options. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(d) Amortization

Equipment is recorded at cost and amortized on a straight-line basis as follows:

Computer hardware	- 3 years
Software	- 2 years
Plotter	- 5 years
Vehicle	- 5 years

Additions during the year are amortized at one-half the annual rates.

When equipment is retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated amortization are removed from the accounts and any gain or loss is included in operations.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interest income

Interest income is recorded as earned on the accrual basis at the stated rate of interest over the term of the investment.

(f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, 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 basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(g) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(h) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations and/or mineral property interests, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Flow-through shares

The Company may from time to time issue flow-through common shares to finance its mineral exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholder the income tax attributes of qualifying mineral exploration costs financed by such shares. The tax impact to the Company of the renouncement is recorded on the date the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future income tax liability. Where available, the Company offsets future income tax liabilities with future income tax assets, resulting in recognition of a future income tax recovery for previously unrecognized future income tax assets.

(j) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced or issued, and any excess is allocated to warrants.

(k) Financial instruments

All financial instruments are classified as one of the following categories: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. A financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- 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).

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company's first mandatory filing under IFRS, which will be September 30, 2011, will contain IFRS-compliant information on a restated comparative basis, as well as reconciliations for that quarter and as at the July 1, 2010 transition date.

4. FINANCIAL INSTRUMENTS

Financial instruments include cash, reclamation deposit, due to related parties, and accounts payable. Cash is classified as held-for-trading, reclamation deposit is classified as held-to-maturity, due to related parties and accounts payable are classified as other financial liabilities.

(a) Fair value

The carrying values of cash, reclamation deposit, and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these financial instruments. The fair value of due to related parties is not presented as there is no market for such instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and reclamation deposit; however, this is minimized as cash and reclamation deposit are placed with a major financial institution with strong investment-grade ratings by a primary investment agency.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due.

The Company approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due and manages its liquidity risk by forecasting cash requirements for operations and anticipated investing and financing activities. As at June 30, 2011, the cash balance of \$359,495 (2010 - \$1,240) is insufficient to meet the Company's general administrative, property and exploration requirements for the coming year. Therefore the Company will be required to raise additional capital in order to fund its operations in 2012. At June 30, 2011, the Company had accounts payable and accrued liabilities of \$97,720 (2010 - \$36,720), due within 30 days, and amounts due to related parties of \$16,077 (2010 - \$106,113), due on demand.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

4. FINANCIAL INSTRUMENTS (Continued)

(d) Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts and a reclamation deposit that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated cash flow or fair value as of June 30, 2011.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk on its financial instruments.

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, it does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of equity units. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations. The Company is not subject to any externally imposed capital requirements.

The Company considers its capital to be all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing method due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the year.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

6. MINERAL PROPERTY INTERESTS

As at June 30, 2011 and 2010, the Company's mineral property interests are comprised of the following expenditures:

	Gold Hill Project	Miner Mountain Project	Total
Balance, June 30, 2009	\$ 265,077	\$ 1,489,800	\$ 1,754,877
Deferred exploration costs			
Sampling and reclamation (note 11)	-	478,940	478,940
Travel and accommodation	-	79,237	79,237
Engineering and geological	-	56,646	56,646
Camp supplies	-	23,971	23,971
Filing fees	547	-	547
Provincial mining tax credits	-	(191,802)	(191,802)
Total additions during the year	547	446,992	447,539
Write-down of mineral property interests	(265,623)	-	(265,623)
Balance, June 30, 2010	1	1,936,792	1,936,793
Deferred exploration costs			
Sampling and reclamation (note 11)	-	239,828	239,828
Engineering and geological	-	105,670	105,670
Travel and accommodation	-	102,197	102,197
Stock-based compensation	-	37,645	37,645
Camp supplies	-	33,242	33,242
Mineral property interest acquisition costs	-	16,000	16,000
Filing fees	-	9,167	9,167
Provincial mining tax credits	-	(144,281)	(144,281)
Total additions during the year	-	399,468	399,468
Disposal of mineral property interests	(1)	-	(1)
Balance, June 30, 2011	\$ -	\$ 2,336,260	\$ 2,336,260

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

6. MINERAL PROPERTY INTERESTS (Continued)

Gold Hill Project

On May 1, 2006, the Company purchased a 100% interest in four mineral claims situated in the Kamloops Mining Division of British Columbia from certain directors of the Company. In 2010, the Company decided to concentrate its efforts on the Miner Mountain Project and, as a result, the Company has taken a write-down of this property to a carrying value of \$1. In the 2011 fiscal year-end, the Company wrote-off the full carrying value of the property. Subsequent to the write-down, the Company sold the property for \$5,000 and recorded a gain on sale of \$4,999 on the statements of operations.

Miner Mountain Project

On June 13, 2007, the Company entered into an agreement to acquire a 100% undivided interest in 38 mineral claims, which were subsequently consolidated in to 12 mineral claims, situated in the Similkameen Mining Division of British Columbia for cash payments and share issuances as follows:

- (a) Cash payment to the optionors of \$165,000 as follows:
 - (i) \$30,000 within five business days from the day the agreement between both parties is approved by the TSX Venture Exchange (the "Exchange") (approved July 2007) (paid);
 - (ii) \$60,000 on or before June 13, 2008 (paid); and
 - (iii) \$75,000 on or before June 13, 2009 (paid);
- (b) Issuance of shares in the capital stock of the Company to the optionors as follows:
 - (i) 50,000 shares within five business days of the approval date by the Exchange (approved July 2007) (issued);
 - (ii) 100,000 shares on or before June 13, 2008 (issued);
 - (iii) 150,000 shares on or before June 13, 2009 (issued); and
 - (iv) a further 300,000 shares upon preparation of a positive feasibility study on the property.

As part of the agreement, the optionors retain a 3% net smelter return ("NSR") royalty on the property. The Company has the right to buy back one-half of the NSR for the sum of \$1,500,000 at any time.

On June 16, 2011, the Company acquired a 100% interest in 3 mineral claims located in the Similkameen Mining Division of British Columbia for a cash payment of \$5,000 (paid) and issuance of 50,000 shares upon TSX Approval (issued). The shares were valued at \$11,000, which is equal to the market price at the date of issuance.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

6. MINERAL PROPERTY INTERESTS (Continued)

Environmental (Continued)

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is not aware of any AROs as of June 30, 2011 and 2010.

Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off, if the properties are abandoned or the claims allowed to lapse.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral 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 or transfers and title may be affected by undetected defects.

7. EQUIPMENT

	2011		
	Cost	Accumulated Amortization	Net
Computer hardware	\$ 16,542	\$ 12,317	\$ 4,225
Software	26,300	15,070	11,230
Plotter	10,152	1,015	9,137
Vehicle	9,257	9,257	-
	\$ 62,251	\$ 37,659	\$ 24,592

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

7. EQUIPMENT (Continued)

	2010		
	Cost	Accumulated Amortization	Net
Computer hardware	\$ 12,046	\$ 9,082	\$ 2,964
Software	11,326	10,807	519
Plotter	8,881	6,216	2,665
Vehicle	9,257	8,563	694
	\$ 41,510	\$ 34,668	\$ 6,842

8. CAPITAL STOCK

- (a) Authorized
100,000,000 Class A common shares without par value
- (b) Issued and outstanding

	Number of Common Shares	Amount
Balance, June 30, 2009	28,335,288	\$ 2,277,199
Non-flow-through shares issued for cash	8,000,000	640,000
Shares issued for finders' fees	400,000	32,000
Agent options exercises	394,385	27,731
Warrant exercises	198,000	19,800
Share issue costs	-	(279,229)
Reallocation from contributed surplus on exercise of agent options	-	35,644
Balance, June 30, 2010	37,327,673	2,753,145
Agent options exercises	4,132,215	304,593
Warrant exercises	7,601,925	791,011
Options exercise	530,000	53,000
Shares issued for mineral property interests	50,000	11,000
Share issue costs	-	(426,517)
Reallocation from contributed surplus on exercise of options, agent options and warrants	-	796,879
Balance, June 30, 2011	49,641,813	\$ 4,283,111

On December 10, 2009, the Company completed a brokered private placement by issuing 8,000,000 non-flow-through units at a price of \$0.08 per unit for gross proceeds of \$640,000. Each unit consists of one non-flow-through common share and one non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one non-flow-through common share at \$0.10 until December 10, 2011, at a price of \$0.15 per share until December 10, 2013 and at a price of \$0.20 per share until December 10, 2014.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

8. CAPITAL STOCK (Continued)

(b) Issued and outstanding (Continued)

The Company incurred total share issue costs of \$279,229 including:

- (i) 400,000 non-flow-through units at a price of \$0.08 per unit for gross share issue cost of \$32,000. Each unit consists of one non-flow-through common share and one non-flow-through share purchase warrant. Each share purchase warrant is exercisable at \$0.12 until December 10, 2014. The warrants were valued at \$27,560.
- (ii) 1,600,000 agent option to purchase non-flow-through units at \$0.08 per unit until December 8, 2014. Each unit consists of one non-flow-through common share and one non-flow-through share purchase warrant. Each share purchase warrant is exercisable at \$0.08 until December 8, 2014. The agent options were valued at \$113,920.

(c) Stock options

The Company established a stock option plan in 2011, under which it may grant stock options totaling in aggregate up to 8,166,331 of the Company's common shares. The stock option plan provides for the granting of stock options to insiders, consultants and employees up to a limit of 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares on a non-diluted basis per year. The stock option plan also restricts the issuance of options to insiders if the grant will result in the total number of options granted to insiders exceeds 10% of the Company's issued and outstanding share on a non-diluted basis. The option price and vesting terms will be specified in individual stock option agreements, adjusted from time to time in accordance with the provisions of the stock option plan. Options issued to consultants performing investor relations activities must vest in stages over a minimum period of 12 months with no more than 25% of the options vesting in any three-month period.

On July 30, 2009, the Company granted a total of 1,614,655 stock options to directors, officers, consultants and employees exercisable at \$0.10 per share exercisable up to July 30, 2014. The stock-based compensation related to this grant is \$103,661. These options were fully vested upon the date of the grant. The expense is attributable as follows: \$68,267 to directors' fees and \$35,394 to employee fees.

On March 18, 2010, the Company granted a total of 2,631,000 stock options to directors, officers, consultants and employees exercisable at \$0.10 per share exercisable up to March 18, 2015. The stock-based compensation related to this grant is \$180,223. These options were fully vested upon the date of the grant. The expense is attributable as follows: \$89,119 to directors' fees, \$56,854 to employee fees and \$34,250 to consultants.

On February 11, 2011, the Company granted a total of 3,130,000 stock options to directors, officers, consultants and employees exercisable at \$0.17 per share exercisable up to February 11, 2016. The options vest at 25% at grant date and 25% each six-month interval thereafter from the grant date. The total number of options that remain unvested at June 30, 2011 is 2,347,500 (2010 - nil). The stock-based compensation related to this grant is \$259,802. The expense is attributable as follows: \$151,573 for directors' fees, \$70,584 to investor relations and \$37,645 capitalized to mineral property interests.

Total grant date fair value per option as at June 30, 2011 is \$0.13 (2010 - \$0.09).

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

8. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

As at June 30, 2011 and 2010, the following stock options were outstanding:

	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	5,691,000	\$ 0.14	1,445,345	\$ 0.26
Granted	3,130,000	\$ 0.17	4,245,655	\$ 0.10
Exercised	(530,000)	\$ 0.10	-	-
Cancelled	(500,000)	\$ 0.10	-	-
Options outstanding, end of year	7,791,000	\$ 0.16	5,691,000	\$ 0.14

Stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Options Exercisable		Number of Options Outstanding	
		2011	2010	2011	2010
June 25, 2013	\$ 0.26	1,445,345	1,445,345	1,445,345	1,445,345
July 30, 2014	\$ 0.10	1,394,655	1,614,655	1,394,655	1,614,655
March 18, 2015	\$ 0.10	1,821,000	2,631,000	1,821,000	2,631,000
February 11, 2016	\$ 0.17	782,500	-	3,130,000	-
		5,443,500	5,691,000	7,791,000	5,691,000

At June 30, 2011, the weighted average remaining contractual life of the stock options was 3.64 (2010 - 3.93) years.

The fair value of each option grant is calculated using the following weighted average assumptions:

	2011	2010
Risk-free interest rate	2.53%	2.73%
Expected dividend yield	-	-
Expected stock price volatility	99.44%	105.35%
Expected option life in years	4.86	5

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

8. CAPITAL STOCK (Continued)

(d) Warrants

As at June 30, 2011 and 2010, the following share purchase warrants were outstanding:

	2011		2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	25,022,937	\$ 0.14	16,426,552	\$ 0.15
Issued	4,132,215	\$ 0.11	8,794,385	\$ 0.12
Exercised	(7,601,925)	\$ 0.10	(198,000)	\$ 0.10
Expired	(3,555,352)	\$ 0.32	-	-
Balance, end of year	17,997,875	\$ 0.11	25,022,937	\$ 0.14

Share purchase warrants outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Warrants	
		2011	2010
December 27, 2010*	\$ 0.32	-	3,555,352
January 13, 2014	\$ 0.10	-	342,200
April 27, 2014	\$ 0.10	1,820,000	2,043,000
May 29, 2014	\$ 0.10	5,804,250	8,430,560
June 26, 2014	\$ 0.10	1,980,875	2,251,825
December 10, 2014	\$ 0.12	8,392,750	8,400,000
		17,997,875**	25,022,937

* On September 18, 2009, the Company extended the expiry date for certain non-compensatory warrants previously issued in connection with a non-brokered private placement that the Company completed in December 2007. Accordingly, 3,555,352 warrants issued on December 27, 2007 were extended to December 27, 2010. The exercise price for these warrants remained unchanged. The Company recorded a charge to deficit of \$144,703 related to the warrant extension based on Black-Scholes calculation using a risk-free rate of 2.63%, an expected dividend yield of nil, an expected life of 1.25 years and expected volatility of 105.70%.

** There are 169,900 warrants contingently issuable in relation to agent options to acquire units (note 8(e)).

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

8. CAPITAL STOCK (Continued)

(d) Warrants (Continued)

The fair value of 400,000 agent warrants issued in the 2010 fiscal year end, were calculated using the following weighted average assumptions:

	2011	2010
Risk-free interest rate	N/A	2.51%
Expected dividend yield	N/A	0.00%
Expected stock price volatility	N/A	109.37%
Expected option life in years	N/A	5

(e) Agent options

Agent options are the right to purchase units, with each unit being comprised of one share and one share purchase warrant. The warrant component of the units subject to the 541,071 agent options expired December 28, 2009 is 541,071 warrants to acquire one common share at \$0.32 for a two-year period from the date of exercise of the agent options.

The warrant component of the units subject to 3,096,500 agent options expiring April 27, 2014, May 29, 2014 and June 26, 2014 is 3,096,500 warrants to acquire one common share at \$0.10 expiring on the same date as the related agent option.

The warrant component of the units subject to 1,600,000 agent options expiring December 10, 2014 is 1,600,000 warrants to acquire one common share at \$0.12 expiring December 10, 2014.

In 2011 the Company incurred share issuance costs of \$416,518 with respect to the warrants attached to the 4,132,215 agent options exercised during the year.

In 2010 the Company incurred share issuance costs of \$113,920 with respect to 1,600,000 of agent options granted and \$21,792 with respect to warrants attached to the 394,385 agent options exercised during the year.

As at June 30, 2011 and 2010, the following agent options were outstanding:

	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	4,302,115	\$ 0.07	3,637,571	\$ 0.10
Issued	-	-	1,600,000	\$ 0.08
Exercised	(4,132,215)	\$ 0.07	(394,385)	\$ 0.07
Expired	-	-	(541,071)	\$ 0.25
Balance, end of year	169,900**	\$ 0.07	4,302,115	\$ 0.07

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

8. CAPITAL STOCK (Continued)

(e) Agent options (Continued)

Agent options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Options	
		2011	2010
April 27, 2014	\$ 0.07	-	457,000
May 29, 2014	\$ 0.07	81,150	1,751,940
June 26, 2014	\$ 0.07	22,500	493,175
December 10, 2014	\$ 0.08	66,250	1,600,000
		169,900	4,302,115

The fair value of each warrant attached to the exercise of agent options is calculated using the following weighted average assumptions:

	2011	2010
Risk-free interest rate	2.04%	2.54%
Expected dividend yield	-	-
Expected stock price volatility	97.64%	105.91%
Expected option life in years	3.74	4.92

(f) Contributed surplus

A continuity of contributed surplus is as follows:

Balance, June 30, 2009	\$	702,796
Fair value of agent warrants		54,752
Fair value of warrant extension		144,703
Fair value of agent options		113,920
Stock-based compensation		283,884
Reallocation to share capital on exercise of agent options		(35,644)
Balance, June 30, 2010		1,264,411
Fair value of agent warrants		416,518
Stock-based compensation		259,802
Reallocation to share capital on exercise of options, agent options and warrants		(796,879)
Balance, June 30, 2011	\$	1,143,852

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. COMMITMENTS

For the 2012 fiscal year, the Company has entered into an agreement with an officer of the Company to provide bookkeeping, secretarial and website services at a rate of \$6,038 per month, GIS Data Management and mapping services at a rate of \$6,038 per month, investor relations services at a rate of \$10,981 per month, rental of office space at a rate of \$5,555 per month and phone services at a rate of \$240 per month. The CEO of the Company will be paid \$3,000 per month for managing the affairs of the Company. The agreement has no term and can be changed on agreement between the Company and the officer.

10. INCOME TAXES

As at June 30, 2011, the Company has accumulated non-capital losses for tax purposes of approximately \$2,007,000 that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

2026	\$ 44,000
2027	185,000
2028	428,000
2029	416,000
2030	441,000
2031	493,000
	\$ 2,007,000

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate tax income rates are as follows:

	2011	2010
Future tax assets		
Non-capital loss carry-forwards	\$ 501,945	\$ 378,682
Share issue costs	39,987	63,318
Investment tax credits	117,579	83,913
Tax value in excess of book value of equipment	8,721	7,924
Total future tax assets	668,232	533,837
Future tax liability		
Book value in excess of tax value of mineral property interests	(194,728)	(184,067)
Net future tax assets	473,504	349,770
Valuation allowance	(473,504)	(349,770)
Future income tax assets	\$ -	\$ -

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

10. INCOME TAXES (Continued)

The reconciliation of income tax provision computed at statutory rates of 27.50% (2010 - 29.25%) to the reported income tax provision is as follows:

	2011	2010
Income tax benefit computed at Canadian statutory rates	\$ (171,583)	\$ (263,496)
Write-down of mineral property interests	-	77,694
Stock-based compensation	61,310	83,036
Other temporary differences	3,098	(26,422)
Effect of change in temporary differences	(28,885)	(111,476)
Effect of change in valuation allowance	123,734	214,954
Effect of change in tax rate	12,326	25,710
Future income tax	\$ -	\$ -

11. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2011, the Company paid:

- (a) \$47,655 (2010 - \$31,144) in rent, \$36,000 (2010 - \$36,000) in management fees, \$29,500 (2010 - \$100,055) in sampling and reclamation fees, \$64,800 (2010 - \$61,200) in office and administrative fees related to bookkeeping and secretarial services, \$57,500 (2010 - \$nil) in investor relations fees and \$64,800 (2010 - \$61,200) in office and administrative fees related to GIS Data Management fees to a business owned by an officer of the Company;
- (b) \$3,000 (2010 - \$24,000) in sampling and reclamation fees and \$1,000 (2010 - \$11,000) in professional fees to a company owned by an officer of the Company; and
- (c) \$4,200 (2010 - \$17,150) in sampling and reclamation fees and \$2,650 (2010 - \$3,600) in professional fees to a director of the Company.

As at June 30, 2011, an amount of \$14,470 (2010 - \$86,674) included in due to related parties is owing to a business owned by the CEO of the Company and an amount of \$nil (2010 - \$9,703) is due to related parties is owing to a company owned by an officer of the Company. An amount of \$1,607 (2010 - \$9,736) in due to related parties is owing to an officer of the Company. Amounts due to related parties have no stated terms of payment and/or interest.

The Company entered into an agreement with the CEO of the Company for the arrangement of certain services (note 9).

All of the above transactions and balances are measured at the exchange amount, which is the amount of consideration established and agreed to by the transacting parties.

SEGO RESOURCES INC.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

12. RECLAMATION DEPOSIT

The Company has pledged \$10,000 (2010 - \$7,280) in two guaranteed investment certificates ("GIC") as a site reclamation deposit pursuant to a condition of receiving consent from a government agency to explore its mineral property interest. The GICs have an effective interest rate of prime plus 2.05% and 1% and are due on January 18, 2012 and June 11, 2012 respectively. The deposits are refundable if there is no environmental disturbance to the property. It is management's opinion that there has been minimal disturbance to the property to date. The carrying value approximates the fair value of the GIC.

13. SUBSEQUENT EVENT

On July 26, 2011, the Company announced that they completed a brokered private placement and issued 4,000,000 units at a price of \$0.25 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable into one non-flow-through common share to July 26, 2016 at an exercise price of \$0.33 per share during the first two years, \$0.40 per share during the third and fourth years, and \$0.50 per share for the fifth year.

In conjunction with the private placement the Company has paid the agent a cash commission of \$100,000 and issued 200,000 units at a price of \$0.25 for a total cost of \$50,000. Each unit has the same terms and conditions of the units issued in the private placement. The Company has also issued to the agent 600,000 non-transferable options (the "Agent Options"). Each Agent Option will be exercisable into one agent unit (having the same terms as the units) at the price of \$0.25 per agent unit to July 26, 2016.