

SEGO RESOURCES INC.
(An Exploration Stage Company)

Condensed Interim Financial Statements
Three months ended September 30, 2011 and 2010
(Expressed in Canadian Dollars)
(Unaudited)

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Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at September 30, 2011 and for the three months ended September 30, 2011 and 2010.

SEGO RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Balance Sheets
(Expressed in Canadian Dollars)
(Unaudited)

	September 30, 2011	June 30, 2011 (note 12)	July 1, 2010 (note 12)
Assets			
Current			
Cash	\$ 841,105	\$ 359,495	\$ 1,240
Other receivables	51,847	33,041	9,072
Mineral exploration tax credit receivable	144,281	144,281	191,802
Prepaid expenses	7,488	10,113	8,320
	1,044,721	546,930	210,434
Reclamation deposit	10,000	10,000	7,280
Equipment (note 5)	21,903	24,592	6,842
Mineral Property Interests (note 6)	2,642,280	2,336,260	1,936,793
	\$ 3,718,904	\$ 2,917,782	\$ 2,161,349
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 106,224	\$ 97,720	\$ 36,720
Due to related parties (note 9)	-	16,077	106,113
	106,224	113,797	142,883
Shareholders' Equity (Deficit)			
Capital Stock	5,081,625	4,283,111	2,753,145
Share-based payment reserve	898,800	753,464	1,052,976
Deficit	(2,367,745)	(2,232,590)	(1,787,605)
	3,612,680	2,803,985	2,018,516
	\$ 3,718,904	\$ 2,917,782	\$ 2,161,349

Commitment (note 10)
Subsequent events (note 13)

On behalf of the Board:

"J. Paul Stevenson"
..... Director
J. Paul Stevenson

"Tyler Ducharme"
..... Director
Tyler Ducharme

SEGO RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statement of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30	
	2011	2010
		(note 12)
Expenses		
Management fees	\$ 9,000	\$ 9,000
Share-based compensation	34,773	-
Professional fees (note 11)	30,276	12,199
Office	28,012	17,076
Bank charges	43	99
Advertising and promotion	30,291	13,097
Transfer agent	1,071	390
Amortization	1,689	1,797
Loss Before Other Items	(135,155)	(53,658)
Other Item		
Interest income	-	65
Net and Comprehensive Loss for Year	(135,155)	(53,593)
Loss Per Share, basic and diluted	\$ 0.003	\$ 0.001
Weighted Average Number of Common Shares Outstanding	52,791,335	37,432,556

SEGO RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statement of Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	<u>Capital Stock</u>		Share-based Payment Reserve	Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, July 1, 2010	37,327,673	\$ 2,753,145	\$ 1,052,976	\$ (1,787,605)	\$ 2,018,516
Net loss for the period	-	-	-	(53,953)	(53,953)
Warrants exercised	1,321,250	132,125	-	-	132,125
Balance, September 30, 2010	38,648,923	2,885,270	1,052,976	(1,841,558)	2,096,688
Net loss for the period	-	-	-	(569,985)	(569,985)
Agent options exercised	4,132,215	725,250	(420,657)	-	304,593
Warrants exercised	6,280,675	1,001,749	(342,863)	-	658,886
Share options exercised	530,000	86,359	(33,359)	-	53,000
Shares issued for mineral property interests	50,000	11,000	-	-	11,000
Share-based compensation	-	-	259,802	-	259,802
Fair value of warrants activated upon exercise of Agent options	-	-	416,518	-	416,518
Share issue costs	-	(426,517)	-	-	(426,517)
Transfer from share-based payment reserve to deficit on expiration of options, warrants and Agent warrants	-	-	(178,953)	178,953	-
Balance, June 30, 2011	49,641,813	4,283,111	753,464	(2,232,590)	2,803,985
Net loss for the period	-	-	-	(135,155)	(135,155)
Private placement	4,200,000	782,082	109,938	-	892,020
Warrants exercised	119,500	16,432	(3,782)	-	12,650
Share-based compensation	-	-	39,180	-	39,180
Balance, September 30, 2011	53,961,313	\$ 5,081,625	\$ 898,800	\$ (2,367,745)	\$ 3,612,680

SEGO RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statement of Cash Flow
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30	
	2011	2010
		(note 12)
Operating Activities		
Net loss	\$ (135,155)	\$ (53,593)
Items not involving cash		
Share-based compensation	34,773	-
Amortization	1,689	1,797
	(98,693)	(51,796)
Changes in non-cash working capital		
Other receivables	(18,806)	(1,846)
Prepaid expenses	2,625	2,836
Accounts payable and accrued liabilities	68,079	31,080
Due to related parties	(5,600)	
	46,298	32,070
Cash Used in Operating Activities	(52,395)	(19,726)
Investing Activities		
Equipment	1,000	-
Mineral property interest	(371,665)	(26,954)
Cash Used in Investing Activities	(370,665)	(26,954)
Financing Activities		
Issuance of common shares, net of share issue costs	904,670	132,125
Cash Provided by Financing Activities	904,670	132,125
Increase (Decrease) in Cash	481,610	85,445
Cash, Beginning of Period	359,495	1,240
Cash, End of Period	\$ 841,105	\$ 86,685

SUPPLEMENTAL CASH FLOW INFORMATION

Share-based compensation included in mineral property interests	\$ 4,407	\$ -
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SEGO RESOURCES INC.
(An Exploration Stage Company)
Notes to Condensed Interim Financial Statements
Three months ended September 30, 2011
(Expressed in Canadian Dollars, unless otherwise stated)
(Unaudited)

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 in the normal course of operations.

The Company has incurred operating losses over the past several fiscal years. As at September 30, 2011 the Company has working capital of \$938,497 (June 30, 2011 - \$433,133) and an accumulated deficit of \$2,367,745 (June 30, 2011 - \$2,232,590). 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. BASIS OF PRESENTATION AND ADOPTION OF IFRS

The Company adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective January 1, 2011. These are the Company's first condensed interim financial statements for the first quarter of the period covered by the first IFRS financial statements to be presented in accordance with IFRS for the year ending June 30, 2012 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, has been applied. The impact of the transition from Canadian generally accepted accounting principles ("GAAP") to IFRS is explained in note 12.

These condensed interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements.

The accounting policies set out in note 4 have been applied consistently to all periods presented in preparing the opening balance sheet at July 1, 2010 (note 12) for purposes of transition to IFRS. The accounting policies have been applied consistently by the Company. The Company's functional and reporting currency is the Canadian dollar.

SEGO RESOURCES INC.
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Notes to Condensed Interim Financial Statements
Three months ended September 30, 2011
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4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

(a) Use of judgements and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates made in the preparation of these financial statements include mineral properties assessments for impairment, accrued liabilities, assumptions for the determination of fair value of share-based compensation, and determination of valuation allowance for deferred tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(b) Financial instruments

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available-for-sale ("AFS"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in comprehensive loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

(ii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company does not have any assets classified as HTM investments.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(iii) AFS financial assets

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent reporting date. Any change in fair value is recognized as other comprehensive income or loss and classified as a component of equity.

(iv) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

(v) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(vi) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(vii) Other financial liabilities

Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(viii) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(ix) Transaction costs related to financial instruments classified as fair value through profit or loss are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Mineral property interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis and classifies its mineral property interests as exploration and evaluation assets. Such costs include mineral property interest acquisition costs and exploration 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, sold or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made, or an impairment has occurred.

All deferred mineral property expenditures are assessed for impairment when facts and circumstances suggest that the carrying amount of the mineral property interests may exceed its recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are tested at the cash generating unit ("CGU") level.

When the carrying value of a mineral property interest exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, or by reference to option or joint venture expenditure commitments, or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

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, payments are recorded as mineral property interest costs or recoveries when the payments are made or received. Proceeds received on the sale or options of the Company's property interest are recorded as a reduction of the mineral property cost prorated for the interest sold or optioned out. When proceeds received in respect of a property exceed its carrying cost or pro-rated carrying cost, such excess is recognized in the statements of operations.

(d) Equipment

Equipment is recorded at cost less accumulated depreciation and impairment loss. These assets are depreciated over their estimated useful lives on the declining-balance basis at the following annual rates:

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

In the year of acquisition, amortization is recorded based on one-half of net additions.

Impairment

Impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The Company assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and an impairment loss is recognized in profit and loss to the extent the carrying amount exceeds the recoverable amount.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Equipment (Continued)

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate. Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

(f) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred 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 deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

SEGO RESOURCES INC.
(An Exploration Stage Company)
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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income taxes (Continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(g) Revenue recognition

Interest income is recorded as earned at the effective rate of interest over the term to maturity.

(h) Share-based compensation

The Company grants share options to acquire common shares of the Company to directors, officers and employees. The fair value of the options to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model. For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Amounts recorded in contributed surplus for unexercised share options and warrants are transferred to deficit upon their expiration

(i) Earnings (loss) per share

Basic earnings (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 earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Capital stock

Proceeds from the exercise of stock options and warrants are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Capital stock issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to capital stock based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

(k) Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as an other liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures. When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of deferred income taxes in the statements of comprehensive income or loss.

(l) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are recognized in net income (loss) during the period occurred.

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5. EQUIPMENT

	Computer Equipment	Computer Software	Plotter	Vehicle	Total
COST					
July 1, 2010	\$ 12,046	\$ 11,326	\$ 8,881	\$ 9,257	\$ 41,510
Additions	4,496	14,974	10,152	-	29,622
Disposals	-	-	(8,881)	-	(8,881)
June 30, 2011	16,542	26,300	10,152	9,257	62,251
Disposals	-	-	(1,000)	-	(1,000)
September 30, 2011	16,542	26,300	9,152	9,257	61,251
ACCUMULATED AMORTIZATION					
July 1, 2010	\$ 9,082	\$ 10,807	\$ 6,216	\$ 8,563	\$ 34,668
Additions	3,235	4,263	2,348	694	10,540
Disposals	-	-	(7,549)	-	(7,549)
June 30, 2011	12,317	15,070	1,015	9,257	37,659
Additions	237	869	583	-	1,689
September 30, 2011	12,554	15,939	1,598	9,257	39,348
CARRYING VALUE					
July 1, 2010	\$ 2,964	\$ 519	\$ 2,665	\$ 694	\$ 6,842
June 30, 2011	\$ 4,225	\$ 11,230	\$ 9,137	\$ 0	\$ 24,592
September 30, 2011	\$ 3,988	\$ 10,361	\$ 7,554	\$ 0	\$ 21,903

SEGO RESOURCES INC.
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6. MINERAL PROPERTY INTERESTS

	Gold Hill Project	Miner Mountain Project	Total
Balance, July 1, 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
Camp supplies	-	33,242	33,242
Mineral property interest acquisition costs	-	16,000	16,000
Filing fees	-	9,167	9,167
Share-based compensation	-	37,645	37,645
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
Deferred exploration costs			
Sampling and reclamation (note 11)	-	246,995	246,995
Engineering and geological	-	18,676	18,676
Travel and accommodation	-	27,796	27,796
Camp supplies	-	8,146	8,146
Mineral property interest acquisition costs	-	-	-
Filing fees	-	-	-
Share-based compensation	-	4,407	4,407
Provincial mining tax credits	-	-	-
Total additions during the period	-	306,020	306,020
Balance, September 30, 2011	\$ -	\$ 2,642,280	\$ 2,642,280

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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 recovery of \$4,999 on the statement 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.

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6. MINERAL PROPERTY INTERESTS (Continued)

Environmental (Continued)

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.

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 existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

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.

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7. CAPITAL STOCK

(a) Authorized

100,000,000 Class A common shares without par value

(b) Issued

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, 2014.

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.

On July 26, 2011, the Company completed a brokered private placement by issuing 4,000,000 non-flow-through units at a price of \$0.25 per unit for gross proceeds of \$1,000,000. Each unit consists of one non-flow-through common share and one non-flow-through share purchase warrant. Each share purchase warrant is exercisable until July 26, 2016 at an exercise price of \$0.33 for the first 24 months, \$0.40 for the next 24 months and \$0.50 for the final 12 months.

The Company incurred total share issue costs of \$217,918 including:

- (iii) 200,000 non-flow-through units at a price of \$0.25 per unit for gross share issue cost of \$50,000. Each unit consists of one non-flow-through common share and one non-flow-through share purchase warrant. Each share purchase warrant is exercisable until July 26, 2016 at an exercise price of \$0.33 for the first 24 months, \$0.40 for the next 24 months and \$0.50 for the final 12 months. The warrants were valued at \$30,578 using the Black-Scholes option pricing model with an expected life of 5 years, volatility of \$93.47, a dividend yield of 0% and an interest rate of 2.16%.
- (iv) 600,000 agent option to purchase non-flow-through units at \$0.25 per unit until July 26, 2016. 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 \$0.25 until July 26, 2016. The agent options were valued at \$49,360 and the warrant component attached to the units were valued at \$30,000.
- (v) \$107,980 in cash paid for legal fees and additional agent fees.

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7. CAPITAL STOCK (Continued)

(c) Share options

The Company established a share 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 director's fees, \$70,584 to investor relations and \$37,645 capitalized to mineral property interests.

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7. CAPITAL STOCK (Continued)

(c) Share options (Continued)

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

	September 30, 2011		June 30, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	7,791,000	\$ 0.16	5,691,000	\$ 0.14
Granted	-	-	3,130,000	\$ 0.17
Exercised	-	-	(530,000)	\$ 0.10
Cancelled	-	-	(500,000)	\$ 0.10
Options outstanding, end of period	7,791,000	\$ 0.16	7,791,000	\$ 0.16

Stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Options Exercisable		Number of Options Outstanding	
		September 30, 2011	June 30, 2011	September 30, 2011	June 30, 2011
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	1,394,655	1,394,655	1,394,655
March 18, 2015	\$ 0.10	1,821,000	1,821,000	1,821,000	1,821,000
February 11, 2016	\$ 0.17	782,500	782,500	3,130,000	3,130,000
		5,443,500	5,443,500	7,791,000	7,791,000

At September 30, 2011, the weighted average remaining contractual life of the stock options was 3.39 (June 30, 2011 – 3.64) years.

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8. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

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

	September 30, 2011	June 30, 2011
Risk-free interest rate	2.20%	2.53%
Expected dividend yield	-	-
Expected stock price volatility	96.46%	99.44%
Expected option life in years	4.77	4.86

(d) Warrants

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

	September 30, 2011		June 30, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	17,997,875	\$ 0.11	25,022,937	\$ 0.14
Issued	4,200,000	\$ 0.33	4,132,215	\$ 0.11
Exercised	(119,500)	\$ 0.11	(7,601,925)	\$ 0.10
Expired	-	-	(3,555,352)	\$ 0.32
Balance, end of period	22,078,375	\$ 0.15	17,997,875	\$ 0.11

Share purchase warrants outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Warrants	
		September 30, 2011	June 30, 2011
April 27, 2014	\$ 0.10	1,777,000	1,820,000
May 29, 2014	\$ 0.10	5,797,750	5,804,250
June 26, 2014	\$ 0.10	1,945,875	1,980,875
December 10, 2014	\$ 0.12	8,357,750	8,392,750
July 26, 2016	\$ 0.33 - \$0.50**	4,200,000	
		22,078,375*	17,997,875

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8. CAPITAL STOCK (Continued)

(d) Warrants (Continued)

* There are 769,900 (June 30, 2011 – 169,900) warrants contingently issuable in relation to agent options to acquire units (note 8(e)).

** The exercise price of the warrants is \$0.33 for the first 24 months, \$0.40 for the next 24 months and \$0.50 for the final 12 months of the contractual life.

(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 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.

During the first quarter of the 2012 fiscal year, the Company issued 600,000 agent options. The warrant component of the units subject to 600,000 agent options expiring July 26, 2016 is 600,000 warrants to acquire one common share at \$0.25 expiring July 26, 2016.

In the year ending June 30, 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 year ending June 30, 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 agents options exercised during the year.

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

	September 30, 2011		June 30, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	169,900	\$ 0.07	4,302,115	\$ 0.07
Issued	600,000	\$ 0.25	-	-
Exercised	-	-	(4,132,215)	\$ 0.07
Expired	-	-	-	-
Balance, end of period	769,900*	\$ 0.21	169,900*	\$ 0.07

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8. CAPITAL STOCK (Continued)

(e) Agent options (Continued)

Agent options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Options	
		September 30, 2011	June 30, 2011
May 29, 2014	\$ 0.07	81,150	81,150
June 26, 2014	\$ 0.07	22,500	22,500
December 10, 2014	\$ 0.08	66,250	66,250
July 26, 2016	\$ 0.25	600,000	-
		769,900	169,900

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

	September 30, 2011	June 30, 2011
Risk-free interest rate	1.88%	2.04%
Expected dividend yield	-	-
Expected stock price volatility	84.67%	97.64%
Expected option life in years	3.15	3.74

9. RELATED PARTY TRANSACTIONS

During the three month period ended September 30, 2011, the Company paid:

- (a) \$16,655 (2010 - \$8,520) in rent, \$9,000 (2010 - \$9,000) in management fees, \$29,500 (2010 - \$0) in consulting fees, \$13,600 (2010 - \$0), in fieldwork fees, \$17,476 (2010 - \$16,200) in office and administrative fees related to bookkeeping and secretarial services, \$26,962 (2010 - \$0) in investor relations fees and \$18,114 (2010 - \$16,200) in fees related to GIS Data Management fees to a business owned by an officer of the Company.
- (b) \$3,600 (2010 - \$500) in professional fees to a director the Company.
- (c) \$0 (2010 - \$900) in professional fees to a company owned by an officer of of the Company.

As at September 2011 there were no amounts owing to related parties.

The Company entered into an agreement with the CEO of the Company for the arrangement of certain services (note 10).

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10. COMMITMENT

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.

11. CORRECTION OF AN ERROR

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Company wishes to correct an error made in the first quarter of the year ended June 30, 2011. The Company determined that the interim financial statements for the three-month period ended September 30, 2010 contained an accounting error. The accounting error related to professional fees from the prior year being included in the first quarter of fiscal 2011. The adjustment was subsequently corrected in the Company's year-end financial statements for the year ended June 30, 2011.

The changes to the financial statements as at and for the three months ended September 30, 2010 are presented in the table below:

	September 30, 2010, as previously stated	Adjustments	September 30, 2010, restated
Balance Sheet			
Professional fees	\$ 54,600	(42,401)	12,199
Deficit, Beginning of Period	\$ (1,956,639)	\$ (42,401)	\$ (1,999,040)

12. TRANSITION TO IFRS

As stated in note 3, these are the Company's first interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and in the preparation of an opening IFRS balance sheet at July 1, 2010 (the Company's date of transition).

IFRS 1, "First-time Adoption of International Financial Reporting Standards" (IFRS 1)

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle.

The Company has elected under IFRS 1 to not apply IFRS 2 to options that were granted on or before November 7, 2002 or to options that were granted subsequent to November 7, 2002 but vested before the date of transition to IFRS.

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12. TRANSITION TO IFRS (Continued)

Adjustments on transition to IFRS

IFRS has many similarities to Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regards to recognition, measurement and disclosure. While adoption of IFRS did not change Sego's actual cash flows, it resulted in changes to the Company's balance sheet, statement of comprehensive loss and statement of shareholders' equity as set out below:

Share-based payments

On transition to IFRS the Company changed its accounting policy for the treatment of share-based payments whereby amounts recorded in share-based payment reserves for unexercised share options, warrants, Agent options and Agent warrants are transferred to deficit upon their expiration. Previously, the Company's Canadian GAAP policy was to leave such amounts in share-based payment reserves.

- (i) As of July 1, 2010, \$211,435 of share-based payment reserve related to the fair value of share options and Agent warrants that were no longer outstanding as of that date and, therefore, the \$211,435 related to the expired options and Agent warrants, has been transferred from share-based payment reserve to deficit.
- (ii) Between quarters two and four of the year ended June 30, 2011, 500,000 share options and 3,555,352 warrants expired and the carrying balances of \$34,250 and \$144,703 respectively were transferred from share-based payment reserve to deficit. The cumulative amount, including July 1, 2010, transferred to deficit is \$390,388.

There were no other differences between Canadian GAAP and IFRS that affected the Company upon transition.

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12. TRANSITION TO IFRS (Continued)

Reconciliation of Assets, Liabilities and Equity

The table below provides a summary of the adjustments to the Company's balance sheets at June 30, 2011, September 30, 2010 and July 1, 2010:

	June 30, 2011	September 30, 2010	July 1, 2010
Total Assets per Canadian GAAP	\$ 2,917,782	\$ 2,270,692	\$ 2,161,349
Adjustments required on adoption of IFRS	0	0	0
Total Assets per IFRS	\$ 2,917,782	\$ 2,270,692	\$ 2,161,349
Total Liabilities under Canadian GAAP	\$ 113,797	\$ 173,914	\$ 142,833
Adjustments required on adoption of IFRS	0	0	0
Total Liabilities under IFRS	113,797	173,914	142,833
Shareholders' Equity			
Total Equity under Canadian GAAP	2,803,985	2,097,048	2,018,516
Adjustments required on adoption of IFRS			
Contributed surplus	(390,388)	0	(211,435)
Deficit	390,388	0	211,435
Total Equity under IFRS	2,803,985	2,097,048	2,018,516
Total Liabilities and Equity under IFRS	\$ 2,917,782	\$ 2,270,962	\$ 2,161,349

Reconciliation of Net Income and Comprehensive Income

The table below provides a summary of the adjustments to net income for the year ended June 30, 2011 and for the three months ended September 30, 2010:

	June 30, 2010	September 30, 2010
Net Loss and Comprehensive Loss per Canadian GAAP	\$ (451,400)	\$ (53,594)
Adjustments required on adoption of IFRS	0	0
Net Loss and Comprehensive Loss per IFRS	\$ (451,400)	\$ (53,594)

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12. TRANSITION TO IFRS (Continued)

Reconciliation of Cash Flow

The table below provides a summary of the adjustments to cash flow for the year ended December 31, 2010 and for the three months ended March 31, 2010:

	June 30, 2010	September 30, 2010
Operating Activities per Canadian GAAP	\$ (398,516)	\$ (19,726)
Adjustments required on adoption of IFRS	0	0
Operating Activities per IFRS	\$ (398,516)	\$ (19,726)
Investing Activities per Canadian GAAP	\$ (381,834)	\$ (26,954)
Adjustments required on adoption of IFRS	0	0
Investing Activities per IFRS	\$ (381,834)	\$ (26,954)
Financing Activities per Canadian GAAP	\$ 1,138,605	\$ 132,125
Adjustments required on adoption of IFRS	0	0
Financing Activities per IFRS	\$ 1,138,605	\$ 132,125

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2011, warrants totalling 1,654,875, made up of 207,000 expiring on April 27, 2014; 185,000 expiring on May 29, 2014; 80,000 expiring on June 26, 2014 and 1,182,875 expiring on December 10, 2014, were exercised for a total of \$189,545.