



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**For the year ended June 30, 2011**

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### INTRODUCTION

The following is management's discussion and analysis of the financial condition and the results of operations of Tri Origin Exploration Ltd. (the "Company" or "TOE") for the year ended June 30, 2011, and its financial position as at June 30, 2011 and should be read in conjunction with the Company's audited, financial statements as at June 30, 2011, including the accompanying notes thereto. The Company's audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information relating to the Company, including press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at [www.sedar.com](http://www.sedar.com). The date of this management's discussion and analysis is September 23, 2011. Unless otherwise indicated all amounts discussed herein are denominated in Canadian dollars.

The Company's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "TOE".

### HIGHLIGHTS

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

- Conducted field exploration at the Company's 121 square kilometre RLX property at Red Lake, Ontario
- Commenced a diamond drilling program of 5 holes at RLX
- Initiated a program of geological, geophysical and geochemical exploration at the Sky Lake gold project, Pickle Lake, Ontario
- Planned a program of diamond drilling to be commenced subsequent to year end at the North Abitibi Gold Property northeast of Timmins, Ontario
- Raised \$2.2 million of exploration funding
- Conducted its work without incurring employee or environmental safety incidents and continued proactive consultation with communities in the vicinity of its project sites.

In New South Wales, Australia, our investment in TriAusMin Limited;

- Intersected significant mineralization and extensions of the Woodlawn massive sulphide deposits, New South Wales
- Re-commenced work at the Woodlawn tailings re-treatment project
- Raised \$3.3 million to conduct its exploration and development work
- Strengthened its board and management

### Cautionary Note Regarding Forward-Looking Information

Certain information included in this management's discussion and analysis may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to

## **TRI ORIGIN EXPLORATION LTD.**

management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the Company. Without limitation, statements about the Company's planned activities related to exploration activities in Canada constitute forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, metal prices, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials, including financing to conduct any 2011 and 2012 drilling program and the other activities necessary to continue to explore and develop the Company's properties in the short and long term, the receipt of necessary regulatory approvals, and assumptions with respect to environmental risks, title disputes or claims, weather conditions, climate change and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Without limitation, in estimating expenditures the Company has assumed, among other things, that metal prices will not change materially from the prices used in its current financial forecasts, that it will obtain in a timely fashion all of the financing, regulatory approvals and other authorizations required to enable the continued exploration of its properties, and that such activities will proceed in the ordinary course without undue disruption. See "Risk Factors and Uncertainties".

### **OVERVIEW**

The Company, formed in 1989 pursuant to Articles of Incorporation under the Business Corporations Act (Ontario), is a public mineral exploration company managed by personnel with extensive education, training and experience in the identification and exploration of mineral prospects. The Company also has a strong background in securing the necessary funding to advance properties of merit.

The Company's principal objectives are to explore and, if warranted, develop its existing precious and base metal properties in Ontario. Its secondary objective is to locate, evaluate and acquire other properties and to finance their exploration and development by either issuing additional equity or through joint ventures or option agreements with other mining firms. See "Exploration Properties in Canada".

The Company also has an indirect interest in base and precious metal exploration in Australia through its equity holding in TriAusMin Limited ("TOR"). TOR was incorporated in New South Wales, Australia in 1993 as a wholly-owned subsidiary of the Company following early success at the Lewis Ponds project. The Company managed and funded TOR's activities from inception until TOR's Initial Public Offering ("IPO") and listing on the Australian Securities Exchange in January 2004. TOR's IPO reduced the Company's ownership interest to 51%. Since then TOR has raised additional equity in a number of secondary offerings and completed a secondary listing on the TSX in early 2010. These financings and the completion of a dividend-in-kind of TOR shares to TOE shareholders of record on February 3, 2010, further reduced the Company's percentage equity ownership in TOR. At June 30, 2011 the Company's equity interest in TOR was 18.5%. TOR is pursuing the exploration and development of base and precious metals projects in Australia. These projects are located in the Lachlan Fold Belt in New South Wales and consist of the Woodlawn Project, Lewis Ponds Project and other regional exploration land holdings.

The accounts of TOR are not consolidated with the accounts of the Company. The investment in TOR is accounted for by the Company at market value based on the closing share price of TOR on the Toronto Stock Exchange. The market value of the Company's investment in TOR at June 30, 2011 is \$4.1 million (2010 - \$1.8 million). The carrying value of TOR as at June 30, 2010 was \$Nil as a result of the write off of the exploration assets of TOR during the year ended June 2009. See note 7(a) to the financial statements for the period ended June 30, 2011.

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### Selected Quarterly Financial Information

Set forth below is certain selected financial information in respect of the eight most recently completed quarters of the Company. This unaudited data is derived from the Company's financial statements which are prepared in accordance with Canadian GAAP:

Quarter Ended:	Working Capital <sup>(2)</sup>	Total Assets	Shareholders' Equity	Common shares outstanding	Interest And Other <sup>(1)</sup>	Net Income (Loss)	Net Income (Loss) per Common Share
June 30, 2011	\$989,800	\$10,509,819	\$8,499,765	80,403,306	\$4,293	\$3,821,860	\$0.06
March 31, 2011	1,514,127	6,375,271	4,414,018	80,463,306	-	(134,581)	0.000
December 31, 2010	104,428	4,947,047	2,973,575	67,423,306	(300)	(130,825)	0.000
September 30, 2010	150,079	4,898,375	2,843,233	65,423,306	582	(165,853)	0.000
June 30, 2010	(2,209)	4,529,395	2,519,843	57,556,639	1,038	(1,383,804)	(0.024)
March 31, 2010	68,814	5,851,112	3,911,379	57,556,639	(28)	(16,745)	(0.000)
December 31, 2009	284,632	6,012,624	4,056,665	57,556,639	666	(200,783)	(0.004)
September 30, 2009	73,217	5,453,360	3,756,928	54,056,641	6,824	(114,796)	(0.002)

<sup>(1)</sup> Interest and Other is comprised of interest from invested funds and payments resulting from exploration agreements.

<sup>(2)</sup> See Capital Resources and Liquidity for a further discussion of working capital.

### Fourth Quarter

During the fourth quarter of 2011 the Company spent \$303,075 on its exploration projects. This amount was capitalized to Mineral property and deferred exploration expenditures on the Balance Sheet. General office and administration expenses remained consistent with the prior quarter. There were no equity financings or exercise of share warrants or options in the quarter.

### CAPITAL STOCK POSITION

As at June 30, 2011 the Company's capital stock position consisted of:

Shares outstanding	80,403,306
Stock options outstanding	5,575,000
Warrants Outstanding	13,940,000

As at June 30, 2011, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
December 20, 2012	\$0.20	1,000,000
March 7, 2013	\$0.25	12,400,000
March 21, 2013	\$0.25	480,000
March 21, 2013	\$0.25	60,000
<b>Total</b>		<b>13,940,000</b>

The warrants have 18-month and 24-month terms and are exercisable as indicated in note 10 (a)

Stock options outstanding at June 30, 2011 and expense for the period are as follows:

Expiry date	Number of Stock Options	Exercise Price
January 4, 2012	1,350,000	\$0.86
October 3, 2012	850,000	\$0.76
January 6, 2015	3,125,000	\$0.12
March 22, 2016	250,000	\$0.15
<b>Total</b>	<b>5,575,000</b>	

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At June 30, 2011 the Company had 5,491,666 stock options vested at an average price of \$0.40 per option (June 30, 2010 - 3,308,333 stock options vested at an average price of \$0.40 per option).

### SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the years ended June 30, 2011, 2010, and 2009.

	2011 \$	2010 \$	2009 \$
Net Income (Loss)	3,821,860	(1,716,128)	(8,653,560)
Basic income (Loss) per share	0.06	(0.03)	(0.16)
Diluted income (Loss) per share	0.04	(0.03)	(0.16)
Total assets	10,509,819	4,532,181	5,385,502
Total long-term financial liabilities	1,726,295	1,886,942	1,450,000

### RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2011

The Company is in the exploration stage of development and, as such, it had no revenues from operations in the last financial year. Exploration expenditures on mineral properties are deferred on the Balance Sheet as long as the property of interest is maintained and the project prospects are not deemed to be impaired. Corporate and administrative expenses are charged to the Statement of Loss and Comprehensive Loss and Deficit as incurred. Revenues consist only of short-term investment income from interest on invested funds and payments to the Company under exploration agreements. The Company reported income from operations in the current fiscal year. Retained earnings are in a deficit position. The Company has not paid any cash dividends since inception. A dividend-in-kind of shares held in TOR, a company affiliated with TOE, was distributed to shareholders of the Company in January 2010.

The Company recorded net income for the year ended June 30, 2011 of \$3,821,860 compared to a loss for the year ended June 30, 2010 of \$1,716,128. The 2011 year was significantly affected by unrealized gains recognized on the shares of TOR of \$4.1 million and an unrealized gain of \$214,319 on the market value of a long term investment in the MAV 2 Notes. The 2010 year was significantly affected by a \$1.4 million write-off related to exploration properties.

The market value and carrying value of the Company's TOR holding was \$4.1 million at June 30, 2011 based on the closing share price on the Toronto Stock Exchange (market value June 30, 2010 - \$1.8 million). For the year ended June 30, 2010 the Company recorded its interest in the shares of TOR using the equity accounting methodology, and as a result the carrying value of TOR was \$Nil.

General and administrative expenses of \$540,645 in the year ended June 30, 2011 are comparable to June 30, 2010 of \$495,590. The stock-based compensation expense of \$46,996 was lower than the June 30, 2010 year and this was offset by the increased interest costs on the credit facility due to a higher prime rate in the year ended June 30, 2011.

During 2007 investments were made on behalf of the Company in Asset Backed Commercial Paper (ABCP) at a face value of \$2.5 million. On January 21, 2009, the Company redeemed its ABCP assets for Master Asset Vehicle 2 assets under terms of the Pan-Canadian Investors Committee for Third Party Structured ABCP. The Company used these assets as security against a credit line which at June 30, 2011, stood at \$1.7 million. A liquid secondary market for these assets has developed and based on independent third party quotes the Company has recorded the assets at market value and has recognized an unrealized gain of \$214,319. The Company's intent is to divest these investments as reasonable opportunities arise.

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During the year ended June 30, 2010 the Company declared a dividend-in-kind of 0.30 shares of TOR for each TOE share (17.3 million TOR shares). This distribution was made to residents of Canada concurrent with TOR's listing on the TSX. Non-resident shareholders of TOE received cash in lieu of TOR shares at a value determined by the disposition of TOR share at the expiry of a 4-month hold period imposed by the TSX.

### **EXPLORATION EXPENDITURES**

The Company capitalizes exploration expenditures and property acquisition costs as incurred. Properties are reviewed for impairment on a regular basis. Exploration expenditures incurred during the year ended June 30, 2011 are summarized below and disclosed in the notes to the June 30, 2011 financial statements. Mineral property and deferred exploration expenditures (prior to any write-downs) were \$689,790 during the year ended June 30, 2011 compared to \$758,734 incurred in the year ended June 30, 2010.

#### **Exploration Properties in Canada**

The Company has exploration properties in Ontario, Canada (Red Lake Extension (RLX), North Abitibi, Sky Lake) and Nunavut, Canada (Keewatin). A brief summary of the Company's projects follows.

##### Red Lake Extension (RLX)

RLX is a gold exploration property located 20 kilometres southeast of Red Lake, Ontario. The Company has a 100% ownership in 54 adjoining mining claims consisting of 735 claim units totaling an area of 121 square kilometres in the Red Lake Greenstone Belt. Expenditures at RLX during the year ended June 30, 2011 totaled \$404,379 (June 30, 2010 - \$472,908). The costs in the year related mainly to analysis of results from a ground geological and geochemical program completed in September 2010 and a follow up drilling program commenced during June 2011. The Company spent a total of \$2,867,039 at RLX from inception to June 30, 2011.

##### Sky Lake

Sky Lake is a gold exploration project located 25 kilometres southwest of Pickle Lake in Northwestern Ontario. It is comprised of 20 contiguous mining claims, 100% owned, covering an area of 50 square kilometers. A further 8 contiguous mining claims covering an area of 14.4 square kilometres are subject to an earn-in option to acquire an initial 80% interest. During the year ended June 30, 2011, the Company spent \$247,842 (year ended June 30, 2010 - \$256,815) completing a summer field program, compiling and interpreting data received from the summer field program and prioritizing targets from an airborne electromagnetic and magnetic survey completed earlier in the year. A program of linecutting and a ground geophysical survey were also initiated during the period. Total spending to June 30, 2011 was \$504,657.

##### North Abitibi

North Abitibi is a gold exploration property located 150 kilometres north of Kirkland Lake, Ontario, in the Abitibi Greenstone Belt. The project consists of 16 claims covering an area of 28.5 square kilometres and is comprised of two parts. Late in the 2009 fiscal year, Vista Gold Corp. ("Vista") transferred 100% of its interest in 7 of the North Abitibi mineral claims totalling 13.6 square kilometres to Tri Origin and is subject to a back- in right held by Vista to the return of claims to Vista if an expenditure commitment is not met by Tri Origin by 2015. The remaining 9 claims cover 14.9 square kilometres are held under a purchase option agreement expiring in 2013 with North American Exploration Ltd.

The Company had written off deferred exploration expenditures of \$752,291 during the quarter ended December 31, 2008, when an earlier option agreement on the property terminated. During the March 31, 2010 quarter the Company re-acquired this property at more favourable commercial terms.

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During the year ended June 30, 2011, the Company spent \$37,569 (year ended June 30, 2010 - \$15,940) related mainly to review of geological and geophysical data, planning for a 2011 drill program, acquisition, management and administration of the property.

### Keewatin

Keewatin is a copper/gold/uranium exploration property comprised of 16 mineral claims in 4 blocks totaling approximately 123 square kilometres located 150 kilometres west of Arviat, Nunavut. The Company originally entered into an agreement with BHP Billiton Diamonds Inc. (“BHPB”) regarding Keewatin and now has a 100% interest in Keewatin subject to a 2% net smelter royalty on base metals and precious metals and a 2% gross production royalty on diamonds.

The Company spent a total of \$1,434,201 at Keewatin from inception to June 30, 2010. However, due to two years of inactivity on this project and no plan to spend significant amounts of cash in the coming year, the Company had determined that the property was impaired under the current accounting guidelines and all expenditure was written off at June 30, 2010.

The Company spent \$1,158 in the year ended June 30, 2011, which was expensed relating to land claim maintenance costs (year ended June 30, 2010 – Nil.). The Company is reviewing a number of strategic alternatives to progress this Project.

### Community Consultation

Tri Origin is committed to the preservation of the environment in which it works and respecting the needs and land uses of members of nearby communities and other stakeholders in the vicinity of its projects. During the year, Tri Origin initiated communication with indigenous peoples in the vicinity of its projects to understand and respect the impact the Company’s work programs may have on their communities. Community consultation is in progress and may or may not lead to agreements between stakeholders regarding assistance to local communities, provision of services and environmental compensation. This process may affect the timing of upcoming exploration and drilling programs planned by the Company.

### **Exploration Activities Conducted by TRO in Australia**

In addition to its exploration properties in Canada, the Company has an indirect interest in exploration and development activities in Australia through its 18.5% equity ownership (29,270,023 ordinary shares) in TOR. During the December 2008 quarter, the Company wrote the carrying value of its TOR equity investment in Australia off, based on impaired equity and metals markets at that time. This write-off resulted in the Company writing down its carrying value of the investment in its Australian affiliate to \$Nil.

The properties held by TOR are located in New South Wales, in the prolific Lachlan Fold Belt. These properties include the Woodlawn Project (zinc and copper), Lewis Ponds (poly-metallic) and other regional land holdings. The Company does not participate directly in the exploration of TOR’s projects nor does it fund any of TOR’s exploration activities.

These projects are more fully described in TOR’s Annual Report which is available from the Company on request or which may be accessed from the Company’s website, [www.triorigin.com](http://www.triorigin.com), or TOR’s website, [www.triausmin.com](http://www.triausmin.com).

### Woodlawn Project

TOR controls a very large land position located 200 km southwest of Sydney comprising the Woodlawn Mining District and regional exploration tenements. It also owns mineral rights to the past-producing Woodlawn Mine which was a medium sized, high-grade, massive sulphide deposit by world standards. Total past production from 1978 to 1998 was about 13.8 million tonnes of ore grading 1.6% copper, 3.6%

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lead, 9.1% zinc, 74 grams per tonne of silver and 0.5 grams per tonne of gold from open pit, underground and satellite deposits. The mine was closed by its previous operators due to prevailing low metal prices and corporate issues in March 1998. The mineral rights to the Woodlawn District were acquired by Tri Origin soon after closure.

The Woodlawn Project includes; the Woodlawn Retreatment Project (“WRP”), which was subject of a feasibility study completed in 2008, Woodlawn “near-mine” exploration (the Woodlawn Underground Project or “WUP”) which is investigating the potential to delineate additional resources in the vicinity of the past-producing mine sufficient to justify redevelopment of the underground mine and regional exploration.

At the WRP, TOR is evaluating the potential to retreat approximately 11.6 million tonnes of zinc, copper, lead and silver-rich tailings remaining from previous mining that are located in three dams (north, south and west) for total production in the order of 1.5 million tonnes per annum to produce zinc, copper and lead concentrates. In November 2009, a NI 43-101 compliant technical report on WRP was completed. Results of the report were positive. During the year, TOR announced the commencement of activities related to moving WRP to development status.

In addition, TOR conducted a significant amount of “near-mine” research, geological modelling and resource extension targeting with the objective of identifying additional mineralization adjacent to and along strike from former underground workings.

### Lewis Ponds Project

The 100%-owned Lewis Ponds tenement is located 200 kilometres west of Sydney and 15 kilometres east of Orange and covers part of an extensive Silurian volcanic and sedimentary belt hosting the major volcanic hosted massive sulphide deposits of the Lachlan Fold Belt. Lewis Ponds, subdivided into regional and resource oriented exploration activities is an advanced project and has a significant gold and base metal resource delineated. TOR owns the freehold land over which much of the resource is located. During the year, TOR completed an airborne VTEM electromagnetic and magnetic survey over the Lewis Ponds tenement and prepared for a program of drilling to evaluate regional targets and further assess the Lewis Ponds resource.

### Regional Landholdings

TOR holds a 100% interest in regional tenements in New South Wales where exploration work has been ongoing to determine the exploration potential of each property.

## **CAPITAL STOCK AND DEFICIT**

The authorized capital of the Company consists of an unlimited number of common shares without par value. At June 30, 2011 the Company had 80,403,306 (June 30, 2010 – 57,556,639) issued and outstanding common shares and 5,575,000 (June 30, 2010 – 5,525,000) stock options outstanding, and 13,940,000 (June 30, 2010 – 2,083,332) warrants outstanding, bringing the fully diluted share position of the Company to 100.9 million (June 30, 2010 – 65.2 million).

During the year the Company completed three equity financings. The Company issued 7,866,667 common shares for net proceeds of \$472,000 in September 2010 by completing a private placement of flow-through common shares.

In December 2010, the Company completed a private placement consisting of 2,000,000 non-flow through units, for gross proceeds of \$250,000. Each unit consisted of one Common Share and one-half of one Share Purchase Warrant. Each whole Warrant entitles the holder to acquire one common share at a price of \$0.20 per share expiring 24 months from the date of issuance. The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate – 1.69%, volatility - 30%, and an expected life of 2 years. The value attributed to the 1,000,000

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warrants was \$4,200.

In February and March 2011, the Company completed a private placement consisting of 12,400,000 non-flow through units, at a price \$0.125 for gross proceeds of \$1,550,000. Each unit consisted of one Common Share and one Share Purchase Warrant. Each whole Warrant entitles the holder to acquire one common share at a price of \$0.25 per share expiring 24 months from the date of issuance. The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate - 1.69%, volatility - 30%, and an expected life of 2 years. The value attributed to the 12,400,000 warrants was \$64,480.

In addition, the Company issued 480,000 non flow-through finder's fee units (having the same terms and conditions as above) and 60,000 non-flow through broker warrants in connection with the issuance. The 540,000 warrants issued in connection with the non-flow through finders fee units have a strike price of \$0.25 per common share until March 21, 2013. The value ascribed to these warrants was \$2,808 using the same assumptions as above.

In connection with this private placement the Company issued 480,000 compensation options at a price of \$0.125 per option. The Company has recorded the fair value of these compensation options as share issue costs. The 480,000 compensation options are exercisable for a period of two years from the date of issuance into units comprised of one common share and one common share purchase warrant. The share purchase warrant can be exercised at a strike price of \$0.25 per common share until March 2013. The value ascribed to the share purchase warrants was \$19,273 using the same assumptions as above.

As part of the financing the Company paid \$7,500 (cash) in finders fees.

During the year ended June 30, 2011, the Company issued 250,000 stock options and cancelled 100,000 stock options. In March 2011, 100,000 employee stock options were exercised at a price of \$0.12 per option.

There were no warrants exercised during the year ended June 30, 2011 and no warrants or stock options were exercised during the year ended June 30, 2010.

There no were changes to the share capital of Company since June 30, 2011.

For further information concerning the issuance of common shares, warrants and stock options see the notes to the June 30, 2011 financial statements.

The Company's accumulated deficit at June 30, 2011 was \$14,132,836 compared to \$17,954,696 at June 30, 2010. See "Results of Operations".

## **FINANCIAL CONDITION**

The cash position of the Company at June 30, 2011 was \$1,176,499 (June 30, 2009 - \$93,429). Other than cash in long term investments, cash not on account at a bank has been invested in bank-guaranteed, short-term maturity instruments.

The Company's total assets at June 30, 2011 increased to \$10,509,819 from \$4,532,181 at June 30, 2010 due to unrealized gains on long term investments in TOR of \$4.1 million and unrealized gains on the MAV 2 Notes of \$214,319. The Company had fully drawn its Credit Facility (established in 2008) as of June 30, 2011. Cash was spent on exploration (\$0.7 million) and administration (\$0.5 million) during the year.

The Company's liabilities include trade payables and accrued liabilities of \$293,759 at June 30, 2011, up from \$125,396 at June 30, 2010. While the Company has a Credit Facility as a long-term financial liability, it has no off balance sheet financing arrangements or material contingent liabilities or contractual obligations.

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### **CAPITAL RESOURCES AND LIQUIDITY**

Capital resources of the Company include: cash, investments, access to a credit facility and equity financings.

#### **Flow-Through Financing**

A portion of the cash held by the Company was raised by a flow-through share equity financing. The Company completed a \$472,000 flow-through financing in the September 2010 quarter, as reported in the Capital Stock and Deficit section of this report. During the March 2011 quarter the tax benefit associated with this placement was renounced in favour of the flow-through shareholders and a \$137,588 tax gain was recorded by the Company. The Company completed a \$500,000 flow-through financing in the December 2009 quarter, as reported in the Capital Stock and Deficit section of this report. During the March 2010 quarter the tax benefit associated with this placement was renounced in favour of the flow-through shareholders and a \$169,000 tax gain was recorded by the Company.

#### **Credit Facility**

The Company has a Credit Facility (the "Facility") as disclosed in the notes to the June 30, 2011 financial statements. The purpose of the Facility is to provide cash for working capital purposes for the Company. This Facility was necessary since the Company's cash was invested in ABCP and the market for ABCP was frozen at that time. The Company had drawn \$1,716,295 of its Credit Facility at June 30, 2011 (June 30, 2010 - \$1,886,942), effectively fully drawing the facility. The Facility is interest bearing based on floating rates and is secured by an assignment of a portion of the Company's investment in ABCP assets, subsequently exchanged for the MAV 2 investments.

#### **Investments – MAV 2 Notes**

At January 21, 2009, the Company's interests in non-bank sponsored ABCP investments were replaced with new longer-term floating rate notes with maturities designed to more closely match the maturities of the underlying assets (MAV2 assets). The restructuring plan also provides, in certain circumstances, for the pooling of certain assets as well as the establishment of a new margin funding facilities to support any collateral calls that may occur in the future. The MAV2 assets have a combined asset value of \$1,681,569 at June 30, 2011 (face value of remaining assets - \$2,258,744). This financial asset is classified as a long term investment held for trading.

During the fiscal period ended June 30, 2009 the Company negotiated an increase in the amount of the Facility. The Revised Facility increased the amount of available credit to 75% of the face value of the eligible and ineligible MAV 2 assets, which replaced the ABCP assets, or approximately \$1.89 million. Upon fully drawing all available proceeds from the Credit Facility (\$1.89 million), \$1.2 million would be secured by the eligible and ineligible MAV 2 assets and \$0.7 million would be secured by the remaining assets of the Company. The Revised Facility would be split into 2 parts (Part 1 and Part 2) related to eligible-asset Notes and ineligible-asset Notes, respectively. Both parts of the Revised Facility would require that portions of the Notes be pledged as security for the Revised Facility. Should any of the Notes be sold or otherwise disposed of by the Company, the proceeds would be required to repay the principal and interest of the Revised Facility then outstanding.

The initial term of Part 1 of the Revised Facility would be 3 years. Part 1 would bear interest at the Bank's prime rate less 1%. Part 1 of the Revised Facility would be split into 2 tranches, A and B. Tranche A of Part 1 of the Revised Facility includes conditions that would require that a portion of the Company's investment in the eligible-asset Notes be pledged as security for amounts borrowed under this tranche. In addition, the Bank's recourse, in the event of default on this portion of the Revised Facility, would be limited to the Notes. Tranche B of Part 1 of the Revised Facility includes conditions that would require that a portion of the Company's investment in the eligible-asset Notes be pledged as security for amounts borrowed under this tranche. In addition, the Bank would have full recourse against the business and assets of the Company in the event of default on this portion of the Revised Facility.

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The initial term of Part 2 of the Revised Facility would be 2 years. Part 2 would bear interest at the banks prime rate less 1%. Part 2 of the Revised Facility would require only the portion of ineligible-asset Notes held by the Company be pledged as security for amounts borrowed by the Company under this Part. In addition, the Bank's recourse in the event of default on this portion of the Revised Facility would be limited to the ineligible-asset Notes.

On April 29, 2011 the Company exercised its Put Option on the Ineligible Note portion of the MAV II Notes and repaid in full Part 2 of the outstanding credit facility of \$169,015. Based on quotes received from third party dealers, the value of the Ineligible Notes was approximately \$90,000. The Bank had no further recourse to the Company for the excess amount of the credit facility over the quoted market value of the Notes. There was no impact to Net Income or Retained Earnings.

The value of the Credit Facility of \$1,716,295 is secured by the MAV 2 assets to a balance of \$1.0 million and by guarantee of the Company for the remaining \$0.7 million.

A liquid market for the restructured notes has recently developed and the Company's ability to realize value for its investment in the restructured notes will be affected by the market for the restructured notes. The assets are designated as Held for Trading and the value is recognized by the Company based on trading prices for the restructured notes in the secondary market. The Company is looking for reasonable opportunities to divest the investment. The quoted market value of the Notes at June 30, 2011 was \$1,649,390.

### **Investments – TriAusMin (“TOR”)**

The Company has an investment in TOR, a public company listed and trading on the Australian Securities Exchange. At December 31, 2009 the Company held approximately 48% of the outstanding shares of TOR. During the quarter ended March 31, 2010, the Company reduced its holding to from 48% to 31% with a dividend of 0.30 TOR shares for each share in the Company. TOR completed a financing of special warrants which, when exchanged for TOR common shares, further reduced the Company's interest to 27%. During the June 30, 2010 quarter the Company sold 2.5 million TOR shares to reduce its interest to 25%. In March of 2011 TOR completed additional financings which the Company did not participate in and this further reduced the Company's equity interest to 18.5%. The Company's investment in TOR had a market value at June 30, 2011 of \$4.1 million and at June 30, 2010 of approximately \$1.8 million. Depending on corporate objectives in the future the Company may utilize a portion of this investment to fund its operations.

### **Liquidity**

All of the Company's mineral properties are at the exploration stage. At this time the Company has no operating revenue and does not anticipate any operating profits until the Company is able to realize value from its assets through either the sale of, or placing into production, a resource property. In order to continue its exploration programs, the Company will be required to raise funds through equity financing, possibly supplemented by the exercise of options and warrants. In the past, the Company has successfully raised capital through issuance of equity. There can be no assurance that the Company will be able to raise more capital or obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to raise capital or obtain financing could result in the postponement of further exploration. Any additional financing or capital raised by the Company could result in substantial dilution to the shareholders of the Company. See “Risk Factors and Uncertainties”.

### **TRENDS**

The Company holds three important gold exploration properties in northern Ontario – Red Lake Extension, Sky Lake and North Abitibi. It intends to continue its work program on this exploration portfolio during 2012. The Company will consider recommencing work on the Keewatin Property or establishing a joint venture partnership to advance the project. The Company will also continue to evaluate and pursue other exploration opportunities as they arise. It will assess the exploration work as it progresses and determine a course of action based on that assessment. The level of exploration activity has remained constant at approximately \$700,000 for the past two years. Management intends to increase the level of exploration activity.

## **TRI ORIGIN EXPLORATION LTD.**

The net income in the year ended June 30, 2011 is attributed to the unrealized gains recorded on the investments in TOR and the MAV 2 Note of \$4.3 million. Net Income before these items is a loss of \$623,759. This is comparable to the net loss of \$621,650 for the year ended June 30, 2010 before the write down of exploration property of \$1.4 million. It is anticipated that a loss related to TOE administration and corporate expenses similar to that of 2011 and 2010 will be recorded during the current year.

A significant asset value is represented by the Company's equity holding in TOR. The value of this holding is determined by progress made by TOR on its exploration and development projects and by general market and economic conditions. Management of the Company believes that its equity holding in TOR has significant future potential.

Recently a market has developed for the MAV 2 Notes and the prices have been on an upward trend as the underlying asset performance is aligning closer to the pay out schedule originally anticipated. The underlying asset value is starting to approach the value of the liability the Company has under the Credit Facility and we are monitoring the markets to identify opportunities to sell the assets and extinguish the liability under the credit facility.

Other corporate activities and expenditures related to the support of the exploration properties, generation of new projects and requirements of being a public company are expected to continue in 2012.

### **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 development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be cash, investments, the credit facility and equity, comprising share capital, warrants, contributed surplus and deficit. The equity of the Company at June 30, 2011 totalled \$8,499,765 (2010 - \$2,519,843). 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 issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry out its exploration, development and investment plans and operations through fiscal 2012.

### **COMMITMENTS**

The Company raised \$496,666 of flow through funding by sale of shares in December 2009. As at December 31, 2010, the Company had expended the required balance. The Company raised \$472,000 of flow through funding by sale of shares in September 2010. As at June 30, 2011, the Company had expended \$393,066 of these funds for exploration. A further \$78,934 of flow-through expenditure must be incurred before December 31, 2011 to avoid penalties.

The Company is required to undertake a certain level of expenditures to keep exploration properties in good standing in the normal course of business.

### **RELATED PARTY TRANSACTIONS**

The Company's offices are located at 125 Don Hillock Drive, Unit 18 in Aurora, Ontario. This property is rented month to month and is owned by a private Ontario corporation controlled by Tri Origin Exploration

## **TRI ORIGIN EXPLORATION LTD.**

Ltd.'s President. During the year ended June 30, 2010 the Company paid or accrued \$47,183 for this rental (June 30, 2010 - \$50,737). Prepaid assets include \$2,750 related to rent for the last month of the lease.

During the year ended June 30, 2011 the Company charged TOR \$7,247 (2010 - 6,824) related to facilities used and \$65,530 (2010 - 30,831) related to personnel use of the Company. A balance of \$45,508 receivable from TOR is included in accounts receivable as at June 30, 2011. The balance will be repaid in the course of normal commercial terms.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

### **Changes in Accounting Standards Not Yet Adopted**

#### **Conversion to IFRS**

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for fiscal year ending June 30, 2012 and apply them to its opening July 1, 2010 balance sheet.

The Company's IFRS implementation project consists of three primary phases.

1. Initial diagnostic phase ("Phase I") – Involves preparing a preliminary assessment to identify key areas that maybe impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on our financial reporting and the overall difficulty of the conversion effort.
2. Impact analysis, evaluation and conversion phase ("Phase II") – Involves the selection of IFRS accounting policies by senior management and the review by the audit committee, the quantification of the impact of changes on our existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
3. Implementation and review phase ("Phase III") – Includes training key finance and other personnel and implementation of required changes to our information systems and business policies and procedures. It will enable the Company to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

The Company has substantially completed Phases I and II and is currently engaged in Phase III.

The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Completed
Assessment of first time adoption (IFRS 1) requirements and alternatives	Completed
Final determination of changes to accounting policies and choices to be made with respect to first time adoption	Completed

## TRI ORIGIN EXPLORATION LTD.

Resolution of the accounting policy change implications of information technology, internal controls and management reporting	Completed
Management and employee education and training	Continuing through transition
Quantification of the Financial Statement impact of changes in accounting policies	Continuing through transition

The differences that have been identified in the diagnostic phase are summarized below.

### a) **Transitional Impact on Financial Statement Presentation**

The Company's financial statements will have a different format upon transition to IFRS. The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. Income statement will be presented as a component of the statement of comprehensive income. Balance sheet may be presented in ascending or descending order of liquidity. Income statement is classified by nature of items or by each major functional area.

Impact on Company: The Company will reformat the financial statements in compliance with IAS 1.

### b) **IFRS-I Transitional Policy choices and exceptions for retrospective application**

IFRS-I contains the following policy choices with respect to first time adoption that are applicable to the Company.

#### **Business combinations**

The optional exemption provides relief for business combinations that occurred before the date of transition to IFRS. The Company can either apply retrospective application of IFRS 3 (which means no election) or to not restate business combinations prior to date of transition (apply the elective exemption to not apply IFRS 3). The Company has elected not to restate business combinations prior to the date of transition, such that transactions entered into prior to the transaction date will not be restated.

#### **Property, Plant, Equipment and Mining Interests**

The optional exemption offers the Company the ability to measure property, plant, equipment and mining interests, ("PPE") at the date of transition based on fair value under IFRS or using the historical valuation under GAAP. This exemption is available on an asset-by-asset basis. The Company will not elect in its opening balance sheet on the transition date to value PPE items at a cost other than historic cost.

#### **Share-based Payments**

The optional exemption for share-based payments permits the Company to not apply the standard retrospectively to equity settled grants that have fully vested at the transition date, as well as cash-settled grants where the liability has been settled at the transition date.

The Company will elect not to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before the Company's transition date to IFRS. In addition, the Company will elect not to apply IFRS 2 to liabilities arising from the share-based payments which were settled before the Company's transition date to IFRS.

## **TRI ORIGIN EXPLORATION LTD.**

### **Foreign Exchange**

Retrospective application of IFRS would require recalculation of cumulative currency translation differences in accordance with IAS 21, the effects of Changes in Foreign Currency Rates, from the date a subsidiary or associate was formed or acquired. Under this optional exemption, the Company is permitted to reset the cumulative translation gains and losses to be reset to zero at the transition date of July 1, 2010. The Company will elect to have all cumulative translation gains and losses set to zero in opening retained earnings at the transition date.

### **Compound Financial Instruments**

For compound financial instruments with liability components that are no longer outstanding at the date of transition to IFRS, the Company is permitted to not retrospectively apply the allocation method prescribed in IAS 32. For compound financial instruments with liability components that remain outstanding at the date of transition to IFRS, the Company must retrospectively apply the allocation method prescribed in IAS 32.

The Company has not completed its quantification of the effects of adopting IFRS nor has it completed the opening balance sheet with the opening adjustments from adopting IFRS. The Company will have this completed in time for reporting for the first quarter of 2012.

The above list should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight the most significant differences only. At this point in time, it is expected that the financial performance and financial position, as disclosed in our Canadian GAAP financial statements, will not be significantly different when presented in accordance with IFRS.

### **Impact on information systems and processes and controls:**

Based on work completed so far the Company has determined that adoption of IFRS does not have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as: asset impairment, share based compensation, etc..

### **Subsequent Disclosures:**

The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending September 30, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending September 30, 2011, will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date of IFRS statement of financial position at July 1, 2010.

### **Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies used by the company in the preparation of its financial statements. For a complete description of the significant accounting policies used by the Company in the preparation of its financial statements, please review the notes to the June 30, 2010 audited financial statements.

#### Basis of Presentation and Future Operations

The Company's financial statements have been prepared using the equity method of accounting for investments in its affiliate, TOR. Copies of the financial statements of TOR are available to all shareholders upon request. These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for

## **TRI ORIGIN EXPLORATION LTD.**

the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue its business.

### Exploration Expenditures

Interest in mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on proven and probable reserves.

Acquisition costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value of mining interests is reduced by any option proceeds or government grants received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations when abandoned or sold. Accumulated costs on mineral exploration properties which are considered to be impaired either through external economic conditions or failure to advance the property to the development stage within a reasonable period of time are written down.

The Company reviews its mineral properties and deferred exploration expenditures on an annual basis to determine if events or circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on mineral resource property is dependent upon numerous factors, including exploration results, environmental risks, commodity risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value.

### Fair Value of Financial Instruments

At June 30, 2011 and 2010 the carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximated their fair values due to the short period to maturity of those financial instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial statements.

The CICA established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's carrying value and fair value of cash and cash equivalents, accounts receivable and long term investments in the MAV 2 Notes and the shares in TriAusMin under the fair value hierarchy are measured using Level 1 inputs. The Company has no other financial instruments that required disclosure under the fair value hierarchy.

## **TRI ORIGIN EXPLORATION LTD.**

### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the report period. The most significant estimates are related to the recoverability of long term investments, the carrying value of deferred exploration expenditures and mineral interest, fair value of stock-based securities, and valuation of future tax assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

### Stock-based Compensation Plan

The Company has in effect a Stock Option Plan which is accounted for using the recommendations contained in CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". In accordance with section 3870, the Company calculates compensation expense for issuance of options to employees, directors and consultants on the date of grant using a fair value-based method. The compensation expense is charged to income over the vesting period of the options or service period, whichever is shorter.

### Impairment of Long-lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to operations. Management believes that there has been no impairment of the Company's long-lived assets as at June 30, 2011 other than the impairment in the Company's holding of asset-backed commercial paper which was replaced by MAV 2 assets during the March 2009 quarter.

## **RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS**

The risk factors and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions. Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Canada and deposits held with vendors. Management believes that credit risk with respect to financial instruments included in cash and accounts receivable is low.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2011, the Company had a cash balance of \$1,176,499 (June 30, 2010 - \$93,429) to settle current liabilities of \$293,759 (June 30, 2010 - \$125,396). Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient financial and capital resources to meet its overhead and exploration budget for a minimum of twelve months.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. These risks could affect the fair value of the Company's long term investments in the MAV 2 assets. The Company continues to monitor the long term assets and assesses the value of the asset on a regular basis.

## **TRI ORIGIN EXPLORATION LTD.**

The Company also has a \$4.1 million holding in TOR, an Australian company that is subject to market risk. The Company may not be able to realize the full current value of this holding in the event of a negative change in market conditions.

### *Interest rate risk*

The Company has cash balances and its Credit Facility is an interest-bearing debt. Interest rate risk on the overall operations of the Company is negligible. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments.

### *Foreign currency risk*

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds its exploration and administrative expenses using Canadian dollars.

The Company has an investment in TOR, which is an Australian company whose shares trade in Australia on the Australian Securities Exchange ("ASX") in Australian dollars and on the Toronto Stock Exchange in Canadian dollars. For the year ended June 30, 2011 this investment is accounted for by the Company at market value in Canadian dollars, using the last trading price on the Toronto Stock Exchange on June 30, 2011. During the year ended June 30, 2011, the Company's holding was reduced from 25% to 18.5% due to private placements made by TOR that TOE did not participate in. As a result the ownership interest by TOE has decreased to a point where it does not have significant influence over the operations of TOR. Furthermore, effective in the fourth quarter of 2011, the management team of TOR is 100% independent of TOE, as well as the majority of the Board of Director's are independent of TOE.

As a result of the change in management in TOR and reduction ownership interests, the investment in TOR will be viewed as held for trading, and therefore the investment will not be recorded using the equity method of accounting but will be recorded at market value with changes in market value being recorded in income.

For the year ended June 30, 2010, the Company recorded the investment using the equity method of accounting as prescribed by the CICA Handbook this requires the Company to record its investment in TOR at its historical cost in Canadian dollars, plus or minus the Company's proportionate share of TOR's ongoing profits or losses, respectively. The Company's portion of TOR's profits or losses are translated to Canadian dollars and recorded at average rates of foreign exchange in effect during the relevant period.

The market value of the shares of TOR fluctuates daily as the shares are traded publicly on the ASX and TSX. The market value of the Company's investment in TOR is calculated by the Company at each of its balance sheet dates by using the last trading price on the Toronto Stock Exchange and is therefore not subject to foreign exchange risk.

In addition, management believes the foreign currency risk derived from currency conversions related to its operations, other than its investment in TOR, is negligible and therefore does not hedge its foreign exchange risk.

### *Commodity price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of gold and certain other metals.

## **TRI ORIGIN EXPLORATION LTD.**

### *Fair value*

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying values for short-term investment, sundry receivables and prepaid expenses, subscription receivable, and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The Company has designated its cash and investments in TOR and the MAV 2 Notes as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

### *Sensitivity analysis*

The Company has designated its cash as held-for-trading, which is measured at fair value.

As at June 30, 2011, the carrying amount of accounts receivable and prepaid expenses are measured at amortized cost which equals fair market value. Accounts payable and the short term credit facility are classified as other financial liabilities and measured at amortized cost.

Based on management's knowledge and experience of financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

The credit facility under which the Company has borrowed accrues interest at variable rates. Sensitivity to a plus or minus 1% change in rates would not have a material impact on the reported income and comprehensive loss.

The Company does not hold significant balances in foreign currencies that give rise to exposure to foreign currency risk. The Company's investment in TOR is recorded at market value. Sensitivity to a plus or minus 5% change in market value would affect net loss and comprehensive loss by plus or minus \$200,000.

Price risk is remote since the Company is not presently a producing entity.

## **OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements as at June 30, 2011.

## **CONFLICTS OF INTEREST**

Certain of the directors of the Company also serve as directors of other companies involved in natural resource exploration and consequently there exists the possibility for such directors to be in a position of conflict.

## **RISK FACTORS AND UNCERTAINTIES**

The Company is in the business of acquiring, exploring and developing mineral properties and is exposed to a number of risks and uncertainties that are common to other exploration companies in the same business. The industry is capital intensive at all stages and must rely on equity financing to fund exploration and development activities.

## **TRI ORIGIN EXPLORATION LTD.**

The Company's major mineral properties are the Red Lake Extension, the Sky Lake and the North Abitibi properties (the "Properties"). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing Properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's Properties would have a material adverse effect on the Company's financial condition and results of operations.

The ability of the Company to realize and profit from a property development is dependent upon its ability to define and delineate an orebody, to finance development costs, adhere to government and environmental regulations, and/or be able to realize the costs incurred on disposition of a property.

The future prospects of the Company are subject to a variety of risks that may cause actual results to differ materially from projected outcomes. Factors that could cause such differences include: world gold markets, foreign exchange markets, equity markets, access to sufficient working capital, the ability to attract mining partners, the loss of or inability to hire key personnel, as well as government, local communities and native consultation and environmental restrictions. Most of these factors are beyond the control of the Company which consequently cannot guarantee future results, levels of activity or ensure that a mineral discovery can be developed into a profitable mining operation. In addition, prices for the commodities contained in the Company's mineral resources at its exploration properties have fluctuated significantly over the last few years and may continue to do so. Such volatility may affect the timing and magnitude of funds which the Company may seek to raise to support further exploration and development.

The Company has taken steps to verify the title to its mineral properties, in accordance with industry standards for the current stage of exploration of such properties but 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.

The Company's properties are located in northern Ontario and indigenous peoples and native bands in the province have determined that all lands in northern Ontario fall within their territorial lands. In some cases, to achieve harmonious working relationships and guarantee access to properties, certain agreements may be required to be entered into between the Company and native communities. There is no guarantee that these agreements can be successfully entered into or that equitable terms can be reached. This may affect commencement or completion of the Company's projects.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found at [www.triorigin.com](http://www.triorigin.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com). Complete financial statements for TOR can be viewed at the TOR website at [www.triausmin.com](http://www.triausmin.com) or on SEDAR or obtained by request from TOE.

### **APPROVAL**

The Board of Directors of Tri Origin Exploration Ltd. has approved the disclosure contained in this Management Discussion and Analysis dated September 23, 2011.

## **TRI ORIGIN EXPLORATION LTD.**



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### **DIRECTORS & OFFICERS**

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Vancouver, British Columbia

Jean-Pierre Janson, Director  
Outremont, Québec

Edward G. Thompson, Director  
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Louis Nagy,  
Chief Financial Officer  
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### **REGISTRAR & TRANSFER AGENT**

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### **AUDITORS**

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1200 Sheppard Ave. E, Suite 406  
Willowdale, ON., M2K 2S5

**TRI ORIGIN EXPLORATION LTD**

Financial Statements

For the Years Ended June 30, 2011 and June 30, 2010

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Tri Origin Exploration Ltd.

We have audited the accompanying financial statements of Tri Origin Exploration Ltd., which comprise the balance sheets as at June 30, 2011 and 2010, and the statements of loss and comprehensive loss and deficit, statements of shareholders' equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tri Origin Exploration Ltd. as at June 30, 2011 and 2010 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

North York, Ontario  
September 23, 2011

*Stern & Lovrics LLP*

Chartered Accountants  
Licensed Public Accountants

**TRI ORIGIN EXPLORATION LTD.**  
**BALANCE SHEETS**  
**AS AT JUNE 30**  
**(AUDITED, IN CANADIAN DOLLARS)**

		2011	2010
<b><u>ASSETS</u></b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,176,499	\$ 93,429
Accounts receivable		98,503	27,008
Prepays		2,750	2,750
Total current assets		<u>1,277,752</u>	123,187
<b>Non-Current</b>			
Long term investments	Note 7	5,779,372	1,649,390
Capital assets	Note 8	27,490	24,189
Mineral property and deferred exploration expenditures	Note 9	3,425,205	2,735,415
		<u>\$10,509,819</u>	\$ 4,532,181
<b><u>LIABILITIES</u></b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 293,759	\$ 125,396
Total current liabilities		<u>293,759</u>	125,396
<b>Non-Current</b>			
Credit facility	Note 13	1,716,295	1,886,942
		<u>2,010,054</u>	2,012,338
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Capital stock	Note 10(a)	20,889,623	18,866,018
Warrants	Note 10(b)	71,488	3,334
Contributed surplus	Note 10(c)	1,671,490	1,605,187
Deficit		<u>(14,132,836)</u>	<u>(17,954,696)</u>
		<u>8,499,765</u>	2,519,843
		<u>\$ 10,509,819</u>	\$ 4,532,181

**Nature and continuance of operations** (Note 1 (a))

**Commitments** (Note 14)

**Approved on behalf of the Board of Directors:**

“Alan J.E. Snowden”

“Robert Valliant”

Alan J. E. Snowden, Director

Robert Valliant, President and Director

The accompanying notes are an integral part of these financial statements

**TRI ORIGIN EXPLORATION LTD.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT**  
**YEARS ENDED JUNE 30**  
**(AUDITED, IN CANADIAN DOLLARS)**

		<b>2011</b>	2010
<b>EXPENSES</b>			
General office and administration		<b>\$ 540,645</b>	495,590
Stock based compensation	Note 11	<b>46,996</b>	72,208
Write down of exploration property		<b>Nil</b>	1,446,125
Amortization		<b>5,393</b>	9,978
Write down of Capital Assets		<b>Nil</b>	15,252
Write (up) down of long term investment	Note 7(b)	<b>Nil</b>	7,462
Interest on long term debt		<b>35,018</b>	21,160
(Loss) before other items		<b>(628,052)</b>	(2,067,775)
<b>OTHER ITEMS</b>			
Unrealized Gain (Loss) on investments	Note 7 (c)	<b>4,308,031</b>	Nil
Gain on sale of equity affiliate shares		<b>Nil</b>	174,147
Interest and other income		<b>4,293</b>	8,500
		<b>3,684,272</b>	(1,885,128)
Future income tax recovery		<b>137,588</b>	169,000
<b>Net income (loss) and comprehensive income (loss) for the year</b>		<b>3,821,860</b>	(1,716,128)
<b>Deficit, beginning of the period</b>		<b>(17,954,696)</b>	(16,238,568)
<b>Deficit, end of the period</b>		<b>\$ (14,132,836)</b>	\$ (17,954,696)
<b>Basic income (loss) per share</b>			
	Note 5	<b>\$ 0.06</b>	\$ (0.03)
<b>Fully Diluted Income per share</b>	Note 5	<b>\$ 0.04</b>	n/a
<b>Weighted average number of shares outstanding</b>		<b>68,640,706</b>	55,806,640

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

**TRI ORIGIN EXPLORATION LTD.**  
**STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED June 30, 2011**  
**(AUDITED, IN CANADIAN DOLLARS)**

	<b>Capital Stock</b>	<b>Warrants</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
<b>As at June 30, 2009</b>	<b>\$ 18,576,435</b>	<b>\$ Nil</b>	<b>\$ 1,532,979</b>	<b>\$ (16,238,568)</b>	<b>\$ 3,870,846</b>
Net loss for the year ended June 30, 2010	-	-	-	(1,716,128)	(1,716,128)
Transfer to Contributed Surplus	(18,575,485)	-	18,575,485	-	Nil
Transfer from Contributed Surplus	18,575,485	-	(18,575,485)	-	Nil
Equity financing	496,666	3,334	-	-	500,000
Costs of equity financing	(38,083)	-	-	-	(38,083)
Future income tax	(169,000)	-	-	-	(169,000)
Stock-based compensation	-	-	72,208	-	72,208
<b>As at June 30, 2010</b>	<b>18,866,018</b>	<b>3,334</b>	<b>1,605,187</b>	<b>(17,954,696)</b>	<b>2,519,843</b>
Net loss for the period ended June 30, 2011	-	-	-	3,821,860	3,821,860
Equity financings	2,203,320	71,488	-	-	2,274,808
Cost of equity financing	(35,346)	-	-	-	(35,346)
Warrant valuation – finders fees	(2,808)	-	-	-	(2,808)
Compensation options	(19,273)	-	19,273	-	-
Future income tax	(137,588)	-	-	-	(137,588)
Warrant expiration	-	(3,334)	3,334	-	-
Stock-based compensation	-	-	46,996	-	46,996
Fair value of stock options exercised	15,300	-	(3,300)	-	12,000
<b>As at June 30, 2011</b>	<b>\$ 20,889,623</b>	<b>\$ 71,488</b>	<b>\$ 1,671,490</b>	<b>\$ (14,132,836)</b>	<b>\$ 8,499,765</b>

**TRI ORIGIN EXPLORATION LTD.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE**  
**(AUDITED, IN CANADIAN DOLLARS)**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	<b>\$ 3,821,860</b>	\$(1,716,128)
Items not affecting cash:		
Stock based compensation	Note 11 <b>46,996</b>	72,208
Future income tax recovery	<b>(137,588)</b>	(169,000)
Write-down of mineral properties and deferred exploration		1,446,125
Unrealized Gain (Loss) on investments	<b>(4,312,122)</b>	7,462
Amortization	<b>5,393</b>	9,978
Write down of capital assets	<b>Nil</b>	15,252
Changes in non-cash working capital items:		
Receivables	<b>(71,495)</b>	(21,847)
Accounts payable and accrued liabilities	<b>168,363</b>	60,740
	<b>(478,593)</b>	(295,210)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral property interests and deferred exploration costs	<b>(689,790)</b>	(758,734)
Long term investment	<b>182,140</b>	9,167
Acquisition of capital assets	<b>(8,694)</b>	Nil
	<b>(516,344)</b>	(749,567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Credit facility	<b>Nil</b>	436,942
Reduction in credit facility	<b>(170,647)</b>	Nil
Issue of shares and warrants, net of issue costs	<b>2,248,654</b>	461,917
Net cash provided by financing activities	<b>2,078,007</b>	898,859
<b>Change in cash and equivalents during the period</b>	<b>1,083,070</b>	(145,918)
<b>Cash and equivalents, beginning of the period</b>	<b>93,429</b>	239,347
<b>Cash and equivalents, end of period</b>	<b>\$ 1,176,499</b>	\$ 93,429
<b>Cash paid for:</b>		
Income taxes	<b>\$ -</b>	\$ -
Interest	<b>\$ 35,018</b>	\$ 21,160

**Supplemental disclosure with respect to cash flows (Note 15)**

## TRI ORIGIN EXPLORATION LTD.

Notes to the Financial Statements  
Years ended June 30, 2011 and 2010

(Audited, in Canadian Dollars)

### 1. THE COMPANY

Tri Origin Exploration Ltd. (the "Company" or "TOE") is a publicly held company engaged principally in the acquisition and exploration of mineral properties in the Canadian Shield. The Company is incorporated under the *Business Corporation Act* (Ontario) and its common shares are listed on the TSX Venture Exchange.

#### a) Going concern

These financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. In assessing whether the going concern assumptions is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company had net income of \$3,821,860 for the year ended June 30, 2011 (2010 net loss of - \$1,716,128), and a deficit of \$14,132,836 (2010 - \$17,954,696). The Company is in the exploration stage and is subject to risks and challenges similar to other companies in a comparable stage of exploration. These risks include, but are not limited to, dependence on key individuals, successful exploration and the ability to secure adequate financing to meet the minimum capital required to successfully complete the projects and continue as a going concern. There is no assurance that these initiatives will be successful and as a result there is significant doubt regarding application of the going concern assumption.

On June 30, 2011, the Company had sufficient cash to meet general and administration expenses plus planned project activities for the year ending June 30, 2012. The operations of the Company have primarily been funded by the issuance of common shares. Continued operations of the Company are dependent on the Company's ability to complete equity financing and the continuing financial support of shareholders in order to continue exploration of its mineral property interests. Management's plan in this regard is to secure additional funds through future equity financings, which may or may not be available or may not be available on reasonable terms.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Financial Presentation

The financial statements of the Company, which are expressed in Canadian dollars, have been prepared in accordance with Canadian GAAP. In 2011 the Company's investment in TriAusMin Limited ("TOR") changed from 25% to 18.5%. In 2011 the Company classified its investment in TOR as held for trading securities and is measured at fair market value (Note 7(a)). In 2010 the Company used the equity accounting method for its investment.

The following is a summary of significant accounting policies used in the preparation of these financial statements.

TRI ORIGIN EXPLORATION LTD.

Notes to the Financial Statements  
Years ended June 30, 2011 and 2010

(Audited, in Canadian Dollars)

**a) Amortization**

Amortization of the Company's capital assets is provided on an annual declining basis at a rate of 20% for office equipment and 20% to 30% for computer equipment and software. Assets are assessed regularly for impairment against market value for like kind and quality. If required, the asset carrying value is reduced to the lower of cost or market value.

**b) Long Term Investments & Investments in Affiliates**

Investments not subject to significant influence are classified as either "available-for-sale" or "held-for-trading". Available-for-sale investments are measured at fair value with unrealized gains and losses recognized in comprehensive loss unless the declines are considered to be other than temporary, in which case the losses are recognized in income for the period. Held-for-trading investments are measured at fair value with changes in those fair values recognized in income for the period.

Investments in affiliates in which the Company has voting interests of between 20% to 50% or where the Company has the ability to exercise significant influence, are accounted for using the equity method. Under this method, the Company's share of the affiliates' earnings and losses are included in the Company's income for the period with a corresponding entry to the investment. Dividends received are applied as a reduction in the investment.

As a result of the change in management in TOR and the reduction of ownership interests in 2011, the investment in TOR is classified as held for trading, and therefore the investment will not be recorded using the equity method of accounting.

**c) Proportionate Cost Sharing Ventures**

Certain of the Company's exploration activities are conducted jointly with others. These financial statements reflect only the Company's interest in such activities. Although the Company holds certain interests in mineral properties through joint venture agreements, none of its operations are carried on through joint venture entities.

**d) Flow-through Shares**

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying values of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The Company recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

**e) Mineral Properties and Deferred Exploration Expenditures**

Interest in mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on proven and probable reserves.

Acquisition costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value of mining interests is reduced by any option proceeds or government grants received until such time as the property cost and

TRI ORIGIN EXPLORATION LTD.

Notes to the Financial Statements

Years ended June 30, 2011 and 2010

(Audited, in Canadian Dollars)

deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations when abandoned or sold. Accumulated costs on mineral exploration properties which are considered to be impaired either through external economic conditions or failure to advance the property to the development stage within a reasonable period of time are written down.

The Company reviews its mineral properties and deferred exploration expenditures regularly to determine if events or circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on mineral resource property is dependent upon numerous factors, including exploration results, environmental risks, commodity risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequent unreliable conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, all properties are in good standing.

**f) Financial instruments**

Financial instruments are measured at fair value on initial recognition and valued in subsequent periods based upon their classification as held-for-trading, available for sale, held-to-maturity, loans and receivables or other liabilities. Financial assets and liabilities classified as held-for-trading are valued at fair value with gains and losses recognized in income. Financial assets classified as available-for-sale are valued at fair value with unrealized gains and losses recognized in other comprehensive income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities classified as other liabilities are valued at amortized cost using the effective interest rate method. The Company has classified its cash and long term investments as held-for trading, accounts receivable as loans and receivables and accounts payable, accrued liabilities and the credit facility as other financial liabilities. Transactions are accounted for on the trade date.

**g) Transaction costs**

Transaction costs for financial instruments classified as held-for-trading are expensed as incurred.

**h) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the report period. The most significant estimates are related to the recoverability of long term investments, the carrying value of mineral properties and deferred exploration expenditures, fair value of stock-based securities, and valuation of future tax assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

(Audited, in Canadian Dollars)

**i) Stock-based Compensation Plan**

The Company enters into transactions in which services are the consideration received for the issuance of stock or stock based instruments. The value of these transactions are measured and accounted for, based on the fair value of the equity instrument issued or the value of the services, whichever is more reliably measurable. Stock-based compensation for instruments awarded to non-employees is expensed in the year during which the services are rendered. Stock-based compensation for instruments awarded to employees is measured and recognized based on the fair value of the instruments and is expensed over the vesting period of the instruments.

**j) Income and Resource Taxes**

Income and resource taxes are calculated using the asset and liability method of accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance against any portion of future income tax assets that it believes will, more likely than not, fail to be realized.

**k) Asset Retirement Obligation**

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company has not incurred and is not committed to any asset retirement obligations in respect of its mineral resource property.

**l) Fair Value**

At June 30, 2011 and 2010 the carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximated their fair values due to the short period to maturity of those financial instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial statements.

The CICA established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

(Audited, in Canadian Dollars)

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's carrying value and fair value of cash and cash equivalents, accounts receivable and long term investments in the MAV 2 Notes and the shares in TriAusMin under the fair value hierarchy are measured using Level 1 inputs. The Company has no other financial instruments that required disclosure under the fair value hierarchy.

**m) International Financial Reporting Standards ("IFRS")**

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended September 30, 2010.

**3. 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 development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be cash, investments, the credit facility and equity, comprising share capital, warrants, contributed surplus and deficit. The equity of the Company at June 30, 2011 totalled \$8,499,765 (2010 - \$2,519,843). 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 issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry out its exploration, development and investment plans and operations through fiscal 2012.

**4. FINANCIAL RISK FACTORS**

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

**Credit Risk**

The Company's credit risk is primarily attributable to assets purchased through ABCP instruments and subsequently redeemed for MAV 2 trust assets. The Company has no significant concentration of credit risk arising from operations. Cash and accounts receivable generally

## TRI ORIGIN EXPLORATION LTD.

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consists of harmonized sales tax and other trade balances. Management believes that the credit risk concentration with respect to accounts receivable is remote.

### **Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2011, the Company had a cash balance of \$ 1,176,499 (2010 - \$93,429) to settle current liabilities of \$293,759 (2010 - \$125,396). Most of the Company's current liabilities have normal trade terms and normal trade maturities. The Company will be required to complete completed additional financings during the course of the year to fund ongoing operations.

The Company negotiated a long term credit facility based on the successfully restructured ABCP assets into the MAV 2 assets (see note 13). The Revised Credit Facility had a limit of \$1.7 million which was fully drawn at June 30, 2011.

### **Interest Rate Risk**

The Company has cash balances and long term debt under its Facility that is interest bearing based on floating rates and is secured by an assignment of a portion of the Company's investment in the MAV 2 restructured ABCP investments. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

### **Foreign Currency Risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds its exploration and administrative expenses using Canadian dollars.

The Company has an investment in TOR, which is an Australian company whose shares trade in Australia under the symbol TRO on the Australian Securities Exchange ("ASX") in Australian dollars. In January 2010 the shares of TOR were also listed on the Toronto Stock Exchange (trading as TriAusMin under the symbol TOR). During the year end June 30, 2011 the percentage ownership of TOR decreased from 25% as of June 30, 2010 to 18.5% as the company did not participate in additional public financings of TOR during the year. As of June 30, 2011 this investment is classified as held for trading and is valued at fair value based on listed market quotations with unrealized gains and losses recognized in income. Prior to June 30, 2011 the investment was accounted for by the Company at its carrying value, in Canadian dollars, using the equity method of accounting as prescribed by the CICA Handbook. This requires the Company to record its investment in TOR at its historical cost in Canadian dollars, plus or minus the Company's proportionate share of TOR's ongoing profits or losses, respectively. The Company's portion of TOR's profits or losses are translated to Canadian dollars and recorded at average rates of foreign exchange in effect during the relevant period.

### **Market Risk**

The market value of the shares of TOR fluctuates daily as the shares are traded publicly on the ASX and Toronto Stock Exchange. The market value of the Company's investment in TOR is calculated by the Company at each of its balance sheet dates at the investment's market value as traded on the Toronto Stock Exchange in Canadian dollars.

TRI ORIGIN EXPLORATION LTD.

Notes to the Financial Statements

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(Audited, in Canadian Dollars)

**Price Risk**

The Company is a mineral exploration company whose projects may be impacted, and consequently exposed to price risk, by the prices of certain commodities including the prices for precious and base metals. The Company believes that, because it is an exploration stage company and has no producing mines currently, the effect of metal price fluctuations is indirect. The indirect effects of metal price fluctuations on the Company might include an impact on its ability to raise capital in the future and could cause continued exploration and development of the Company's properties to be impracticable.

**Sensitivity Analysis**

The Company has designated its cash as held-for-trading, which is measured at fair value.

As at June 30, 2011, the carrying amount of accounts receivable and prepaid expenses are measured at amortized cost which equals fair market value. Accounts payable and the short term credit facility are classified as other financial liabilities and measured at amortized cost.

Based on management's knowledge and experience of financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

The credit facility under which the Company has borrowed accrues interest at variable rates. Sensitivity to a plus or minus 1% change in rates would not have a material impact on the reported income and comprehensive loss.

The Company does not hold significant balances in foreign currencies that give rise to exposure to foreign currency risk. The Company's investment in TOR is recorded at market value. Sensitivity to a plus or minus 5% change in market value would affect net loss and comprehensive loss by plus or minus \$200,000.

Price risk is remote since the Company is not presently a producing entity.

**5. INCOME (LOSS) PER SHARE**

The basic income (loss) per share is calculated by dividing the income (loss) applicable to the common shares by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated using the treasury stock method and reflects the potential dilution by including stock options and warrants in the weighted average number of common shares outstanding for the period, if dilutive. As the Company incurred net losses for the periods ended June 30, 2010, the dilutive effect of outstanding options and warrants and their equivalents is not reflected in diluted earnings per share because their effect would be anti-dilutive.

The following table sets forth the computation of basic income loss per share:

	Year ended	
	June 30, 2011	June 30, 2010
Income (Loss) for the period	\$ 3,821,860	(\$1,716,128)
Weighted average number of common shares	68,640,706	55,806,640
<b>Income (Loss) per common share</b>	<b>\$0.06</b>	<b>(\$0.03)</b>
<b>Fully Diluted Income (Loss) per common shares</b>	<b>\$0.04</b>	<b>n/a</b>

## TRI ORIGIN EXPLORATION LTD.

Notes to the Financial Statements

Years ended June 30, 2011 and 2010

(Audited, in Canadian Dollars)

Income (Loss) for the year ended 2011 of \$3,821,860 includes the unrealized gains of \$4,308,031 (2010 - \$Nil) recorded on long term investments. See Note 7(c).

### 6. FINANCIAL INSTRUMENTS

The Company's cash is measured at fair market value. Accounts receivable are measured at amortized cost. The long term investments of the Company are classified as held for trading and measured at fair value. Accounts payable and the credit facility are not classified as held for trading and are therefore classified as other financial liabilities and measured at amortized cost.

The following table indicates the carrying value of the Company's financial assets and financial liabilities.

Item	Measured at cost	Measured at Fair Market Value
Cash		\$1,176,499
Accounts Receivable	\$98,503	
Investments		\$5,779,372
Accounts Payable	\$293,759	
Credit Facility		\$1,716,295

### 7. LONG TERM INVESTMENTS

The long term investments at June 30 were:

	2011	2010
Investment in TriAusMin Limited (a)	\$ 4,097,803	\$ -
Master Asset Vehicles (MAV) and Asset-Backed Commercial Paper ("ABCP") (b)	1,681,569	1,649,390
Total Investments	\$ 5,779,372	\$ 1,649,390

#### (a) Investment in TriAusMin Limited

The Company owns 29,270,023 common shares at June 30, 2011 (June 30, 2010 - 29,270,023 common shares) representing an 18.5% interest (June 30, 2010 - 25% interest) in TriAusMin Limited. The Company's investment in TriAusmin Limited was diluted during the year from 25% to 18.5% and the management team and the majority of the board of directors for both TOE and TOR are independent of each other. During the year ended June 30, 2010, the Company's holding was reduced from 48% to 25% due to a dividend to shareholders of the Company of 0.30 TOR shares for each share in the Company (17.3 million TOR shares), the sale of 2,500,000 TOR shares to private investors, and the completion of a financing of special warrants by TOR which were exchanged for TOR common shares.

As a result of the change in management in TOR and the reduction of ownership interests, the investment in TOR is classified as held for trading, and therefore the investment will not be recorded using the equity method of accounting but will be recorded at market value with changes in market value being recorded in income.

Throughout fiscal 2010 and up to March 31, 2011 the Company recorded its ownership interest in TOR using the equity method of accounting and recorded its share of losses in TOR however, it did not report the losses in the accounts of the Company due to the carrying value of TOR being

**TRI ORIGIN EXPLORATION LTD.**

Notes to the Financial Statements

Years ended June 30, 2011 and 2010

(Audited, in Canadian Dollars)

reduced to \$Nil in June 2009. The Company's equity and accumulated equity losses not booked in TOR is summarized as follows:

Balance of equity losses not recorded to June 30, 2009	\$ (2,211,920)
Adjustment to opening losses for dilution in ownership	1,062,512
Adjustment to opening losses for restatement of income in 2009	228,686
Equity share of losses not recorded in the year ended June 30, 2010	(370,980)
Balance of equity losses not recorded to June 30, 2010	(1,291,702)
Adjustment to opening losses for dilution in ownership	210,236
Equity share of losses for the nine months ended March 31, 2011	(169,877)
Balance of equity losses not recorded to March 31, 2011	\$ (1,251,343)

The Company's investment in TOR is summarized as follows:

Carrying Value June 30, 2009	\$ Nil
Carrying Value June 30, 2010	Nil
Adjustment to Market Value – June 30, 2011	4,097,803
Carrying Value June 30, 2011	\$ 4,097,803

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

**(b) Master Asset Vehicles (MAV) and Asset-Backed Commercial Paper (“ABCP”)**

On December 23, 2007, the Pan-Canadian Investors Committee for Third-Party Structured ABCP approved an agreement in principle to restructure the affected series of ABCP issued by 20 trusts. On December 24, 2008, an agreement was reached with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta, regarding the restructuring of \$32 billion of third-party ABCP. The restructuring plan (the “Plan”) was implemented on January 21, 2009.

**Restructuring plan**

In accordance with the Plan, the affected ABCP has been replaced with new longer-term floating rate notes with maturities designed to more closely match the maturities of the underlying assets. The Plan also provides, in certain circumstances, for the pooling of certain assets as well as the establishment of new margin funding facilities to support any collateral calls that may occur in the future.

The series of affected ABCP supported in whole or in part by synthetic assets have been pooled into the Master Asset Vehicles (1 and 2) as follows:

- Master Asset Vehicle 1 (MAV 1) is a newly formed vehicle for investors who have elected to commit their pro rata share of a margin funding facility associated with their underlying assets;

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- Master Asset Vehicle 2 (MAV 2) is a newly formed vehicle for investors who have elected to commit less than, or none of their pro rata share of a margin funding facility, in which case third parties will fund the remaining portion.

The Company participated in the MAV 2 election.

The margin funding facilities in MAV 1 and MAV 2 are provided by third party lenders, including Canadian banks, asset providers, noteholders and the governments of Canada, Quebec, Ontario and Alberta. The facilities provided by the governments rank senior to all other margin funding facilities and, in the event of margin calls, they would be the last in and the first out. These facilities are designed to reduce the risk that the newly formed vehicles will not be able to meet margin calls if future circumstances warrant them.

The key parties to the restructuring have also agreed to enhance the transaction by including a moratorium which prevents collateral calls for a period of 18 months.

In connection with the contribution to MAV 1 or MAV 2 of assets supported by the margin funding facility, investors have received a mix of Class A-1, Class A-2, Class B and Class C notes with an expected maturity in December 2016. Class A-1 and Class A-2 notes have received a final rating of "A" by DBRS. Ineligible assets in MAV 1 and MAV 2 have been segregated, and noteholders holding series of ABCP secured in part by ineligible assets have received IA tracking notes that will track the performance of the underlying individual asset.

As at June 30, 2011, the face value of the remaining MAV 2 assets held by the Company was \$2,258,744. The assets are designated as held for trading and the underlying assets were pledged as security for the Company's credit facility (see Note 13).

### **Establishing fair value**

On January 21, 2009, the Company assessed the fair value of the ABCP included in the Plan to determine the carrying value of the new notes. On that date, the carrying value of the previous notes was removed from the balance sheet and replaced with the new notes at fair value. On January 21, 2009, the Company also established the fair value of the ABCP assets that it held.

In establishing the fair value of the ABCP assets included in the Plan and excluding ineligible assets, the Company considered the quality of the underlying assets. As the Plan has been completed, the Company determined the fair value solely using a discounted cash flow analysis. As at December 31, 2008, a proportion of the value was based on the probability assigned to an unsuccessful restructuring.

The discount rate was based on the Company's estimate of expected investor return for the various asset classes. Other ABCP participants with greater resources than the Company have used a combination of 80% on the CDX.IG index tranches and 20% on a basket of securities backed by assets such as credit card receivables, Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS) and automobile loans. Credit ratings, coupons and maturities were based on the terms provided for in the Plan. The value of the margin funding facility was determined in reference to other comparable financial instruments.

For ineligible assets, the fair value of the tracking notes was based on expected investor returns for a comparable asset class.

The Company's valuation was based on its assessment of the conditions prevailing as at January 21, 2009 and at the end of each quarterly reporting period, which may change in subsequent

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periods. The most important assumptions to determine the fair value of the notes are the risk of default, the observable discount rates and the effect of a change in credit ratings on the discount rate. A change of 1% in the discount rate would result in a \$125,000 decrease or increase in the expected fair value of the assets.

Determining the fair value of ABCP is complex and involves an extensive process that includes the use of quantitative modeling and relevant assumptions. Possible changes that could have a material effect on the future value of the ABCP include (1) changes in the value of the underlying assets, (2) developments related to the liquidity of the ABCP market, and (3) the impacts of a severe and prolonged economic slowdown in North America.

At June 30, 2010 the Company's range of market-based valuations for the Underlying Assets was \$1,233,550 to \$1,752,910, based on minimum and maximum investor return expectations. The valuation of the assets was further supported by the credit line offering by the Company's bank. Based on the security for the remaining carrying value of the credit facility (see Note 13) the minimum realizable balance for the ABCP-based assets is \$1,186,179 for security of the ABCP assets pledged against the credit line.

A summary of the assets underlying the fair market value of the investments and the assumptions regarding their valuation as at June 30, 2010 is as follows:

Type of underlying security	Original Face value	Face value of Underlying Assets	Range of Investor Return Expectations	Fair market value of Underlying Assets
Synthetic assets or hybrid assets				
Class A-1	\$ 1,332,657	\$ 1,050,594	4.5% - 9.0%	\$779,428
Class A-2	781,520	965,096	5.5% - 10.5%	615,000
Class B	134,502	175,191	6.5% - 11.5%	85,000
Class C	69,547	67,863		Nil
Total synthetic assets or hybrid assets	2,318,226	2,258,744		1,479,428
Ineligible assets	230,227	226,340		169,962
Total underlying assets	\$ 2,548,453	\$ 2,485,084		\$ 1,649,390

As at June 30, 2011, the face value of the remaining MAV 2 Notes held by the Company was \$2,258,744, (same as at June 30, 2010 less the Ineligible Assets). The assets are designated as held for trading. Subsequent to the development of an active market for the Notes which in Management's opinion commenced in 2011, the value of the assets are based on readily available market quotations from selected dealers. The current market value of the Notes is \$1,681,569 based on third party market quotations. The underlying assets were pledged as a part of security for the Company's credit facility (see Note 13).

### Interest

During the year ended June 30, 2011, the Company earned \$20,881 of interest related to these assets (2010 - \$7,462). In June 2010 the Company received \$9,167 on the redemption of Class 13.

The Company reduced the carrying value of the ABCP assets by \$16,790 in the year ended June 30, 2011 (year ended June 30, 2010 - \$16,629) corresponding to interest and capital redemption

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receipts in the year from the MAV 2 investment. The remainder of interest earned of \$4,091 during the year is reported in Interest and other income.

**(c) Unrealized Gain on Investments**

During the year the Company had the following unrealized gains:

Unrealized gain on investment in TriAusMin	\$4,093,712
Unrealized gain on investment in MAV 2 Notes	214,319
Total unrealized gain on investments	\$4,308,031

**8. CAPITAL ASSETS**

The capital assets are recorded at cost and are comprised as follows:

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>June 30, 2011 Net Book Value</b>	<b>June 30, 2010 Net Book Value</b>
Office Equipment	\$87,442	\$ 79,670	\$ 7,772	\$ 9,715
Computer software	9,010	4,548	4,462	Nil
Field Equipment	30,858	15,602	15,256	14,474
	<b>\$127,310</b>	<b>\$99,820</b>	<b>\$ 27,490</b>	<b>\$ 24,189</b>

**9. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

As at June 30, 2011 and June 30, 2010, accumulated costs with respect to the Company's interest in mineral properties owned, leased or under option, consisted of the following:

	<b>Balance June 30, 2010</b>	<b>Amount Added</b>	<b>Amount Written off</b>	<b>Balance June 30, 2011</b>
Red Lake Extension	\$2,462,660	\$404,379	\$Nil	\$2,867,039
Keewatin	Nil	Nil	Nil	Nil
North Abitibi	15,940	37,569	Nil	53,509
Sky Lake	256,815	247,842	Nil	504,657
	<b>\$2,735,415</b>	<b>\$689,790</b>	<b>\$ Nil</b>	<b>\$3,425,205</b>

The following table indicates the expenditures, by major category, for each of the Company's significant projects for the years ending June 30, 2011 and June 30, 2010 (certain figures have been reclassified for presentation purposes):

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	<b>Red Lake Extension</b>	<b>Keewatin</b>	<b>North Abitibi</b>	<b>Sky Lake</b>	<b>Total</b>
<b>Balance as at June 30, 2009</b>	<b>\$1,989,752</b>	<b>\$1,433,054</b>	<b>\$Nil</b>	<b>\$Nil</b>	<b>\$3,422,806</b>
Acquisition, including staking	Nil	Nil	15,000	27,174	42,174
Drilling and analytical	192,207	Nil	Nil	Nil	192,207
Geological, geophysical, and geochemical	195,252	Nil	Nil	205,913	411,328
Field supplies and travel	27,939	Nil	Nil	2,000	31,700
Management and administration	57,510	1,147	940	21,728	81,325
Amounts written off	Nil	(1,434,201)	Nil	Nil	(1,446,125)
<b>Balance as at June 30, 2010</b>	<b>\$2,462,660</b>	<b>\$Nil</b>	<b>\$15,940</b>	<b>\$256,815</b>	<b>\$2,735,415</b>
Acquisition, including staking	5,802	Nil	11,216	13,325	30,253
Drilling and analytical	260,900	Nil	1,384	1,888	264,172
Geological, geophysical, and	109,452	Nil	2,694	179,936	292,082
Field supplies and travel	Nil	Nil	Nil	2,000	2,000
Management and	28,225	Nil	22,275	50,783	101,283
Amounts written off	Nil	Nil	Nil	Nil	Nil
<b>Balance as at June 30, 2011</b>	<b>\$2,867,039</b>	<b>\$Nil</b>	<b>\$53,509</b>	<b>\$504,657</b>	<b>\$3,425,205</b>

#### Red Lake Extension Project (RLX)

RLX is a gold exploration project. The Company has a 100% ownership in 54 adjoining mining claims consisting of 735 claim units totaling an area of 121 square kilometres in the Red Lake Greenstone Belt in Ontario. Expenditures at RLX during the year ended June 30, 2011 totaled \$404,379 (year ended June 30, 2010 - \$472,908). The costs in the year ended June 30, 2011 related mainly to analysis of results from a geological and geochemical program completed during the quarter ended September 30 and a follow-up drilling program conducted in May and June 2011. The Company spent a total of \$2,867,039 at RLX from inception to June 30, 2011.

#### Sky Lake Project

Sky Lake is a gold exploration project located 25 kilometres southwest of Pickle Lake in Northwestern Ontario. It is comprised of 20 contiguous mining claims, 100% owned, covering an area of 50 square kilometers. A further 8 contiguous mining claims covering an area of 14.4 square kilometers are subject to an earn-in option to acquire an initial 80% interest. During the year ended June 30, 2011, the Company spent \$247,842 (year ended June 30, 2010 - \$256,815) completing a summer field program, compiling and interpreting data received from the summer field program and an airborne electromagnetic and magnetic survey completed earlier in the year. A program of linecutting and a ground geophysical survey were also initiated during the period. Total spending to June 30, 2011 was \$504,657.

#### North Abitibi Project

North Abitibi is a gold exploration property located 150 kilometres north of Kirkland Lake, Ontario, in the Abitibi Greenstone Belt. The project consists of 16 claims covering an area of 28.5 square kilometres and is comprised of two parts. Late in the 2009 fiscal year, Vista Gold Corp. ("Vista"), transferred 100% of its interest in 7 of the North Abitibi mineral claims totalling 13.6 square kilometres acres to Tri Origin and is subject to a back- in right held by Vista to the return of claims to Vista if an expenditure commitment is not met by Tri Origin by 2015. The

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remaining 9 claims cover 14.9 square kilometres are held under a purchase option agreement expiring in 2013 with North American Exploration Ltd.

The Company had written off deferred exploration expenditures of \$752,291 during the quarter ended December 31, 2008, when an earlier option agreement on the property terminated. During the March 31, 2010 quarter the Company re-acquired this property at more favourable commercial terms.

During the year ended June 30, 2011, the Company spent \$37,569 (year ended June 30, 2010 - \$15,940) related mainly to review of geological and geophysical data, planning for a 2011 drill program, acquisition, management and administration of the property.

**Keewatin Project**

Keewatin is a copper/gold/uranium exploration property comprised of 16 mineral claims in 4 blocks totaling approximately 123 square kilometres located 150 kilometres west of Arviat, Nunavut. The Company originally entered into an agreement with BHP Billiton Diamonds Inc. ("BHPB") regarding Keewatin and now has a 100% interest in Keewatin subject to a 2% net smelter royalty on base metals and precious metals and a 2% gross production royalty on diamonds.

The Company spent a total of \$1,434,201 at Keewatin from inception to June 30, 2010. However, due to two years of inactivity on this project and no plan to spend significant amounts of cash in the coming year, the Company had determined that the property was impaired under the current accounting guidelines and all expenditures were written off at June 30, 2010.

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**10. CAPITAL STOCK**

**(a) Issued Common Shares**

The following table sets forth the changes in the common shares of the Company:

	<b>Number of Shares</b>	<b>Amount</b>
<b>Issued and outstanding, June 30, 2009</b>	<b>54,056,641</b>	<b>\$ 18,576,435</b>
Transfer to Contributed Surplus <sup>(1)</sup>		(18,575,485)
Transfer from Contributed Surplus <sup>(1)</sup>		18,575,485
Flow Through Shares <sup>(2)</sup>	3,333,332	496,666
Costs of Flow Through Placement <sup>(2)</sup>		(38,083)
Future Income Tax	Note 10(d)	(169,000)
Placement shares (net)	166,666	Nil
<b>Issued and outstanding, June 30, 2010</b>	<b>57,556,639</b>	<b>\$ 18,866,018</b>
Flow Through Shares <sup>(3)</sup>	7,866,667	472,000
Placement shares <sup>(4)</sup>	2,000,000	245,800
Placement shares including finders fees units <sup>(5)</sup>	12,880,000	1,485,520
Finders Fee (cash) <sup>(5)</sup>		(7,500)
Warrant Valuation <sup>(5)</sup> – finders fees		(2,808)
Finders Fees – compensation options <sup>(5)</sup>		(19,273)
Costs of Issue (cash)		(27,846)
Stock options exercised <sup>(6)</sup>	100,000	12,000
Black Scholes Value of Options exercised		3,300
Future Income Tax (Note 10(d))		(137,588)
<b>Issued and outstanding, June 30, 2011</b>	<b>80,403,306</b>	<b>\$ 20,889,623</b>

<sup>(1)</sup> The Company transferred a balance of \$18,575,485 from Capital Stock to Contributed Surplus to effect the share dividend of TOR shares during the year. The transfer allowed the Company to issue the dividend in kind (Note 7(a)) in compliance with the Business Corporation Act (Ontario). This balance was transferred back to Capital Stock once the transaction was completed.

<sup>(2)</sup> In December 2009, the Company completed a private placement for gross proceeds of \$500,000. Costs of \$38,083 were incurred to complete the placement. A total of 3,333,332 units were issued, consisting of one flow-through common shares at \$0.149 each for gross proceeds of \$496,666 and one-half non flow-through common share warrants. The 1,666,666 warrants issued in connection with the flow-through shares had a strike price of \$0.30 per common share until September 28, 2010 and thereafter at a price of \$0.40 per share until the end of the 18-month term for the warrants. The value ascribed to these warrants was \$1,667. The Company issued 166,666 non flow-through finder's fee units and 333,333 non-flow through broker warrants in connection with the issuance. The warrants expired on June 29,

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2011.

The 166,666 non flow-through units consisted of one common share and one-half common share purchase warrant. Each of the 83,333 warrants issued in connection with the non flow-through finder's fee units have a strike price of \$0.30 per common share until September 28, 2010 and thereafter at a price of \$0.40 per share until the end of the 18-month term for the warrants. The value ascribed to these warrants was \$ 333. The warrants expired on June 29, 2011.

The Company issued 333,333 non-flow through broker warrants in connection with this placement and ascribed a value of \$1,334 to the warrants. These broker warrants were issued for a period of 18 months. Each unit can be exercised at a strike price of \$0.15 into one common share and one half common share purchase warrant. The warrants can be exercised at a strike price of \$0.30 per common share until September 28, 2010 and thereafter at a price of \$0.40 per share until the end of the 18-month term for the broker warrants. The warrants expired on June 29, 2011.

- (3) In September 2010, the Company completed a private placement consisting of 7,866,667 flow-through common shares at \$0.06 each for gross proceeds of \$472,000.
- (4) In December 2010, the Company completed a private placement consisting of 2,000,000 non-flow through units, for gross proceeds of \$250,000. Each unit consisted of one Common Share and one-half of one Share Purchase Warrant. Each whole Warrant entitles the holder to acquire one common share at a price of \$0.20 per share expiring 24 months from the date of issuance. The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate – 1.69%, volatility - 30%, and an expected life of 2 years. The value attributed to the 1,000,000 warrants was \$4,200.
- (5) In February and March 2011, the Company completed a private placement consisting of 12,400,000 non-flow through units, at a price \$0.125 for gross proceeds of \$1,550,000. Each unit consisted of one Common Share and one Share Purchase Warrant. Each whole Warrant entitles the holder to acquire one common share at a price of \$0.25 per share expiring 24 months from the date of issuance. The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate – 1.69%, volatility - 30%, and an expected life of 2 years. The value attributed to the 12,400,000 warrants was \$64,480.

In addition, the Company issued 480,000 non flow-through finder's fee units (having the same terms and conditions as above) and 60,000 non-flow through broker warrants in connection with the issuance. The 540,000 warrants issued in connection with the non flow-through finder's fee units have a strike price of \$0.25 per common share until March 21, 2013. The value ascribed to these warrants was \$2,808 using the same assumptions as above.

In connection with this private placement the Company issued 480,000 compensation options at a price of \$0.125 per option. The Company has recorded the fair value of these compensation options as share issue costs. The 480,000 compensation options are exercisable for a period of two years from the date of issuance into units comprised of one common share and one common share purchase warrant. The share purchase warrant can be exercised at a strike price of \$0.25 per common share until March 2013. The value ascribed to the share purchase warrants was \$19,273 using the same assumptions as above.

As part of the financing the Company paid \$7,500 (cash) in finders fees.

- (6) In March 2011, 100,000 employee stock options were exercised at a price of \$0.12 per option.

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**(b) Share Purchase Warrants**

Details of issued and outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance June 30, 2009</b>	Nil	-
Issued in year	2,083,332	\$0.39
<b>Balance, June 30, 2010</b>	2,083,332	\$0.39
Issued in year	13,940,000	\$0.25
Expired in year	(2,083,332)	\$0.39
<b>Balance June 30, 2011</b>	13,940,000	\$0.25

As at June 30, 2011, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
December 20, 2012	\$0.20	1,000,000	\$4,200
March 7, 2013	\$0.25	12,400,000	64,480
March 21, 2013	\$0.25	480,000	2,496
March 21, 2013	\$0.25	60,000	312
		<b>13,940,000</b>	<b>\$71,488</b>

The warrants have 18-month and 24-month terms and are exercisable as indicated in note 10 (a)

**(c) Contributed Surplus**

Contributed surplus is comprised of the Black-Scholes value of vested, unexercised, outstanding stock options and the Black-Scholes value of expired stock purchase warrants at the end of the relevant period. Contributed Surplus also included balances transferred to and from Capital Stock. Contributed Surplus is reduced by the Black-Scholes value of stock options exercised during the relevant period as follows:

<b>Balance at June 30, 2009</b>	<b>\$1,532,979</b>
Transfer to Contributed Surplus from Common Shares	18,575,485
Transfer from Contributed Surplus to Common Shares	(18,575,485)
Stock-based compensation	72,208
Stock options exercised	Nil
<b>Balance at June 30, 2010</b>	<b>\$1,605,187</b>
Stock-based compensation (income statement)	46,996
Stock options exercised	(3,300)
Compensation Options	19,273
Expiration of Warrants	3,334
<b>Balance at June 30, 2011</b>	<b>\$1,671,490</b>

**(d) Future Income Tax Recovery**

During the year ended June 30, 2011, the Company renounced the tax credits associated with expenditures from the \$472,000 flow-through share proceeds. As a result, the Company recorded a \$137,588 future income tax recovery for the year ended June 30, 2011 (2010 - \$169,000).

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**11. STOCK-BASED COMPENSATION**

The Company has a stock option plan available to directors, officers, employees and consultants of the Company. Currently, a maximum of 13,084,661 common shares may be issued under the Plan from time to time after December 9, 2010, at prices determined by the market price of the common shares at the date of the grant, and vesting as the Board of Directors determines from time to time with a maximum five-year term. The number of common shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding common shares at the date of such grant.

The Company had the following stock options issued as at June 30, 2011 and June 30, 2010:

	Number of Stock Options		Weighted Average Exercisable Price	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
<b>Beginning of period</b>	5,525,000	2,250,000	\$0.40	\$0.81
Granted during the period	250,000	3,325,000	\$0.15	\$0.12
Exercised during the period	(100,000)	Nil	\$0.12	Nil
Cancelled or expired during	(100,000)	(50,000)	\$0.12	\$0.23
<b>End of period</b>	<b>5,575,000</b>	<b>5,525,000</b>	<b>\$0.40</b>	<b>\$0.40</b>

Stock options outstanding at June 30, 2011 and expense for the period are as follows:

Expiry date	June 30, 2011 Expense	Number of Stock Options	Exercise Price
January 4, 2012	\$ Nil	1,350,000	\$0.86
October 3, 2012	Nil	850,000	\$0.76
January 6, 2015	37,678	3,125,000	\$0.12
March 22, 2016	9,318	250,000	\$0.15
<b>Subtotal</b>	<b>\$46,996</b>	<b>5,575,000</b>	

At June 30, 2011 the Company had 5,491,666 stock options vested at an average price of \$0.40 per option (June 30, 2010 - 3,308,333 stock options vested at an average price of \$0.40 per option).

On July 8, 2009 the Company granted 50,000 stock options to acquire common shares at a price of \$0.17, vesting over an 18 month period from the grant date. The fair value of these options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate - 1.15%, volatility - 30%, and an expected life of 4 years. The value attributed to the 50,000 stock options was \$2,150 with \$2,150 (2010 - \$1,959) of this value charged to stock-based compensation and credited to contributed surplus for the year ended June 30, 2011 for a total expense to date of \$2,150.

On January 6, 2010 the Company granted 3,275,000 stock options to acquire common shares at a price of \$0.12, vesting over an 18 month period from the grant date. The fair value of these options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate - 2.50%, volatility - 30%, and an expected life of 4 years. The value attributed to the 3,275,000 stock options was \$108,250 with \$37,678 (2010 - \$70,249) of this value charged to stock-based compensation and credited to contributed surplus for the year ended June 30, 2011.

On March 22, 2011, the Company granted 250,000 stock options. 150,000 of these options vested immediately and the balance vest 1/3 after six months, 1/3 after twelve months and 1/3 after eighteen

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months. The fair value of these options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate – 1.68%, volatility - 30%, and an expected life of 5 years. The value attributed to the 250,000 stock options was \$11,036 with \$9,318 of this value charged to stock-based compensation and credited to contributed surplus for the year ended June 30, 2011 for a total expense to date of \$9,318.

The Company significantly reduced the volatility measure used in calculating the Black-Scholes cost of the stock option grant during the period. Since stock options are not publicly traded, the Company undertook a study of publicly traded warrants to determine the reasonableness of the fair value ascribed to the Company's stock options. A historical review of the same-day share price and warrant price of publicly listed gold exploration company was completed. The daily share price volatility of this company was in excess of 90% (2010 – 80%) over a period of less than two years, with volatility increasing as time increased. This review, based on using same-day share price and warrant price to derive the Black-Scholes volatility, resulted in a calculated four-year forward volatility for the this company warrants in the range of 45%-50%. The Company then discounted this company's volatility number to 30% to adjust for superior characteristics of the publicly traded warrant as compared to the Company's stock option, which included considerations for vesting, blackout periods, employment mortality risk, illiquidity of share trading and stock price momentum. The Company's management believes that this market-based approach to calculating the stock option volatility more accurately represents the fair value of the stock option than the previous approach of using share price volatility for the Company's shares and peer-based reported volatility to determine the Black-Scholes value of the stock options.

**12. INCOME TAX**

A reconciliation of income taxes at statutory rates with the reported taxes follows:

	June 30, 2011	June 30, 2010
Statutory tax rate	29.15%	34.00%
Expected income tax (recovery)	\$ 1,114,072	\$ (583,483)
Stock-based compensation	13,699	24,550
Amortization	1,572	8,578
Write down in mineral properties	-	491,682
Share issue costs	(10,629)	(10,163)
Non deductible expenses and other	5,623	(56,740)
Net change in valuation allowance and other	255,234	(43,424)
Change in future income tax rates	(261,368)	
Unrealized gains on investments	(1,255,791)	
Future income tax recovery	\$ (137,588)	\$ (169,000)

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

	2011	2010
Future income tax assets:		
Non-capital loss carry forwards	\$1,051,678	\$ 1,098,258
Other	158,265	72,770
Resource deductions	429,328	661,241
	1,639,271	1,832,269
Valuation allowance	1,639,271	1,832,269
Net future income tax assets	\$ -	\$ -

The Company has non-capital losses available for deduction against future taxable income of approximately \$3,607,815 (2010 - \$3,040,581). These losses, if not utilized, will expire as follows:

2014	\$187,148
2015	314,529
2026	373,014
2027	464,221
2028	606,774
2029	537,942
2030	535,644
2031	588,543
	<b>\$3,607,815</b>

The Company has Canadian exploration expenditures and Canadian development expenditures available to reduce future years' taxable income, in the amount of \$4,898,000.

### 13. CREDIT FACILITIES RELATED TO MAV 2 (FORMERLY ABCP) INVESTMENTS

The Company's bank offered a credit facility to its clients holding third-party ABCP assets. These credit facilities cover up to 75% of the face value of the restructured MAV 2 notes. The credit agreements also provides for an option in favour of the Company allowing the Company to assign to the bank, on or after the maturity date of the credit facility, the restructured notes in partial payment of the principal of the credit facility. These credit facilities have been made available for a period of two to three years with the possibility of being extended by the bank if borrowers maintain a normal banking relationship with the bank during the period of the credit facility.

	June 30 2011	June 30 2010
Total credit facility	\$ 1,716,295	\$ 1,886,942
Less: current portion	-	-
Long term credit facility	\$ 1,716,295	\$ 1,886,942

The credit facility has an initial three-year period for the MAV 2 eligible assets (\$1.7 million), expiring on April 29, 2012 with an option to extend the credit facility for additional one year periods four times. The ultimate maturity date may not fall beyond seven years (April 29, 2016). Interest on the credit

## TRI ORIGIN EXPLORATION LTD.

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facility is payable monthly at the prime rate, less 1 percent. The Company exercised the option to extend the credit facility for a further one year period.

The face value of the original ABCP assets which provide security against the credit facility was \$2,318,226. The face value of the restructured MAV 2 Notes providing security for the credit facility is \$2,258,744.

The initial credit facility represented 75% of the nominal value of the notes of which 30% are full recourse to the borrower and 45% guaranteed by the notes. As at June 30, 2011 the amount of the credit facility utilized is \$1,716,295 of which \$1,028,427 is secured by the restructured asset and \$687,868 is unsecured.

On April 29, 2011 the Company exercised its Put Option on the Ineligible Note portion of the MAV II Notes and extinguished \$169,015 of the related portion of the outstanding credit facility. Based on quotes received from third party dealers, the value of the Ineligible Notes was approximately \$90,000. The Bank had no further recourse to the Company for the excess amount of the credit facility over the quoted market value of the Notes. There was no impact to Net Income or Retained Earnings.

### **14. COMMITMENTS**

The Company raised \$496,666 of flow-through funding by sale of shares in December 2009. As at December 31, 2010, the Company had expended the required balance.

The Company raised \$472,000 of flow-through funding by sale of shares in September 2010. As at June 30, 2011, the Company had expended \$393,066 of these funds for exploration. A further \$78,934 of flow-through expenditure must be incurred before December 31, 2011 to avoid penalties.

The Company is required to undertake a certain level of expenditures to keep exploration properties in good standing in the normal course of business.

### **15. SUPPLEMENTAL CASH FLOW DISCLOSURE**

There were no substantial non-cash transactions during the periods ended June 30, 2011 and June 30, 2010.

### **16. RELATED PARTY TRANSACTIONS**

The Company's office is located at 125 Don Hillock Drive, Unit 18 in Aurora, Ontario and rents property on a month-to-month basis. This rental property is owned by a private Ontario corporation controlled by Tri Origin Exploration Ltd.'s President. During the year ended June 30, 2011 the Company paid or accrued \$47,183 for this rental. The prepaid assets included \$2,750 related to rent for the last month of the lease.

The Company holds an 18.5% equity interest in TOR and performs some services on behalf of TOR. The companies entered in to an Administrative Services Agreement on November 17, 2009, outlining the types of services to be performed. TOR reimburses the Company on a cost basis for services performed by personnel of the Company. During the year ended June 30, 2011, TOR was charged \$7,247 related to facilities use and \$65,530 related to personnel use of the Company. At June 30, 2011 an amount of \$45,509 was outstanding and included in accounts receivable related to these charges.

During the year ended June 30, 2011, the Company incurred no other related party transactions (year ended June 30, 2010 - \$nil).

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The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**17. SUBSEQUENT EVENTS**

There are no subsequent events to report.

**18. COMPARATIVE FIGURES**

Certain figures in the prior period have been reclassified to conform with the current period presentation.

## CORPORATE INFORMATION



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