

**Estrella Gold Corporation**  
(formerly Canadian Shield Resources Ltd.)

**Condensed Consolidated Interim Financial Statements**

**For the six-month period ended June 30, 2011**

## **Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd)

**As at June 30, 2011**

**Unaudited, expressed in Canadian Dollars, unless otherwise stated**

### **Notice to Reader**

Management has compiled the interim consolidated financial statements of Estrella Gold Corporation ("Estrella Gold" or the "Company") consisting of the Condensed Interim Consolidated Balance Sheets as at June 30, 2011 and the Condensed Interim Consolidated Statements of Comprehensive Income, Changes in Equity, and Cash Flows for the six months then ended. All amounts are stated in Canadian dollars. An accounting firm has not reviewed or audited these interim consolidated financial statements and management discussion and analysis thereon.

# Estrella Gold Corporation

(formerly Canadian Shield Resources Ltd)

As at June 30, 2011

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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**Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd)

**Condensed Consolidated Interim Balance Sheet****As at June 30, 2011****Unaudited, expressed in Canadian Dollars, unless otherwise stated**

	Notes	June 30, 2011	December 31, 2010 (Note 16)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 659,721	\$ 417,575
Short term investment		-	1,001,263
Other receivables		232,108	290,335
		<u>891,829</u>	<u>1,709,173</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	7	6,292,680	4,840,452
Property and equipment, net	6	89,752	33,053
<b>TOTAL ASSETS</b>		<u>\$ 7,274,261</u>	<u>\$ 6,582,678</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accruals		283,816	257,150
<b>TOTAL LIABILITIES</b>		<u>\$ 283,816</u>	<u>\$ 257,150</u>
<b>Equity attributable to the equity holders of the company</b>			
Share Capital	8	13,819,492	13,030,148
Share based payment reserve	9	2,637,968	2,138,073
Warrants	10	1,464,664	1,389,976
Foreign currency translation reserve		45,087	(63,207)
Deficit		(10,976,766)	(10,169,462)
<b>TOTAL EQUITY</b>		<u>6,990,445</u>	<u>6,325,528</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 7,274,261</u>	<u>\$ 6,582,678</u>

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

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 25, 2011.

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Director

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Director

**Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd.)

**Condensed Consolidated Interim Statement of Comprehensive Income**

For the six-months ended June 30, 2011

Unaudited, expressed in Canadian Dollars, unless otherwise stated

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	2011	2010
	(Note 16)		(Note 16)	
<b>Operating expenses</b>				
Depreciation	\$ 4,303	\$ 1,367	\$ 6,867	\$ 1,663
General and administrative expenses	150,867	92,777	347,030	280,685
Professional fees	25,898	60,867	35,689	85,972
Shareholder services	20,688	24,766	56,313	49,115
Stock based payment	149,593	136,227	382,370	288,820
<b>Total expenses</b>	<b>351,349</b>	<b>316,004</b>	<b>828,269</b>	<b>706,255</b>
<b>Loss from operations</b>	<b>(351,361)</b>	<b>(316,004)</b>	<b>(828,281)</b>	<b>(706,255)</b>
<b>Other Expense / Income</b>				
Interest income	2,563	1,527	5,229	3,944
Gain on disposal of assets	9,564	-	9,564	-
Foreign exchange loss	-	(27,252)	6,172	(8,412)
	12,127	(25,725)	20,965	(4,468)
<b>Loss from operations</b>	<b>(339,222)</b>	<b>(341,729)</b>	<b>(807,304)</b>	<b>(710,723)</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	44,756	-	108,293	(13,619)
<b>Total comprehensive loss, net of tax</b>	<b>\$ (294,466)</b>	<b>\$ (341,729)</b>	<b>\$ (699,011)</b>	<b>\$ (724,342)</b>
<b>Loss per share</b>				
Basic and diluted	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>				
Basic and Diluted	<b>17,296,845</b>	<b>11,888,045</b>	<b>17,278,899</b>	<b>11,883,000</b>

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

**Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd.)

**Condensed Consolidated Interim Statement of Changes in Equity**

**For the six-months ended June 30, 2011**

**Unaudited, expressed in Canadian Dollars, unless otherwise stated**

	Notes	Issued share capital		Share based payment reserve	Warrants	Accumulated other comprehensive income	Deficit	Total equity
		No. of shares	Amount					
<b>Balance as at January 1, 2010</b>	16	<b>11,848,045</b>	<b>\$12,214,27</b>	<b>\$ 1,340,145</b>	<b>\$ 323,325</b>	<b>\$</b>	<b>\$ (8,421,826)</b>	<b>\$ 5,470,393</b>
<b>Comprehensive income</b>								
Loss for the period		-	-	-	-	-	(710,723)	(710,723)
<b>Other comprehensive income</b>								
Foreign currency translation		-	-	-	-	(13,619)	-	(13,619)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,619)</b>	<b>(710,723)</b>	<b>5,062,242</b>
<b>Transactions with owners, recorded directly in equity</b>								
Warrant exercised		40,000	48,000	-	-	-	-	48,000
Fair value of warrant exercised		-	3,200	-	(3,200)	-	-	-
Share based payment charged to operations		-	-	288,820	-	-	-	288,820
<b>Balance as at June 30, 2010</b>	16	<b>11,888,045</b>	<b>12,265,477</b>	<b>1,628,965</b>	<b>320,125</b>	<b>853</b>	<b>(9,132,549)</b>	<b>5,082,871</b>
Issued share – private placement		4,118,800	1,711,995	-	-	-	-	1,711,995
Shares issued against warrants		-	(947,324)	-	947,324	-	-	-
Warrant issued		-	-	-	204,327	-	-	204,327
Warrant expired		-	-	81,800	(81,800)	-	-	-
Foreign currency translation		-	-	-	-	(64,060)	-	(64,060)
Comprehensive loss		-	-	-	-	-	(1,036,913)	(1,036,913)
Share based payment charged to operations		-	-	427,308	-	-	-	427,308
<b>Balance as at December 31, 2010</b>	16	<b>16,006,845</b>	<b>13,030,148</b>	<b>2,138,073</b>	<b>1,389,976</b>	<b>(63,207)</b>	<b>(10,169,462)</b>	<b>6,325,528</b>
Issued share – private placement		1,250,000	745,344	-	-	-	-	745,344
Warrant issued		-	-	-	192,213	-	-	192,213
Warrant exercised		40,000	32,000	-	-	-	-	32,000
Fair value of warrant exercised		-	-	9,200	(9,200)	-	-	-
Warrant expired		-	-	108,325	(108,325)	-	-	-
Option exercised		20,000	12,000	-	-	-	-	12,000
Foreign currency translation		-	-	-	-	108,294	-	108,294
Comprehensive loss		-	-	-	-	-	(807,316)	(807,316)
Share based payments charged to operations		-	-	382,370	-	-	-	382,370
<b>Balance as at June 30, 2011</b>		<b>17,316,845</b>	<b>\$13,819.49</b>	<b>\$ 2,637,968</b>	<b>\$1,464,664</b>	<b>\$ 45,087</b>	<b>\$ (10,976,778)</b>	<b>\$ 6,990,445</b>

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

**Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd.)

**Condensed Consolidated Interim Statement of Cash Flows**

For the six-months ended June 30, 2011

Unaudited, expressed in Canadian Dollars, unless otherwise stated

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss	\$ (339,234)	\$ (341,729)	\$ (807,316)	\$ (710,724)
<b>Adjustments to net loss for non cash items:</b>				
Depreciation	4,303	1,367	6,867	1,663
Stock based payment	149,593	136,227	382,370	288,820
Foreign Exchange Reserve	44,841	-	44,841	-
<b>Operating loss before working capital changes</b>	<b>(140,497)</b>	<b>(204,135)</b>	<b>(373,238)</b>	<b>(420,241)</b>
<b>Working capital adjustments:</b>				
Decrease (increase) in other receivables	75,970	(14,703)	58,227	(24,236)
Increase in accounts payable and accruals	22,565	(20,451)	26,666	(29,305)
<b>Cash used in operations</b>	<b>98,535</b>	<b>(35,154)</b>	<b>84,893</b>	<b>(53,541)</b>
<b>Net cash flows used in operating activities</b>	<b>(41,952)</b>	<b>(239,289)</b>	<b>(288,345)</b>	<b>(473,782)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	10,584	3,168	(63,566)	(20,446)
Investment in exploration and evaluation assets	(902,198)	(298,995)	(1,388,777)	(405,406)
Short term investments	1,243,929	-	1,001,263	-
<b>Net cash flows used in investing activities</b>	<b>352,313</b>	<b>(295,827)</b>	<b>(451,080)</b>	<b>(425,852)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Share capital issue during the period	-	-	1,000,000	-
Exercise of warrants	32,000	-	32,000	48,000
Exercise of Options	12,012	-	12,000	-
Share issue cost	-	-	(62,431)	-
<b>Net cash flows generated from financing activities</b>	<b>44,012</b>	<b>-</b>	<b>981,570</b>	<b>48,000</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>354,375</b>	<b>(535,116)</b>	<b>242,146</b>	<b>(851,634)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>305,346</b>	<b>1,600,309</b>	<b>417,575</b>	<b>1,916,827</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 659,721</b>	<b>\$ 1,065,192</b>	<b>\$ 659,721</b>	<b>\$ 1,065,192</b>

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

# **Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd.)

## **Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2011**

**Unaudited**

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### **1. CORPORATE INFORMATION**

Estrella Gold Corporation (formerly "Canadian Shield Resources Ltd".) ("the Company" or "Estrella Gold") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Ontario and its shares are listed on the TSX Venture Exchange. The condensed interim consolidated financial statements of the Company as at and for the period ended June 30, 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The principal activities of the Group are location and exploration for and development of mineral resources properties.

The Group is currently in the process of exploring its mineral property interests. The Group's continuing operations and the underlying value and recoverability of the amounts shown for the investment in the different projects are entirely dependent upon the existence of economically recoverable mineral reserves; the ability of the Group to obtain the necessary financing to complete the exploration and development of the projects; obtaining the necessary permits to mine; and future profitable production or proceeds from the disposition of the investment in these projects. The Group has not earned revenue from its mineral properties and is considered to be in the exploration stage. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves.

The head office, principal address and registered and records office of the Company are located at 151 Bloor Street West, Suite 703, Toronto, Ontario, M5S 1S4.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company is currently dependent upon obtaining necessary equity financing from time to time to finance its ongoing and planned exploration activities and to cover administrative costs. Management expects that the cash flows that arise from issuance of equity will be sufficient to meet immediate ongoing operating and capital cash requirements of the Group.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Group's second IFRS consolidated interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2010.

As these are the Group's second set of consolidated interim financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Group's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the Group's interim consolidated financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements which will be prepared in accordance with IFRS. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 16.

The policies set out below in note 4 have been consistently applied to all the years presented and by all companies within the Group, unless otherwise stated.

# Estrella Gold Corporation

(formerly Canadian Shield Resources Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

Unaudited

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### 2.2 Basis of measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis. The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS and any changes from figures previously reported under Canadian GAAP have been discussed in note 16.

### 2.3 Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Company (i.e. subsidiaries) as at June 30, 2011. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-group balances, transactions, unrealised gains and losses resulting from inter-group transactions and dividends are eliminated in full.

### 2.4 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Group. These consolidated financial statements are presented in Canadian Dollar\$, which is the Company's functional currency and presentation currency. The functional currencies of its Peruvian subsidiaries are the Peruvian New Soles ("Soles").

The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Subsequent to the adoption of IFRS, all resulting translation differences are reported as a separate component of shareholders' equity titled "Accumulated Other Comprehensive Income".

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, reported amounts of assets, liabilities and contingent liabilities, revenues and expenses at the date of the consolidated financial statements and during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 interim consolidated financial statements. In these consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of these financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these

# Estrella Gold Corporation

(formerly Canadian Shield Resources Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

Unaudited

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

condensed consolidated interim financial statements are the same as those applied in the Company's condensed consolidated interim financial statements for the period ended June 30, 2011. The Company consistently applied the same accounting policies throughout all periods presented, as if the policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company's reported equity as at June 30, 2010 and comprehensive income for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011 and as issued and outstanding as of August 26, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including transition adjustments recognized on change-over to IFRS. The condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's condensed consolidated interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

### 5. BUSINESS COMBINATIONS

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held	
			June 30, 2011	December 31, 2010
Canadian Shield Exploration Limited	Exploration	Canada	100%	100%
Canadian Shield Explorations (Int'l) Limited	Exploration	Canada	100%	100%
Gallant Minerals Peru Limited S.A.	Exploration	Peru	90%	90%
Estrella Gold Perú S.A.C	Exploration	Peru	100%	100%
Canadian Shield (Barbados) Inc.	Exploration	Barbados	100%	100%
Canadian Shield (Barbados II) Inc.	Exploration	Barbados	100%	100%

### 6. PROPERTY AND EQUIPMENT

	Office equipment and furniture	Trucks and field equipment	Total
Cost, January 1, 2010	\$ 19,921	\$ 36,711	\$ 56,632
Additions	9,244	19,192	28,436
Cost, December 31, 2010	29,165	55,903	85,068
Additions	14,269	69,407	83,676
Disposals	-	(19,602)	(19,602)
Cost, June 30, 2011	43,434	105,708	149,142
Accumulated depreciation, January 1, 2010	11,754	28,211	39,965
Charge for the year	4,501	7,549	12,050
Accumulated depreciation, December 31, 2010	16,255	35,760	52,015
Charge for the period	2,341	5,035	7,375
Accumulated depreciation, June 30, 2011	18,596	40,795	59,390

## Estrella Gold Corporation

(formerly Canadian Shield Resources Ltd.)

### Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

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Net book value, December 31, 2010	\$	12,910	\$	20,143	\$	33,053
Net book value, June 30, 2011	\$	24,839	\$	64,913	\$	89,752

#### 7. EXPLORATION AND EVALUATION ASSETS

All exploration and evaluation assets are intangible assets. Following is the breakdown of mining properties and deferred exploration expenditures by property:

	January 1, 2010	Deferred / (Recovered) Exploration Expenditures	June 30, 2010	Deferred / (Recovered) Exploration Expenditures	Expensed (Recovered)	December 31, 2010	Deferred / (Recovered) Exploration Expenditures	June 30, 2011
<b>Peru</b>								
Cerro Cori	384,390	32,806	417,196	33,581	-	450,776	45,640	496,416
Ccello Ccello	562,317	39,374	601,690	16,594	-	618,285	41,683	659,968
Apune-Pucarana	540,930	20,316	561,245	16,594	-	577,839	21,290	599,129
La Estrella	927,298	59,882	987,180	83,684	-	1,070,865	87,062	1,157,927
Pampa Poroma	237,060	24,273	261,333	37,873	-	299,205	(97,554)	201,651
Colpayoc	707,833	147,856	855,689	521,240	-	1,376,930	894,142	2,271,072
La Tola	105,763	23,305	129,068	12,219	-	141,287	91,564	232,851
Yanque	-	13,837	13,837	13,971	-	27,808	73,819	101,627
Isy	-	-	-	30,853	-	30,853	74,432	105,286
Sense	-	-	-	17,997	-	17,997	77,233	95,230
Other	17,756	47,245	65,001	162,434	(77,448)	149,987	94,230	244,216
Cliffs Alliance	-	-	-	-	-	-	(14,921)	(14,921)
<b>Chile</b>								
Trol	142,522	-	142,522	13,776	-	156,298	157	156,456
	<b>3,625,869</b>	<b>408,894</b>	<b>4,034,761</b>	<b>960,816</b>	<b>(77,448)</b>	<b>4,918,131</b>	<b>1,388,777</b>	<b>6,306,908</b>
<b>Effect of exchange rate charges</b>	-	-	(13,619)	-	-	(77,678)	-	(14,228)
	<b>3,625,869</b>	-	<b>3,718,661</b>	-	-	<b>4,840,452</b>	-	<b>6,292,680</b>

#### Colpayoc

In 2007, Estrella Gold entered into an option agreement to purchase 100% participating interest in the Colpayoc gold-silver-copper-molybdenum property ("Colpayoc") in northern Peru. Colpayoc is comprised of 3 properties held by two owners with a total of 3,608 hectares. The Company can earn 100% interest in the properties by spending an aggregate of US\$4 million in exploration and making cash payments totaling US\$4 million over the option term of 54 months. Each vendor will retain a 2% Net Smelter Return (NSR) on all metals produced on their respective properties. Each vendor will receive US\$100,000 per year from the date of completion of the option until commercial production starts as a royalty advance which will be deducted over time from ensuing NSR royalties.

In 2008, due to economic hardship throughout the industry, the Company renegotiated property payments to a later date.

#### La Estrella

La Estrella property ("La Estrella") is located in the Department of Huancavelica, District of Paucara and Acoria, Provinces of Huancavelica and Acobamba, approximately 260 km southeast of Lima, Peru. La Estrella was originally acquired through the acquisition of Anderson Peru Mining and Exploration SAC.

In 2007, an additional 1,000 hectare claim was staked expanding property to 2,300 hectares.

## **Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd.)

### **Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2011**

**Unaudited**

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#### **Cerro Cori**

Cerro Cori Property ("Cerro Cori") located in the Department of Ayacucho in southern Peru was originally acquired through the acquisition of Gallant Minerals Peru Ltd. S.A.

In 2009, Cerro Cori mineral exploration license was held in good standing - community relations were maintained and the property was put on maintenance. In 2010, the Company began preparing formal reports and the property is available for Joint Venture.

#### **Pampa Poroma**

Pampa Poroma property ("Pampa Poroma") located 20km south-southeast of the town of Nasca within the Marcona District and Coastal Copper Gold Belt of southern Peru. Pampa Poroma was originally acquired through the acquisition of Anderson Peru Mining and Exploration SAC.

The property comprises 1,000 hectares over a flat covered area and is easily accessible lying 7 km from the paved Panamerican Highway. In 2009 and 2010, Pampa Poroma mineral exploration license was held in good standing while the Company seeks a joint venture partner for this property.

In the first quarter of 2011, Estrella Gold established a Joint Venture with Cliffs Natural Resources Exploration Inc. for the exploration and potential development of the Pampa Poroma project.

#### **Ccello Ccello**

Ccello Ccello Property ("Ccello") located in Caylloma Province of the Department of Arequipa, southern Peru was originally acquired through the acquisition of Gallant Minerals Peru Ltd. S.A.

In 2009, Ccello mineral exploration license was held in good standing while the Company seeks a joint venture partner for this property.

In 2010, this property was combined with La Tola.

#### **Apune Pucarana**

Apune Pucarana Property ("Pucarana") located in southern Peru was originally acquired through the acquisition of Gallant Minerals Peru Ltd. S.A.

In 2007, Estrella Gold entered an earn-in agreement with Esperanza Silver ("Esperanza") whereby Esperanza can earn up to a 60% interest in Estrella Gold's Pucarana by expending US\$1,300,000 over a four year period commencing upon receipt of a drill permit and by making payments of US\$80,000 to the Company.

#### **La Tola**

In 2007, Estrella Gold entered into a earn-in agreement with Solitario Resources Corporation to acquire La Tola, an epithermal gold-silver prospect ("La Tola") located adjacent to the Company's Ccello property in the Caylloma Province of the Department of Arequipa, southern Peru. The Property comprises 1,000 hectares in one exploration license, Zoraida Uno. Estrella Gold has a 4 year earn-in option to purchase 100% of the Property by incurring exploration expenditures of US\$2 million over the next 4 years, and by making a cash payment of US\$2 million at the end of the 4 year option period. Solitario Resources Corporation ("Solitario") will retain a 2% Net Smelter Return that the Company may purchase at its option for US\$1.5 million prior to commercial production.

In 2009, La Tola mineral exploration license was held in good standing while the Company seeks a joint venture partner for this property.

During the first quarter of 2011, Estrella Gold signed a formal Purchase Option Agreement, replacing its initial letter agreement with Solitario Resource and Royalty Corporation, to acquire the 1,000 hectare La Tola Property and combined it with Ccello.

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### Isy

The property was acquired in 2010, contains 3,100 hectares underlain primarily by Miocene volcanic rocks, containing extensive alteration. The target was identified based on regional analysis of LANDSAT alteration anomalies, structural geology, and regional metallogenic studies. Estrella Gold has field teams sampling and mapping this property, to evaluate the distribution and composition of the rock-alteration and to determine if significant gold mineralization is present.

### Yanque

This property was acquired during 2010; it contains 600 hectares and is located adjacent to the Humajala gold occurrence and 20 km west of the Company's Ccello-La Tola Project. The geology of the property consists mainly of Miocene felsic volcanic rocks containing extensive epithermal alteration mineral assemblages. Estrella Gold conducted significant exploration drilling (+30 holes) at the Humajala gold occurrence previously. Estrella Gold has field teams sampling and mapping this new property, to evaluate the distribution and composition of the rock-alteration and to determine if significant gold mineralization is present.

## 8. SHARE CAPITAL

### a) Common shares - Authorized

Unlimited number of common shares

### b) Common shares - Issued and outstanding:

Particular	Note	Common shares	
		Number	Amount
<b>Balance as of January 1, 2010</b>		<b>11,848,045</b>	<b>\$ 12,214,277</b>
Issued : Exercise of warrants		40,000	48,000
<b>Balance as of June 30, 2010</b>		<b>11,888,045</b>	<b>12,262,277</b>
Fair value of warrant exercised		-	(3,200)
Private placement	(a)	2,118,800	1,059,400
Less: Share issue costs	(a)	-	(189,850)
Less: Warrants issued	(a)	-	(487,324)
Private placement	(b)	2,000,000	1,000,000
Less: Share issue costs	(b)	-	(157,555)
Less: Warrants	(b)	-	(460,000)
<b>Balance as of December 31, 2010</b>		<b>16,006,845</b>	<b>13,030,148</b>
Private placement	(c)	1,250,000	1,000,000
Less: Share issue costs	(c)	-	(62,443)
Less: Warrants issued	(c)	-	(192,213)
Issued: Exercise of options		20,000	12,000
Issued: Exercise of warrants		40,000	32,000
<b>Balance as of June 30, 2011</b>		<b>17,316,845</b>	<b>\$ 13,819,492</b>

- (a) On November 18, 2010, the Company issued 2,000,000 units at \$0.50 per unit gross proceeds of \$1,000,000. Each unit is comprised of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.80 per share until November 17, 2012. The warrant is callable, at the option of the Company, after March 18, 2011, in the event its common shares trade at or over \$1.00 per share for 20 consecutive trading days. The number of Common Shares issuable pursuant to the financing, if all Warrants are exercised, is 4,000,000 Common Shares for gross proceeds of \$2,600,000.

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In connection with the financing, the Company paid eligible finders fees in Units equal to 6% of the Units issued through each finder and also issued compensation warrants equal to 10% of the total number of units issued through each finder under the financing. Each finder unit consists of one common share and one warrant. The value attributed to the finder units was \$59,400. Each compensation warrant entitles the holder to acquire one common share of Estrella Gold at \$0.60 until November 17, 2012. On closing, the Company issued 118,800 finder units and 198,000 compensation warrants to the finders.

- (b) On December 3, 2010, the Company issued 2,000,000 units at \$0.50 per unit gross proceeds of \$1,000,000. Each unit is comprised of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.80 per share until December 3, 2012. The warrants are callable, at the option of Estrella Gold, after April 4, 2011 if its common shares trade at or over \$1.00 per share for 20 consecutive trading days. The number of common shares issuable pursuant to the financing, if all warrants are exercised, is 4,000,000 common shares for gross proceeds of \$2,600,000.

In connection with the financing, the Company paid eligible finders a cash fee equal to 6% of the gross proceeds placed through each finder and also issued compensation warrants equal to 10% of the total number of units, issued through each finder, under the financing. Each compensation warrant entitles the holder to acquire one common share of Estrella Gold at \$0.60 until December 3, 2012. On closing, the Company paid \$45,600 and issued 152,000 compensation warrants to the finders.

- (c) On January 12, 2011, the Company issued 1,250,000 units at \$0.80 per unit gross proceeds of \$1,000,000. Each unit is comprised of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$1.20 per share until July 12, 2012. The warrants are callable, at the option of Estrella Gold, after May 13, 2011 if its common shares trade at or over \$1.60 per share for 10 consecutive trading days. The number of common shares issuable pursuant to the financing, if all warrants are exercised, is 2,500,000 common shares for gross proceeds of \$2,500,000. In connection with the financing, the Company paid eligible finders a cash fee equal to 6% of the gross proceeds placed through each finder and also issued compensation warrants equal to 10% of the total number of units, issued through each finder. Each compensation warrant entitles the holder to acquire one common share of Estrella Gold at \$0.80 until July 12, 2012. On closing, the Company paid \$48,600 and issued 101,250 compensation warrants to the finders.

#### 9. SHARE BASED PAYMENT RESERVE

	Amount
<b>Balance as of January 1, 2010</b>	<b>\$ 1,340,145</b>
Share based payments charged to operations	288,820
<b>Balance as of June 30, 2010</b>	<b>1,628,965</b>
Share based payments charged to operations	427,308
Warrants expired	81,800
<b>Balance as of December 31, 2010</b>	<b>2,138,073</b>
Share based payments charged to operations	382,370
Warrants Exercised	9,200
Warrants Expired	108,325
<b>Balance as of June 30, 2011</b>	<b>\$ 2,637,968</b>

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#### Share options program – Equity settled

In 2001, the Company established a stock option plan (the “2001 Plan”) whereby the directors could grant options to directors, employees and consultants to the Company. During the year 2010, the Plan was amended. The maximum number of common shares issuable to any one participant under the 2001 Plan was fixed at 2,377,609 (2009 - 1,530,007) common shares. The maximum number of common shares issuable to any one participant under the plan is 20% of the issued and outstanding common shares at the time of the Annual and General Meeting of shareholders. The period during which the options may be exercised is determined by the Board of Directors and cannot be extended beyond a maximum of ten years from the date the option is granted. The directors of the Company may from time to time amend or revise the terms of the 2001 Plan or may terminate the plan at any time.

The following summarizes the options outstanding:

	Number of options	Weighted Average exercise price
<b>Outstanding as at January 1, 2010</b>	<b>1,231,250</b>	<b>1.35</b>
Granted	100,000	
Expired	(16,250)	
<b>Outstanding as at June 30, 2010</b>	<b>1,315,000</b>	<b>1.32</b>
Granted	530,000	
Expired	(248,667)	
<b>Outstanding as at December 31, 2010</b>	<b>1,596,333</b>	<b>1.08</b>
Granted	665,000	
Expired	(22,500)	
Exercised	(20,000)	
<b>Outstanding as at June 30, 2011</b>	<b>2,218,833</b>	<b>1.08</b>
<b>Options exercisable as at January 1, 2010</b>	<b>318,000</b>	<b>2.39</b>
<b>Options exercisable as at June 30, 2010</b>	<b>545,417</b>	<b>1.91</b>
<b>Options exercisable as at December 31, 2010</b>	<b>1,154,667</b>	<b>1.12</b>
<b>Options exercisable as at June 30, 2011</b>	<b>1,664,665</b>	<b>1.08</b>

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

Expiry date	Options exercisable			Options outstanding	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number outstanding	Weighted average exercise price
7/26/2011	14,583	0.07	2.60	14,583	2.60
3/20/2012	28,500	0.72	4.20	28,500	4.20
4/27/2012	99,999	0.80	0.67	200,000	0.80
8/1/2012	2,500	1.09	5.60	2,500	5.60
10/26/2012	775,000	1.33	1.00	775,000	1.00
3/16/2013	66,667	1.71	1.00	100,000	1.00
8/10/2013	160,000	2.12	0.60	160,000	0.60
8/28/2013	143,250	2.16	2.00	143,250	2.00
12/01/2013	150,000	2.42	0.71	150,000	0.71
1/20/2014	107,500	2.56	1.10	645,000	1.10
	<b>1,531,332</b>			<b>2,218,833</b>	

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The weighted average grant date fair value of stock options granted to employees and directors during the period ended June 30, 2011 has been estimated at \$0.97 (2010 - \$0.64) using the Black-Scholes option pricing model. The estimated fair value of these options granted is amortized to expense over the options' vesting periods. The pricing model assumes weighted average risk free interest rates of 1.91% (2010 - 2.31%), weighted average expected dividend yields of NIL (2010 - NIL), weighted average expected common stock price volatility of 264% (2010 - 130%) and a weighted average expected life of 3 years (2010 - 3.2 years).

#### 10. WARRANTS

The following summarizes the warrants outstanding:

	Weighted Average Remaining Contractual Life (years)	Series	Number of Warrants	Weighted Average Exercise Price
<b>January 1, 2010</b>	<b>1.31</b>		<b>3,812,500</b>	<b>0.80</b>
Exercised			(40,000)	0.80
<b>June 30, 2010</b>	<b>1.06</b>		<b>3,772,500</b>	<b>0.80</b>
Expired			(1,022,500)	
Issued	<b>1.88</b>	S	2,118,800	0.80
Issued	<b>1.93</b>	T	2,000,000	0.80
<b>December 31, 2010</b>	<b>1.39</b>		<b>6,868,800</b>	<b>0.96</b>
Issued	1.28	U	1,250,000	1.20
Exercised			(40,000)	0.80
Expired			(1,250,000)	1.20
<b>June 30, 2011</b>	<b>1.08</b>		<b>6,828,800</b>	<b>0.96</b>

The following summarizes the compensation warrants outstanding:

	Weighted Average Remaining Contractual Life (years)	Series	Number of Warrants	Weighted Average Exercise Price
<b>January 1, 2010</b>	<b>1.62</b>		<b>229,063</b>	<b>1.20</b>
<b>June 30, 2010</b>	<b>1.37</b>		<b>229,063</b>	<b>1.20</b>
Issued	1.88	S	198,000	0.60
Issued	1.93	T	152,000	0.60
<b>December 31, 2010</b>	<b>1.79</b>		<b>579,063</b>	<b>0.84</b>
Issued	1.28	U	101,250	0.80
Expired			(104,063)	
<b>June 30, 2011</b>	<b>1.09</b>		<b>576,250</b>	<b>0.77</b>

#### SUPPLEMENTAL DISCLOSURE FOR NON-CASH TRANSACTIONS

(a) Included in share capital is \$9,200 (2010 - \$3,200) representing the fair value of warrants exercised.

#### 11. COMMITMENTS

The Company is committed to various payments under option agreements on certain properties as disclosed in Note 7. It also has future minimum lease payments under operating lease for a premise as well as obligations under a consulting agreement.

These future minimum committed payments are as follows:

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	Amount
2011	285,800
2012	2,774,934

## 12. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Company closed two private placement financings:

On July 20, 2011, the Company closed a non-brokered private placement offering of 6,200,000 units at \$0.65 per unit for gross proceeds of \$4,030,000. Each unit is comprised of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$1.05 per share during the first year or at a price of \$1.20 during the second year following the date of closing of the offering. In connection with the offering, the Company paid eligible persons a finder's fee equal to up to 6% of the gross proceeds from the units placed by each finder in cash or units and also issued compensation warrants equal to 10% of the total number of units placed through each finder under the offering. Each compensation warrant entitles the holder to acquire one common share of Estrella at \$0.80 for a period of 24 months from the closing date of the offering. On closing of the offering, the Company issued 231,014 units, 573,862 compensation warrants and paid aggregate cash fees in the amount of \$75,447 to the finders.

On July 28, 2011, the Company closed a non-brokered private placement offering of 347,445 units at \$0.72 per unit for gross proceeds of \$250,160. The financing was completed with strategic investors of the Company. Each unit is comprised of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$1.05 per share during the first year or at a price of \$1.20 during the second year following the date of closing of the offering. No finder's fees or commissions were paid in connection with the offering.

## 13. FINANCIAL INSTRUMENTS

### Fair Values

The carrying value of cash and short-term investments approximates its fair value due to the liquidity of this instrument. The carrying value of accounts payables and accrued liabilities approximates its fair value due to the requirement to extinguish the liability on demand.

### Financial risk management objectives and policies

The financial risk arising from the Group's operations are currency risk and liquidity risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Group's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries. The Company operates internationally and is exposed to foreign exchange risk as certain expenditures are denominated in non-Canadian dollar currencies. The exposure is predominantly to the Peruvian New Soles ("Soles"). Soles denominated balances generate foreign exchange gains and losses that are reported on the Statement of Comprehensive Income. A strengthening of \$0.01 in the Canadian Dollar against the Soles would have increased the net loss by approximately \$374 (2009 - \$6,917)

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for the year. A \$0.01 weakening of the Canadian against the Sole would have an equal, but opposite, effect. At June 30, 2011, one Canadian Dollar was equal to 2.8538 Soles.

Balances in non-Canadian dollar currencies are as follows:

	<b>Amount</b>
Cash	\$ 230,440
Accounts payable and accrued liabilities	(564,968)
	<u>\$ (334,528)</u>

#### Liquidity Risk

The Company manages its liquidity risk by preparing and monitoring forecasts of cash expenditures to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities generally have maturities of less than 90 days. At June 30, 2011, the Company had cash and short term investment of \$659,721 to settle current liabilities of \$283,816.

#### Fair Hierarchy and Liquidity Risk

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

1. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level two includes inputs that are observable other than quoted prices included in level one.
3. Level three includes inputs that are not based on observable market data.

All of the Company's cash is a level one as per the fair value hierarchy included in GAAP.

#### 14. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to (a) safeguard the Company's ability to explore and develop mineral properties to which it has an interest, and (b) provide a sound capital structure for raising capital at a reasonable cost for the funding of ongoing exploration, development and new growth initiatives. The Board of Directors does not establish quantitative capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital. The properties in which the Company currently has interests are in the exploration and development stage. The Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

#### 15. SEGMENTED INFORMATION

##### (a) Reportable Segments:

In 2011 and 2010, the Company has one operating segment in mineral exploration.

##### (b) Enterprise Wide Disclosure – Geographic Information:

As at June 30, 2011 \$6,288,038 (December 31, 2010 - \$5,231,763) and \$156,456 (December 31, 2010 - \$156,299) of Company's assets were held in Peru and Chile respectively and the balance in Canada.

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As at June 30, 2011 \$89,752 (December 31, 2010 - \$27,677) of Company's equipment was held in Peru and the balance in Canada.

#### 16. Transactions with Related Parties

During the second quarter of 2011, the Company had the following transactions with related parties made in the normal course of operations and accounted for at an amount of consideration established and agreed to by the Company and the related parties.

Six months ended June	2011	2010
Management fees paid to corporations controlled by directors of the Company	\$ 88,604	\$ 116,696
Rent, administration, office charges, and telecommunication paid to a corporation with a director in common	28,385	46,275

As of June 30, 2011, \$12,523 (Q2-2010 - \$17,636) was included in accounts payable in respect of the above amounts.

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### 17. EXPLANATIONS OF TRANSITION TO IFRS

The accounting policies in note 4 have been applied in preparing the condensed interim consolidated financial statements for the period ended June 30, 2011 and the preparation of an opening IFRS statement of financial position on January 1, 2010, the Transition Date. An explanation of how the transition from GAAP to IFRS has affected the Group's balance sheet and statement of comprehensive loss is set out in the following statements.

#### Reconciliation of assets, liabilities and equity

ASSETS	As at June 30, 2010			As at December 30, 2010			As at June 30, 2011		
	CGAAP	Effect of transition	IFRS	CGAAP	Effect of transition	IFRS	CGAAP	Effect of transition	IFRS
<b>Current assets</b>									
Other receivables	\$ 169,120	-	\$ 169,120	\$ 290,335	-	\$ 290,335	\$ 232,108	-	\$ 232,108
Short term investment	-	-	-	1,001,263	-	1,001,263	-	-	-
Cash and cash equivalents	1,065,193	-	1,065,193	417,575	-	417,575	659,721	-	659,721
	<b>1,234,313</b>	<b>-</b>	<b>1,234,313</b>	<b>1,709,173</b>	<b>-</b>	<b>1,709,173</b>	<b>891,829</b>	<b>-</b>	<b>891,829</b>
<b>Non-current assets</b>									
Exploration and evaluation assets	4,031,275	(13,619)	4,017,656	4,918,131	(77,679)	4,840,452	6,306,907	(14,227)	6,292,680
Property, plant and equipment	35,450	-	35,450	33,053	-	33,053	89,752	-	89,752
	<b>4,066,725</b>	<b>(13,619)</b>	<b>4,053,106</b>	<b>4,951,184</b>	<b>(77,679)</b>	<b>4,873,505</b>	<b>6,396,659</b>	<b>(14,227)</b>	<b>6,382,432</b>
<b>TOTAL ASSETS</b>	<b>\$5,301,038</b>	<b>\$(13,619)</b>	<b>\$5,287,419</b>	<b>\$6,660,357</b>	<b>\$(77,679)</b>	<b>\$6,582,678</b>	<b>\$7,288,488</b>	<b>\$(14,227)</b>	<b>\$7,274,261</b>
<b>LIABILITIES AND EQUITY</b>									
<b>Current liabilities</b>									
Accrued liabilities and other payables	204,549	-	204,549	257,150	-	257,150	283,816	-	283,816
<b>TOTAL LIABILITIES</b>	<b>204,549</b>	<b>-</b>	<b>204,549</b>	<b>257,150</b>	<b>-</b>	<b>257,150</b>	<b>283,816</b>	<b>-</b>	<b>283,816</b>
<b>Equity attributable to the equity holders of the company</b>									
Issued share capital	12,265,477	-	12,265,477	13,030,148	-	13,030,148	13,819,504	-	13,819,504
Share warrants	320,125	-	320,125	2,138,073	-	2,138,073	1,464,664	-	1,464,664
Share based payment reserve	1,628,965	-	1,628,965	1,389,976	-	1,389,976	2,637,968	-	2,663,396
Foreign currency translation reserves	-	853	853	-	(63,207)	(63,207)	44,842	245	45,087
Profit and Loss - period/year	(710,723)	-	(710,723)	(1,747,636)	-	(1,747,636)	(807,316)	-	(807,316)
Accumulated loss	(8,407,354)	(14,472)	(8,421,826)	(8,407,354)	(14,472)	(8,421,826)	(10,154,990)	(14,472)	(10,169,462)
	<b>5,096,490</b>	<b>(13,619)</b>	<b>5,082,871</b>	<b>6,403,207</b>	<b>(77,679)</b>	<b>6,325,528</b>	<b>7,004,672</b>	<b>(14,227)</b>	<b>6,990,445</b>
<b>Non controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>	<b>5,096,490</b>	<b>(13,619)</b>	<b>5,082,871</b>	<b>6,403,207</b>	<b>(77,679)</b>	<b>6,325,528</b>	<b>7,004,672</b>	<b>(14,227)</b>	<b>6,990,445</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$5,301,039</b>	<b>\$13,619</b>	<b>\$5,287,420</b>	<b>\$6,660,357</b>	<b>\$(77,679)</b>	<b>\$6,582,678</b>	<b>\$7,288,488</b>	<b>\$(14,227)</b>	<b>\$7,274,261</b>

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**Reconciliation of loss and comprehensive loss**

	3 Months ended June 30, 2010			6 Months ended June 30, 2010		
	CGAAP	Effect of transition	IFRS	CGAAP	Effect of transition	IFRS
	\$	\$	\$	\$	\$	\$
<b>Operating expenses</b>						
Amortization / Depreciation	1,367	-	1,367	1,663	-	1,663
General and administrative expenses	120,029	(27,252)	92,777	289,097	(8,412)	280,685
Write off	-	-	-	-	-	-
Professional fees	60,867	-	60,867	85,972	-	85,972
Shareholder services	24,766	-	24,766	49,115	-	49,115
Share based compensation	136,227	-	136,227	288,820	-	288,820
<b>Total expenses</b>	<b>343,256</b>	<b>(27,252)</b>	<b>316,004</b>	<b>714,667</b>	<b>(8,412)</b>	<b>706,255</b>
<b>Loss from operations</b>	<b>(343,256)</b>	<b>(27,252)</b>	<b>(316,004)</b>	<b>(714,667)</b>	<b>(8,412)</b>	<b>(706,255)</b>
<b>Other income / expenses</b>						
Interest income	1,527	-	1,527	3,944	-	3,944
Foreign exchange income/(loss)	-	(27,252)	(27,252)	-	(8,412)	(8,412)
<b>Loss from continuing operations</b>	<b>(341,729)</b>	<b>-</b>	<b>(341,729)</b>	<b>(710,723)</b>	<b>-</b>	<b>(710,723)</b>
<b>Other comprehensive loss</b>						
Exchange differences on translating foreign operations	-	-	-	-	(13,619)	(13,619)
<b>Other comprehensive loss for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,619)</b>	<b>(13,619)</b>
<b>Total comprehensive loss for the period, net of tax</b>	<b>(341,729)</b>	<b>-</b>	<b>(341,729)</b>	<b>(710,723)</b>	<b>(13,619)</b>	<b>(724,342)</b>

**Estrella Gold Corporation**

(formerly Canadian Shield Resources Ltd.)

**Notes to Condensed Interim Consolidated Financial Statements****June 30, 2011****Unaudited****Reconciliation of equity**

The following reconciliation provides a quantification of the effect, after taxation, of the transition to IFRS

Reconciliation of equity	For the six months ended June 30, 2010	For the year ended December 31, 2010
	\$	\$
<b>Equity previously reported under Canadian GAAP</b>	<b>5,096,490</b>	<b>6,403,207</b>
<b>Items separately disclosed in the shareholders equity</b>		
- Non controlling interest, previously disclosed within accumulated loss	-	-
- Accumulated other comprehensive incomes on translation and subsequent transfers	(13,619)	(63,207)
- Adjustment to accumulated deficit due to separate disclosure of above items	(13,619)	63,207
	<u>5,096,252</u>	<u>6,403,207</u>
<b>Adjustment upon adoption of IFRS</b>		
- Differences arising from applying the closing rate for all reporting periods to non-monetary assets	13,619	(77,679)
- Differences arising from applying the closing rate for all reporting periods to non-monetary liabilities	-	-
<b>Equity reported under IFRS</b>	<u>5,082,871</u>	<u>6,325,528</u>

# Estrella Gold Corporation

(formerly Canadian Shield Resources Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

Unaudited

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### Restatement of statement of cash flows from Canadian GAAP to IFRS

The restatement from Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Group. The reconciling items between Canadian GAAP and IFRS presentation have no net effect on the cash flows generated.

#### Notes to reconciliation

IFRS 1 – First-time Adoption of International Financial Reporting Standards (“IFRS”) sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Group had adjustments to its balance sheet at January 1, 2010, March 31, 2010 and December 31, 2010 and to its income statements for periods ended March 31, 2010 and December 31, 2010:

#### a) Functional currency and foreign operations

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 – *Foreign exchange* and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of some companies of the Group is the Peruvian Sole (“Soles”). The consolidated financial statements are presented in Canadian dollars (“\$”) which is the group’s presentation currency. Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

As a result of the application of the translation rules contained in IAS 21, for the period ended June 30, 2010, non-monetary assets, which includes property and equipment and exploration and evaluation assets, will decrease by \$13,619 with a corresponding adjustment to the accumulated other comprehensive income.

#### b) Share-based payment transactions

The fair value of share options under the employee share incentive schemes and other equity instruments granted to Group employees is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

The fair value of the instruments granted is measured using the Black-Scholes option pricing formula, taking into account the terms and conditions upon which the instruments are granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

This accounting policy has been applied to all equity instruments granted after November 7, 2002 that has not yet vested at January 1, 2005.

As under IFRS 2, Canadian GAAP also requires the Company to measure stock-based compensation related to stock-options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the option.