



ABZU GOLD LTD.
(formerly Totem Minerals Inc.)
(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

JANUARY 31, 2011

ABZU GOLD LTD.
(formerly Totem Minerals Inc.)
(An Exploration Stage Company)

Interim Consolidated Financial Statements
January 31, 2011
(Unaudited – Prepared by Management)

<u>INDEX</u>	<u>Page</u>
Consolidated Financial Statements	
Interim Consolidated Balance Sheets	1
Interim Consolidated Statements of Operations	2
Interim Consolidated Statements of Cash Flows	3
Interim Consolidated Statements of Shareholders' Equity	4
Notes to the Interim Consolidated Financial Statements	5-24

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

For further information, please contact:

G. Ross McDonald, Chief Financial Officer

Tel: (604) 638-3288

Fax: (604) 408-7499

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

INTERIM CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian Dollars)

(Unaudited –Prepared by Management)

	January 31, 2011	July 31, 2010
		(audited)
ASSETS		
Current		
Cash	\$ 6,076,211	\$ 711,163
Funds held in trust (note 8)	-	861,000
Accounts receivable	129,080	10,053
Prepaid expenses	91,344	-
	6,296,635	1,582,216
Property, plant and equipment (note 4)	464,613	-
Deferred acquisition costs (note 5)	-	110,767
Mineral property interests (notes 6 and 9)	10,461,200	127,554
	\$ 17,222,448	\$ 1,820,537
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 164,819	\$ 18,802
Due to related parties (note 9)	181,101	100
	345,920	18,902
Future income tax liability (note 3)	2,314,383	-
	2,660,303	18,902
Shareholders' equity		
Capital stock (note 8)	13,426,485	1,547,364
Contributed surplus (note 8)	5,058,980	535,614
Subscriptions received in advance (note 8)	-	861,000
Deficit	(3,923,320)	(1,142,343)
	14,562,145	1,801,635
	\$ 17,222,448	\$ 1,820,537

Nature of operations and going concern (note 1)**Acquisition of Abzu Resources Ltd.** (note 3)**Subsequent event** (note 12)**On behalf of the Board:**

Gordon Neal (signed) Director
Gordon Neal

Mark Cruise (signed) Director
Mark Cruise

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

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three months ended		Six months ended	
	January 31,		January 31,	
	2011	2010	2011	2010
Expenses				
Advertising and promotion	\$ 11,250	\$ -	\$ 11,250	\$ -
Consulting (notes 8 and 9)	1,582,210	-	1,582,210	-
Depreciation	17,085	-	17,085	-
Insurance	11,383	-	11,383	-
Management and administration (note 9)	58,750	36,000	73,750	69,000
Office and miscellaneous	17,892	71	18,032	233
Professional fees (note 9)	84,790	12,200	85,175	22,275
Rent (note 9)	5,610	3,000	8,610	6,000
Shareholders' communications (notes 8 and 9)	289,937	-	289,937	-
Transfer agent and filing fees	13,677	3,852	15,226	4,125
Travel	63,089	-	63,089	-
Loss Before Other Items	(2,155,673)	(55,123)	(2,175,747)	(101,633)
Other Items				
Interest income	17,202	112	17,202	112
Foreign exchange loss	(8,316)	-	(8,316)	-
Write-off of mineral property interests (note 6)	(614,116)	-	(614,116)	-
	(605,230)	112	(605,230)	112
Net Loss and Comprehensive Loss for the Period	\$ (2,760,903)	\$ (55,011)	\$ (2,780,977)	\$ (101,521)
Basic and diluted loss per common share	\$ (0.08)	\$ (0.00)	\$ (0.09)	\$ (0.01)
Weighted average number of common shares outstanding	36,794,205	11,924,001	29,946,752	11,949,001

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three months ended		Six months ended	
	January 31,		January 31,	
	2011	2010	2011	2010
Operating Activities				
Net loss for the period	\$ (2,760,903)	\$ (55,011)	\$ (2,780,977)	\$ (101,521)
Items not affecting cash:				
Stock-based compensation (note 8)	1,829,060	-	1,829,060	-
Depreciation	17,085	-	17,085	-
Write-off of mineral property interests	614,116	-	614,116	-
Unrealized loss on foreign exchange	30,475	-	30,475	-
Changes in non-cash working capital items:				
Accounts receivable	(101,460)	4,805	(99,837)	16,012
Prepaid expenses	(23,963)	-	(23,963)	26,787
Accounts payable and accrued liabilities	2,103	(3,983)	(2,926)	5,662
Cash Used in Operating Activities	(393,487)	(54,189)	(416,967)	(53,060)
Investing Activities				
Cash acquired on Acquisition of Abzu Resources Ltd.	429,009	-	429,009	-
Mineral property interests	(203,414)	(100,481)	(265,417)	(100,481)
Purchase of property, plant and equipment	(295,153)	-	(295,153)	-
Cash Used in Investing Activities	(69,558)	(100,481)	(131,561)	(100,481)
Financing Activities				
Issuance of share capital	7,224,000	-	7,232,000	-
Share issuance costs	(750,789)	-	(750,789)	-
Short-term investments	-	-	-	(38,111)
Repayment from (to) related parties	(537,160)	-	(537,160)	-
Cash Provided by Financing Activities	5,936,051	-	5,944,051	(38,111)
Effect of cash on foreign exchange	(30,475)	-	(30,475)	-
Increase in cash during the period	5,442,531	(154,670)	5,365,048	(191,652)
Cash, beginning of period	633,680	455,841	711,163	492,823
Cash, end of period	\$ 6,076,211	\$ 301,171	\$ 6,076,211	\$ 301,171
Supplemental cash flow information				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Non-cash transactions				
Shares issued on Acquisition of Abzu Resources Ltd. (note 3)	\$ 7,663,207	\$ -	\$ 7,663,207	\$ -
Accounts payable and accrued liabilities included in mineral property interests	\$ 90,230	\$ -	\$ 90,230	\$ -
Due to related parties included in mineral property interests	\$ 42,732	\$ -	\$ 42,732	\$ -

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Common Shares Issued and Fully Paid	Contributed Surplus	Subscrip- tions Received in Advance	Deficit Accumulated During Exploration Stage	Total
Balance, July 31, 2009	11,949,001	\$ 1,159,141	\$ 262,950	\$ -	\$ (889,256)	\$ 532,835
Issuance of shares for cash:	10,075,000	650,000	-	-	-	650,000
Allocation of proceeds to warrants	-	(237,447)	237,447	-	-	-
Issued for finders' fee	1,000,000	65,000	-	-	-	65,000
Allocation of finders' to warrants	-	-	51,800	-	-	51,800
Share issuance costs	-	(124,663)	-	-	-	(124,663)
Subscriptions received in advance	-	-	-	861,000	-	861,000
Exercise of options	75,000	18,750	-	-	-	18,750
Transfer from contributed surplus for exercised options	-	16,583	(16,583)	-	-	-
Net loss for the year	-	-	-	-	(253,087)	(253,087)
Balance, July 31, 2010	23,024,001	1,547,364	535,614	861,000	(1,142,343)	1,801,635
Issuance of shares for cash:	14,000,000	7,000,000	-	(861,000)	-	6,139,000
Allocation of proceeds to warrants	-	(2,536,006)	2,536,006	-	-	-
Share issuance costs	-	(750,789)	-	-	-	(750,789)
Exercise of warrants	580,000	232,000	-	-	-	232,000
Shares issued for Acquisition of Abzu Resources Ltd. (note 3)	15,867,832	7,933,916	158,300	-	-	8,092,216
Stock-based compensation (note 8)	-	-	1,829,060	-	-	1,829,060
Net loss for the period	-	-	-	-	(2,780,977)	(2,780,977)
Balance, January 31, 2011	53,471,833	\$ 13,426,485	\$ 5,058,980	\$ -	\$ (3,923,320)	\$ 14,562,145

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

1. NATURE OF OPERATIONS AND GOING CONCERN

Totem Minerals Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 5, 2005. On December 21, 2010, the Company changed its name from Totem Minerals Inc. to Abzu Gold Ltd. as part of the acquisition of Abzu Resources Ltd. (note 3). The Company is an exploration stage public company whose principal business activities are the acquisition and exploration of mineral properties. The Company is in the process of acquiring and exploring mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for mineral property and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production.

These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Several adverse conditions cast substantial doubt on the validity of this assumption. The Company has incurred operating losses of \$2,780,977 over the six months ended January 31, 2011 (2010 - \$101,521), is currently unable to self-finance operations, has working capital of \$5,950,715 (July 31, 2010 - \$1,563,314), a deficit of \$3,923,320 (July 31, 2010 - \$1,142,343), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its resource property projects.

The Company does not generate cash flow from operations and has therefore relied principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

The business of resource exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, and to acquire, explore and maintain its resource property interest, if any. The recoverability of the carrying value, if any, for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Company's functional and reporting currency are the Canadian dollar.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Abzu Resources Ltd., a private company incorporated under the laws of British Columbia and Abzu Resources Ghana Limited, which was incorporated under the laws of Republic of Ghana. All significant intercompany balances and transactions were eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the rate of amortization for property, plant and equipment, asset retirement obligation estimates, accrued liabilities, the determination of fair value of share consideration, the determination of variables used in the calculation of stock-based compensation, the determination of variables used in the calculation of fair value of warrants and the determination of valuation allowance for future income tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Foreign currency translation

The functional currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- i. Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii. Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- iii. Interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the period.

Property, plant and equipment

Amortization of property, plant and equipment is calculated over the estimated useful life of the asset using the straight-line method at the following rates:

Computer equipment and software	–	30%
Furniture and fittings	–	25%
Trucks and vehicles	–	25%
Plant and machinery	–	20%

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral property interests and deferred exploration costs

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

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

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations ("ARO")

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

Stock-based compensation

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

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Warrants**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values using the market trading price and the Black-Scholes option pricing model for the share and warrants, respectively.

Basic and diluted loss per share

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

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

Income taxes

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

Financial instruments and comprehensive income

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

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

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the market value of those shares will be considered fair value.

Recently adopted accounting policy

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred.

Section 1601, "Consolidated Financial Statements", establishes the standards for preparing consolidated financial statements.

Section 1602, "Non-Controlling Interests" establishes the standards for the accounting for non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the IFRS on consolidated and separate financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company has adopted these sections as of August 1, 2010.

Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its October 31, 2011 interim consolidated financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended July 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS. The Company is currently engaging additional resources to ensure the timely conversion to IFRS.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**3. ACQUISITION OF ABZU RESOURCES LTD.**

On December 21, 2010, Abzu completed the acquisition of Abzu Resources Ltd. ("ARL") through a Plan of Arrangement (the "Acquisition") whereby one ARL common share will be exchanged for one-half of one Abzu common share. The acquisition resulted in Abzu issuing 15,202,832 common shares for 100% of the issued and outstanding common shares of ARL. ARL's outstanding share purchase warrants were also exchanged on the same basis as the common shares. On completion of the transaction, ARL became a wholly-owned subsidiary of Abzu. As part of the acquisition, the Company issued 200,000 replacement share purchase warrants to the ARL warrant holders as at December 21, 2010. These share purchase warrants were issued on a ratio of 0.5 Abzu share purchase warrant for one ARL share purchase warrant. Each share purchase warrant entitles the holder to acquire an additional Abzu share at a price of \$0.60 until November 30, 2014. The Company also issued 665,000 common shares at a deemed price of \$0.50 per share as a finder's fee for arranging the Acquisition. The Company accounts for the Acquisition using the asset acquisition method.

The fair value of Abzu common shares has been valued at \$0.50 per share. The fair value of the Abzu share purchase warrants of \$158,300 was calculated using the Black-Scholes option pricing model. The assumptions used in the calculation are as follows:

Risk-free interest rate	2.38%
Dividend yield	Nil
Volatility factor	133%
Expected life	4 years

The purchase consideration is comprised of the following:

Total purchase price:	
Fair value of 15,202,832 Abzu common shares	\$ 7,601,416
Fair value of 200,000 Abzu share purchase warrants	158,300
Fair value of 665,000 Abzu finder's fee shares	332,500
	\$ 8,092,216

The fair value of assets acquired and liabilities assumed of ARL at the acquisition date were as follows:

Purchase price allocation:	
Cash	\$ 429,009
Accounts receivable	19,190
Prepaid expenses	67,381
Property, plant and equipment	192,130
Mineral property interest (note 6)	10,433,031
Accounts payable and accrued liabilities	(58,713)
Due to related parties	(675,429)
Future income tax liability	(2,314,383)
	\$ 8,092,216

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**4. PROPERTY, PLANT AND EQUIPMENT**

	January 31, 2011			July 31, 2010 (audited)		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 21,627	\$ 9,280	\$ 12,347	\$ -	\$ -	\$ -
Furniture and fittings	42,097	3,425	38,672	-	-	-
Trucks and vehicles	330,374	37,470	292,904	-	-	-
Plant and machinery	157,130	36,440	120,690	-	-	-
	\$ 551,228	\$ 86,615	\$ 464,613	\$ -	\$ -	\$ -

5. DEFERRED ACQUISITION COSTS

During the year ended July 31, 2010, the Company incurred expenditures totaling \$110,767 for geological consulting, travel and professional fees in conjunction with the acquisition of Abzu Resources Ltd. (note 3). Upon completion of the acquisition of Abzu Resources Ltd., the deferred acquisition costs as at December 31, 2010 were reclassified to mineral property interests (note 6).

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**6. MINERAL PROPERTY INTERESTS**

	Chia (note 6(a))	Brenase (note 6(b))	Mpatasie (note 6(c))	Asafo (note 6(d))	Golden Reef (note 6(e))	U & N (note 6(f))	Others (note 6(g))	Total Ghana	Caledonia (note 6(h))	Total
Balance, July 31, 2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred exploration costs:										
Assays and drilling	-	-	-	-	-	-	-	-	49,933	49,933
Equipment rental	-	-	-	-	-	-	-	-	8,792	8,792
Field supplies	-	-	-	-	-	-	-	-	3,428	3,428
Field wages	-	-	-	-	-	-	-	-	9,820	9,820
Geological services	-	-	-	-	-	-	-	-	39,600	39,600
Project management	-	-	-	-	-	-	-	-	13,222	13,222
Surveying and mapping	-	-	-	-	-	-	-	-	2,100	2,100
Travel and accommodation	-	-	-	-	-	-	-	-	659	659
Total deferred exploration expenses	-	-	-	-	-	-	-	-	127,554	127,554
Balance, July 31, 2010	-	-	-	-	-	-	-	-	127,554	127,554
Acquisition costs:										
Cash payments	-	-	-	79,536	99,420	-	-	178,956	-	178,956
Shares issued (note 3)	592,526	699,565	4,657,214	2,581,450	535,195	910,973	456,108	10,433,031	-	10,433,031
Total acquisition costs	592,526	699,565	4,657,214	2,660,986	634,615	910,973	456,108	10,611,987	-	10,611,987
Deferred exploration costs:										
Depreciation	902	902	1,259	902	359	359	902	5,585	-	5,585
Due diligence	12,559	14,828	98,715	54,716	11,342	19,309	9,668	221,137	-	221,137
Environmental fees	-	-	-	-	-	-	9,942	9,942	-	9,942
Field expenses	-	-	11,588	-	-	-	35,406	46,994	-	46,994
Fuel	-	-	67	21,196	-	-	5,999	27,262	-	27,262
Legal	-	-	-	-	4,971	-	-	4,971	-	4,971
Project management	-	-	-	-	-	-	19,884	19,884	-	19,884
Total deferred exploration expenses	13,461	15,730	111,629	76,814	16,672	19,668	81,801	335,775	-	335,775
Write-offs	-	-	-	-	-	-	(486,562)	(486,562)	(127,554)	(614,116)
Balance, January 31, 2011	\$ 605,987	\$ 715,295	\$ 4,768,843	\$ 2,737,800	\$ 651,287	\$ 930,641	\$ 51,347	\$ 10,461,200	\$ -	\$ 10,461,200

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

6. MINERAL PROPERTY INTERESTS (cont'd...)

(a) Chia, Ghana

On July 27, 2007, ARL entered into an option to earn an 80% interest in this concession, with the Government of Ghana holding a 10% interest in accordance with mining legislation in Ghana, in consideration for US\$230,000 over a period of five years, or until production commences. The property is located in Birim North District in the Eastern Region of Ghana. As of January 31, 2011, total payments of US\$40,000 were made as follows:

- (i) US\$10,000 upon signature of the agreement on July 27, 2007 (paid);
- (ii) US\$25,000 on or before February 1, 2008 (paid);
- (iii) US\$35,000 on or before February 1, 2009 (US\$5,000 paid by);
- (iv) US\$45,000 on or before February 1, 2010;
- (v) US\$55,000 on or before February 1, 2011; and
- (vi) US\$60,000 on or before February 1, 2012.

The owner of the property passed away in 2009 and, accordingly, ARL is waiting for the Mineral Commission in Ghana to determine the ownership before pursuing payments. In October 2010, a total payment of US\$23,500 was made out of the US\$60,000 required to acquire the title to this concession; as a result, the above option agreement is no longer valid.

Pursuant to the Acquisition (note 3), the Company acquired the interest in this concession by acquiring ARL with total fair value of \$592,526.

(b) Brenase, Ghana

On July 27, 2007, ARL entered into an option to earn an 80% interest in this concession, with the Government of Ghana holding a 10% interest in accordance with mining legislation in Ghana, in consideration for US\$230,000 over a period of five years or until production commences. The property is located in Brenase in the Eastern Region in Ghana. As of January 31, 2011, total payments of US\$40,000 were made as follows:

- (i) US\$10,000 upon signature of the agreement on July 27, 2007 (paid);
- (ii) US\$25,000 on or before February 1, 2008 (paid);
- (iii) US\$35,000 on or before February 1, 2009 (US\$5,000 paid);
- (iv) US\$45,000 on or before February 1, 2010;
- (v) US\$55,000 on or before February 1, 2011; and
- (vi) US\$60,000 on or before February 1, 2012.

The owner of the property passed away in 2009 and, accordingly, the Company is waiting for the Mineral Commission in Ghana to determine the ownership before pursuing payments. In September 2010, a total payment of US\$35,250 was made out of the US\$60,000 required to acquire the title to this concession; as a result, the above option agreement is no longer valid.

Pursuant to the Acquisition (note 3), the Company acquired the interest in this concession by acquiring ARL with total fair value of \$699,565.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

6. MINERAL PROPERTY INTERESTS (cont'd...)**(c) Mpatasie, Ghana**

On November 15, 2007, ARL entered into an option to earn an 80% interest in this concession, with the Government of Ghana holding a 10% interest in accordance with mining legislation in Ghana, in consideration for US\$500,000 over a period of five years or until production commences. The property is located at Mpatasie in the District of Ashanti Region in Ghana. As of January 31, 2011, US\$500,000 was paid and the option had been fully exercised.

Pursuant to the Acquisition (note 3), the Company acquired the interest in this concession by acquiring ARL with total fair value of \$4,657,214.

(d) Asafo, Ghana

On November 16, 2007, ARL entered into an option to earn an 80% interest in this concession, with the Government of Ghana holding a 10% interest in accordance with mining legislation in Ghana, in consideration for US\$500,000 over a period of five years or until production commences. The property is also subject to a negotiable 3% royalty interest with the Eastern Mining Co. The property is in the East Akim District of the Eastern Region in Ghana. As of January 31, 2011, total payments of US\$360,000 were made as follows in accordance with an amended agreement dated March 2, 2010:

- (i) US\$30,000 upon signature of the agreement on November 16, 2007 (paid);
- (ii) US\$20,000 on or before December 1, 2007 (paid);
- (iii) US\$20,000 on or before May 18, 2009 (paid);
- (iv) US\$50,000 upon signature of the amendment on March 2, 2010 (paid);
- (v) US\$35,000 on or before June 2, 2010 (paid);
- (vi) US\$35,000 on or before September 2, 2010 (paid);
- (vii) US\$80,000 on or before December 1, 2010 (paid);
- (viii) US\$90,000 on or before December 1, 2011; and (paid)
- (ix) US\$140,000 on or before December 1, 2012.

Pursuant to the Acquisition (note 3), the Company acquired the interest in this concession by acquiring ARL with total fair value of \$2,581,450.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

6. MINERAL PROPERTY INTERESTS (cont'd...)**(e) Golden Reef, Ghana**

On October 22, 2010, ARL entered into an option to earn an 80% interest in this concession, with the Government of Ghana holding a 10% interest in accordance with mining legislation in Ghana, in consideration for US\$500,000 over a period of four years or until production commences. The property is located at Ankam in the District of Asankrawgwa Region in Ghana. As of December 21, 2010, Acquisition date (note 3), ARL paid US\$60,000 as a deposit to hold the Golden Reef until the option agreement is finalized. As of January 31, 2011, total payment of US\$100,000 was made as follows:

- (i) US\$100,000 upon signature of the agreement on October 22, 2010 (paid);
- (ii) US\$100,000 on or before October 22, 2011;
- (iii) US\$100,000 on or before October 22, 2012;
- (iv) US\$100,000 on or before October 22, 2013; and
- (v) US\$100,000 on or before October 22, 2014.

Pursuant to the Acquisition (note 3), the Company acquired the interest in this concession by acquiring ARL with total fair value of \$535,195.

(f) U & N, Ghana

On September 7, 2010, ARL entered into an option to earn an 80% interest in this concession, with the Government of Ghana holding a 10% interest in accordance with mining legislation in Ghana, in consideration for US\$500,000 over a period of four years or until production commences. The property is located in the Amansie West District of Ashanti Region in Ghana. As of January 31, 2011, total payment of US\$100,000 was made as follows:

- (i) US\$100,000 upon signature of the agreement on September 7, 2010 (paid);
- (ii) US\$100,000 on or before September 1, 2011;
- (iii) US\$100,000 on or before September 1, 2012;
- (iv) US\$100,000 on or before September 1, 2013; and
- (v) US\$100,000 on or before September 1, 2014.

Pursuant to the Acquisition (note 3), the Company acquired the interest in this concession by acquiring ARL with total fair value of \$910,973.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

6. MINERAL PROPERTY INTERESTS (cont'd...)

(g) Other

(i) Côte d'Ivoire

ARL has minor properties in Côte d'Ivoire at a Cost of US\$45,000.

Pursuant to the Acquisition (note 3), the Company acquired the interest in these properties by acquiring ARL with total fair value of \$456,108.

In January 2011, due to unstable conditions in Côte d'Ivoire, the Company has decided to abandon the project and accordingly, wrote-down the project to \$Nil, recognizing a charge to operations of \$486,562 during the period ended January 31, 2011.

(ii) Other Ghana projects

ARL is actively involved in a social program where the Company is assisting the people of the Republic of Ghana with the development of mineral properties licensed under the Small Scale Mining Act of Ghana, through training on the newest gravity oriented machinery. Pursuant to the Acquisition, the Company continues to be actively involved in this aspect of the social program, while planning for expansion that will assist villages near concessions with transportation and care for local village people needing medical attention.

(h) Caledonia Property, Canada

On December 17, 2009, the Company acquired an option to earn a 100% interest in 26 mineral claims in the Nanaimo Mining Division, British Columbia, Canada, in consideration for \$150,000 cash payments and \$300,000 exploration expenditures over three years.

During the year ended July 31, 2010, the Company had incurred a total of \$127,554 in deferred exploration expenses.

After the Acquisition (note 3), the Company decided to focus on the mineral property interests located in the Republic of Ghana, accordingly wrote-off the Caledonia Property to \$Nil, recognizing a charge of \$127,554 to operations during the period ended January 31, 2011.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

6. MINERAL PROPERTY INTERESTS (cont'd...)**Realization of assets**

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

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

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

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental

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

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

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

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company classifies its cash as held-for-trading; accounts payable and accrued liabilities and due to related parties as other financial liabilities.

The carrying values of cash, and accounts payable and accrued liabilities approximate their fair values due to the expected short-term maturity of these financial instruments. The fair values of amounts due to related parties have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm's length.

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

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd...)****(a) Credit risk**

In respect to accounts receivable, the Company is not exposed to significant credit risk as the majority are due from governmental agencies.

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution, and a major Ghanaian financial institution. The Company's concentration of credit risk and maximum exposure thereto in Canada and Ghana follows:

Cash	January 31, 2011	July 31, 2010 (audited)
Canadian financial institution	\$ 4,280,885	\$ 711,163
Ghanaian financial institution	1,795,236	-
	\$ 6,076,211	\$ 711,163

The credit risk associated with cash is minimized by ensuring that these financial assets are placed with major Canadian and Ghanaian financial institutions with strong investment-grade ratings by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At January 31, 2011, the Company had cash of \$6,076,211, which will be sufficient to meet its obligations related to its accounts payable and accrued liabilities of \$164,819 and due to related parties of \$181,101.

All its non-derivative financial liabilities made up of accounts payable and accrued liabilities and due to related party, are due within three months of the year-end as shown below. The Company does not have any derivative financial liabilities.

	0 to 3 months	3 to 6 months	6 to 12 months	Total
Accounts payable and accrued liabilities	\$ 164,819	\$ -	\$ -	\$ 164,819
Due to related parties	\$ 181,101	\$ -	\$ -	\$ 181,101
	\$ 345,920	\$ -	\$ -	\$ 345,920

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd...)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i. Interest rate risk

The Company's cash consists of cash held in bank accounts that earn interest at variable rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The interest income earned on cash is minimal; therefore, the Company is not subject to interest rate risk.

ii. Foreign currency risk

The Company is exposed to foreign currency risk as certain monetary financial instruments are denominated in United States. At January 31, 2011, total assets and liabilities include cash of US\$1,792,637 (July 31, 2010 - US\$Nil). The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the US dollar by 6% would increase or decrease foreign exchange expense by \$38,400 in these consolidated financial statements.

iii. Other price risk

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

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS**Authorized**

Unlimited common shares without par value and unlimited preferred shares without par value.

Issued

During the period ended January 31, 2011, the Company:

- i. Completed a non-brokered private placement on December 21, 2010 consisting of 14,000,000 units at a price of \$0.50 per unit for gross proceeds of \$7,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each full share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.75 until December 21, 2011. The Units of the private placement were valued at \$7,000,000 and of that \$2,536,006 was allocated to the value of the attached share purchase warrants. The Company incurred share issuance costs of \$750,789.
- ii. Issued 580,000 common shares for the exercise of 580,000 warrants for proceeds of \$232,000.
- iii. Issued 15,867,832 common shares at a price of \$0.50 per shares for in pursuant to the completion of the Acquisition of Abzu Resources Ltd. (note 3) with total fair value of \$7,933,916.

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

- i. Issued 75,000 common shares for the exercise of 75,000 incentive stock options for proceeds of \$18,750 and transferred related contributed surplus of \$16,583.
- ii. Completed a non-brokered private placement on April 16, 2010 consisting of 10,000,000 units at a price of \$0.065 per unit for gross proceeds of \$650,000. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.40 until April 16, 2012. The Units of the private placement were valued at \$650,000 and a further \$237,447 was allocated to the value of the attached share purchase warrants.

In connection with the financing, the Company issued 1,000,000 units ("Agent's Units") in share issuance costs. Each Agent's Unit consists of one common share and one common share purchase warrant, of which each warrant entitles the Agent to purchase one common share of the Company at a price of \$0.40 until April 16, 2012. The Units of the finders' fee were valued at \$65,000 and a further \$51,800 was allocated to the value of the finders' fee warrants. The Company incurred share issuance costs of \$7,862.

Escrow shares

As at January 31, 2011, a total of, a total of 1,104,001 common shares remain in escrow. These shares are subject to escrow agreements and 552,000 common shares may be released from escrow on each of March 18, 2011(released) and September 18, 2011.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)****Stock options**

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the Plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years with vesting terms determined by the Board of Directors.

Pursuant to the Acquisition, on December 21, 2010, the Company granted 2,000,000 options to directors, officers and consultants. The options are exercisable at a price of \$0.55 per share for a period of five years.

There were no options granted during the year ended July 31, 2010.

Stock option transactions are summarized as follows:

	January 31, 2011		July 31, 2010 (audited)	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	-	\$ -	930,000	\$ 0.25
Issued	2,000,000	\$ 0.55	-	\$ -
Exercised	-	\$ -	(75,000)	\$ 0.25
Expired	-	\$ -	(855,000)	\$ 0.25
Balance, end of period	2,000,000	\$ 0.55	-	\$ -

As at January 31, 2011, stock options outstanding are as follows:

	January 31, 2011			July 31, 2010 (audited)		
Expiry Date	Exercise Price	Number of Options	Exercisable	Exercise Price	Number of Options	Exercisable
December 21, 2015	\$ 0.55	2,000,000	2,000,000	\$ -	-	-

Stock-based compensation

During the six months ended January 31, 2011, the Company granted 2,000,000 (2010 - Nil) stock options with a fair value of \$1,829,060 (2010 - \$Nil), or \$0.91 (2010 - \$Nil) per option, calculated using the Black-Scholes option pricing model. Stock-based compensation charges for the six months ended January 31, 2011 totalled \$1,829,060 (2010 - \$Nil), of which \$1,554,701 (2010 - \$Nil) was allocated to consulting fees and \$274,359 (2010 - \$Nil) was allocated to shareholders' communications.

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)****Stock-based compensation (cont'd...)**

The following weighted average assumptions were used for the Black-Scholes option pricing model calculations:

	Period ended January 31, 2011 Grants	Year ended July 31, 2010 Grants (audited)
Risk-free interest rate	2.38%	NA
Expected life of options	5 years	NA
Annualized volatility	236%	NA
Dividend yield	0.0%	NA

Warrants

	January 31, 2011		July 31, 2010 (audited)	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	11,000,000	\$ 0.40	56,000	\$ 0.20
Issued	14,200,000	\$ 0.75	11,000,000	\$ 0.40
Exercised	(580,000)	\$ 0.40	-	\$ -
Expired	-	\$ -	(56,000)	\$ 0.20
Balance, end of period	24,620,000	\$ 0.60	11,000,000	\$ 0.40

As at January 31, 2011, warrants were outstanding as follows:

	January 31, 2011		July 31, 2010 (audited)	
Expiry Date	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
December 21, 2011	\$ 0.75	14,000,000	\$ -	-
April 16, 2012	\$ 0.40	9,420,000	\$ 0.40	10,000,000
April 16, 2012 (Agent's Warrants)	\$ 0.40	1,000,000	\$ 0.40	1,000,000
November 30, 2014 (note 3)	\$ 0.60	200,000	\$ -	-
		24,620,000		11,000,000

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)****Warrants (cont'd...)**

The allocation of fair value to warrants was calculated based on relative fair values. The following weighted average assumptions were used for the Black-Scholes option pricing model calculations:

	December 21, 2011	April 16, 2012	November 20, 2014
	Expiry	Expiry	Expiry
Risk-free interest rate	1.62%	1.43%	2.38%
Expected life of options	1 year	2 years	4 years
Annualized volatility	140%	171%	133%
Dividend yield	0.0%	0.00%	0.00%

9. RELATED PARTY TRANSACTIONS

These consolidated financial statements include transactions with related parties in addition to those disclosed elsewhere as follows:

- (a) The Company paid \$Nil (2010 - \$67,000) for management, administration fees and rent to directors of the Company.
- (b) The Company paid \$Nil (2010 - \$6,500) for professional fees to a former officer of the Company.
- (c) The Company paid or accrued consulting fees of \$27,510 (2010 - \$Nil), management and administration fees of \$43,750 (2010 - \$Nil), and \$10,000 (2010 - \$Nil) in shareholders' communications to companies with directors and officers in common.
- (d) The Company paid or accrued mineral property expenditures of \$18,733 (2010 - \$Nil) to a company with a director and an officer in common.

Included in share issuance costs is \$484,700 paid to a company controlled by a director.

Included in due to related parties is \$7,977 (July 31, 2010 - \$100) due to shareholders of the Company and \$173,124 (July 31, 2010 - \$Nil) due to companies with common directors and officers. The amounts are without interest and due on demand.

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

ABZU GOLD LTD.

(formerly Totem Minerals Inc.)

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2011 and 2010**10. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

The Company currently has no source of revenues; as such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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.

There were no changes in the Company's approach to capital management during the period ended January 31, 2011. The Company is not subject to externally imposed capital requirements.

11. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties.

Geographic information is as follows:

	January 31, 2011			July 31, 2010 (audited)		
	Canada	Ghana	Total	Canada	Ghana	Total
Cash	\$ 4,280,885	\$ 1,795,326	\$ 6,076,211	\$ 711,163	\$ -	\$ 711,163
Mineral property interests	-	10,461,200	10,461,200	127,554	-	127,554
Other assets	132,651	552,386	685,037	981,820	-	981,820
Total assets	\$ 4,413,536	\$ 12,808,912	\$ 17,222,448	\$ 1,820,537	\$ -	\$ 1,820,537

12. SUBSEQUENT EVENT

The Company issued 100,000 common shares pursuant to the exercise of warrants at a price of \$0.40 per share for total proceeds of \$40,000.