

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

**INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)

**OCTOBER 31, 2010**  
**(Unaudited - prepared by management)**

**These unaudited interim financial statements of Abzu Gold Ltd. (formerly Totem Minerals Inc.) for the three months ended October 31, 2010 have been prepared by management and approved by the Board of Directors. These interim financial statements have not been reviewed by the Company's external auditors.**

**ABZU GOLD LTD.**  
(formerly Totem Minerals Inc.)  
(An Exploration Stage Company)  
**INTERIM BALANCE SHEETS**  
(Expressed in Canadian Dollars)

	<b>October 31, 2010</b>	<b>July 31, 2010</b>
	(Unaudited)	
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 633,680	\$ 711,163
Funds held in trust (Note 10)	6,715,687	861,000
Receivables	8,430	10,053
	7,357,797	1,582,216
<b>Deferred financing costs</b> (Note 10)	86,561	-
<b>Deferred acquisition costs</b> (Note 3)	110,767	110,767
<b>Mineral property</b> (Note 4)	127,554	127,554
	\$ 7,682,679	\$ 1,820,537
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 38,331	\$ 18,802
Due to related party (Note 7)	100	100
	38,431	18,902
<b>Shareholders' equity</b>		
Capital stock (Note 5)	1,555,364	1,547,364
Contributed surplus (Note 5)	535,614	535,614
Subscriptions received in advance (Note 10)	6,715,687	861,000
Deficit	(1,162,417)	(1,142,343)
	7,644,248	1,801,635
	\$ 7,682,679	\$ 1,820,537

**Nature of operations and going concern** (Note 1)

**Significant event** (Note 10)

**Subsequent event** (Note 11)

**On behalf of the Board:**

"Antony Claydon" (signed)

Antony Claydon

Director

"Balbir Johal" (signed)

Balbir Johal

Director

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

**ABZU GOLD LTD.**

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**INTERIM STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

(Expressed in Canadian Dollars)

THREE MONTHS ENDED OCTOBER 31

(Unaudited – prepared by management)

	2010	2009
<b>EXPENSES</b>		
Management and administration fees (Note 7(a))	\$ 15,000	\$ 33,000
Office and miscellaneous	140	162
Professional fees	385	10,075
Rent	3,000	3,000
Transfer agent and filing fees	1,549	273
<b>Loss and comprehensive loss for the period</b>	(20,074)	(46,510)
<b>Deficit, beginning of period</b>	(1,142,343)	(889,256)
<b>Deficit, end of period</b>	\$ (1,162,417)	\$ (935,766)
<b>Basic and diluted loss per common share</b>	\$ (0.00)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>	23,024,653	11,338,735

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

**ABZU GOLD LTD.**  
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**INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
**THREE MONTHS ENDED OCTOBER 31**  
(Unaudited – prepared by management)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (20,074)	\$ (46,510)
Changes in non-cash working capital items:		
Decrease in receivables	1,623	43
Decrease in prepaid expenses and advances	-	11,164
Decrease in accounts payable and accrued liabilities	(5,029)	(1,679)
Net cash used in operating activities	(23,480)	(36,982)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Deferred financing costs	(62,003)	-
Net cash used in investing activity	(62,003)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash	8,000	-
Subscriptions received in advance	5,854,687	-
Funds held in trust	(5,854,687)	-
Short-term investments	-	38,111
Net cash provided by financing activities	8,000	38,111
<b>Change in cash during the period</b>	<b>(78,483)</b>	<b>1,129</b>
<b>Cash, beginning of period</b>	<b>711,163</b>	<b>1,823</b>
<b>Cash, end of period</b>	<b>\$ 633,680</b>	<b>\$ 2,952</b>
<b>Supplemental cash flow information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

During the three months ended October 31, 2010, accounts payable and accrued liabilities included \$24,558 of deferred financing costs.

There were no significant non-cash transactions during the three months ended October 31, 2009.

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

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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**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. Subsequent to October 31, 2010, the Company changed its name from Totem Minerals Inc. to Abzu Gold Ltd. as part of the acquisition of Abzu Resources Ltd. (Note 10). 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 interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements applicable to a going concern that contemplates the realization of assets and the settlement of liabilities in the normal course of business as they come due. At October 31, 2010, the Company reported working capital of \$595,679 (July 31, 2010 - \$702,314); and an accumulated deficit of \$1,162,417 (July 31, 2010 - \$1,142,343). As at October 31, 2010, the Company received \$6,715,687 in connection with the proposed financing on the Abzu transaction (Note 10). These funds have not been included in the working capital amount or cash on hand, as the funds are refundable if the transaction does not close on or before December 31, 2010. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise equity financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Realization values of assets may be substantially different from the carrying value shown in these interim financial statements should the Company be unable to continue as a going concern, and the differences may be material. These interim financial statements do not include any adjustments to the carrying values or classification of the Company’s assets and liabilities should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES****BASIS OF PRESENTATION**

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three months ended October 31, 2010 are not necessarily indicative of the results that may be expected for the year ending July 31, 2011. These interim financial statements follow the same accounting policies as the annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the 2010 audited annual financial statements and notes thereto.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Future accounting changes**

*International Financial Reporting Standards*

In February 2008, the Canadian Accounting Standards Board confirmed that 2011 is the changeover date for publicly-listed companies to use IFRS replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be August 1, 2010 and will require the restatement for comparative purposes of amounts reported by the Company for the year ending July 31, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

**3. 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 10). No additional costs were incurred during the three months ended October 31, 2010.

**4. MINERAL PROPERTY**

*Caledonia Property*

**Acquisition Costs**

By agreement dated 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. Terms of the option call for cash payments of \$150,000 and exploration expenditures of \$300,000 over three years. Timing of these payments and expenditures are as follows:

Date	Cash Payments	Work Commitment
June 15, 2010	\$ 50,000 *	\$ 100,000 (incurred)
January 1, 2011	50,000	100,000
January 1, 2012	50,000	100,000
<b>Total</b>	<b>\$ 150,000</b>	<b>\$ 300,000</b>

\* During the year ended July 31, 2010, the Company entered into discussions with the optionor to extend the initial payment of \$50,000 to a future date. This extension is still being negotiated.

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**OCTOBER 31, 2010****(Unaudited – prepared by management)****4. MINERAL PROPERTY (cont'd...)****Deferred Exploration Costs**

	<b>Three Months Ended October 31, 2010</b>	<b>Year ended July 31, 2010</b>
		Caledonia Property
Balance, beginning of period	\$ 127,554	\$ -
Assays and drilling	-	49,933
Equipment rental	-	8,792
Field supplies	-	3,428
Field travel and accommodation	-	659
Field wages	-	9,820
Geological services	-	39,600
Project management	-	13,222
Reports	-	2,100
Balance, end of period	\$ 127,554	\$ 127,554

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS****Authorized**

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

**Issued**

	Number of Shares	Amount	Contributed Surplus
Balance, July 31, 2009	11,949,001	\$ 1,159,141	\$ 262,950
Issued for cash	10,075,000	668,750	-
Issued for finder's fee	1,000,000	65,000	-
Transfer from contributed surplus for exercised options	-	16,583	(16,583)
Allocation of finder's fee to warrants	-	-	51,800
Allocation of proceeds to warrants	-	(237,447)	237,447
Share issue costs	-	(124,663)	-
Balance, July 31, 2010	23,024,001	1,547,364	535,614
Exercise of warrants	20,000	8,000	-
Balance, October 31, 2010	23,044,001	\$ 1,555,364	\$ 535,614

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**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

During the three months ended October 31, 2010, 20,000 share purchase warrants were exercised for proceeds of \$8,000.

During the year ended July 31, 2010, the Company issued 75,000 shares pursuant to the exercise of incentive stock options for cash proceeds totaling \$18,750 and, as a result, transferred related contributed surplus of \$16,583.

During the year ended July 31, 2010, the Company issued 10,000,000 units for gross proceeds of \$650,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.40 for a period of two years. The Company also issued 1,000,000 units as a finder's fee in connection with this placement. The units of the finder's fee were valued at \$65,000 and a further \$51,800 was allocated to the value of the finder's fee warrants. The Company incurred cash share issue costs of \$7,862.

**Escrow shares**

As at October 31, 2010, 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 and September 18, 2011.

**6. STOCK OPTIONS AND WARRANTS**

**Stock options**

The Company has a stock option plan in place 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 shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less allowable discount, as calculated on the date of grant. The options may be granted for a maximum term of five years with vesting provisions determined by the Board of Directors.

Stock option transactions activity is summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2009	930,000	\$ 0.25
Options exercised	(75,000)	0.25
Options cancelled	(855,000)	0.25
<b>Balance, July 31, 2010 and October 31, 2010</b>	<b>-</b>	<b>\$ -</b>

There were no new options granted during the three months ended October 31, 2010.

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**6. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants**

The following warrants were outstanding at October 31, 2010:

Number of Warrants	Exercise Price	Expiry Date
10,980,000	\$ 0.40	April 16, 2012*

\* If the Company's shares trade at over \$1.00 for 20 consecutive trading days, the Company can give notice to accelerate the expiry date to 30 days.

The allocation of fair value to warrants was calculated based on relative fair values. The fair value of warrants issued on April 16, 2010 was calculated as \$0.05 using a risk-free interest rate of 1.43% with volatility of 170.65% for a two-year term.

Warrant transactions and the number of warrants are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
Balance, July 31, 2009	56,000	\$ 0.20	0.66
Issued	11,000,000	0.40	2.00
Expired	(56,000)	0.20	-
Balance, July 31, 2010	11,000,000	0.40	1.71
Exercised	(20,000)	0.40	-
Balance, October 31, 2010	10,980,000	\$ 0.40	1.46

**7. RELATED PARTY TRANSACTIONS**

During the three months ended October 31, 2010, the Company entered into the following transactions with related parties:

- (a) Paid or accrued management and administrative fees of \$Nil (2009 - \$15,000) to a director and a company controlled by a director.
- (b) Paid or accrued professional fees of \$Nil (2009 - \$7,500) to a director and a former officer of the Company.

At October 31, 2010, there is \$100 due to related parties (July 31, 2010 - \$100).

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

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**8. FINANCIAL INSTRUMENTS**

The Company classifies its cash, funds held in trust and short-term investments as held-for-trading; receivables as loans and receivables; and accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities. The carrying values of cash, funds held in trust, short-term investments, receivables, and accounts payable and accrued liabilities approximate their fair values due to short-term maturity of these financial instruments. The fair value of amounts due from/to related parties have not been disclosed as their fair values cannot be reliably measured as the parties are not at arm's length. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit, interest or currency risks arising from these financial instruments.

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risk.

**(a) Credit risk**

The Company's cash is mainly held at large Canadian financial institutions and as at October 31, 2010 is mainly held in interest-bearing accounts. The Company's receivables mainly comprise of HST recoverable from the Canadian government. Accordingly, the Company is not exposed to significant credit risk.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At October 31, 2010, the Company had liabilities of \$38,431 (July 31, 2010 - \$ 18,903) with contractual maturities of 90 days or less. The Company manages liquidity risk through the management of its capital resources as outlined in Note 9.

**(c) Market risk**

Market risk is the risk of loss that may arise from changes in market factors comprised of interest rate, foreign currency, and commodity and other price risks.

**(i) Interest rate risk**

The Company has cash balances, which are deposited at Canadian financial institutions. As of October 31, 2010, the Company did not have any investments in short-term investments.

**(ii) Foreign currency risk**

The Company is not exposed to foreign currency risk on its financial instruments.

**(iii) Other price risk**

The Company is not exposed to material other price risks on its financial instruments.

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**9. CAPITAL MANAGEMENT**

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, contributed surplus and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. This strategy is unchanged from fiscal 2010. The Company is not subject to externally imposed capital restrictions.

**10. SIGNIFICANT EVENT**

In June 2010, the Company announced that it entered into a Letter of Intent ("LOI") with Abzu Resources Ltd. ("Abzu"), a British Columbia private company, to acquire Abzu's indirect 100% interest (the "Transaction") in seven gold exploration concessions covering over 3,000 square kilometers in West Africa in Ghana and La Cote d'Ivoire, Africa (the "Concessions"). Under the terms of the LOI, the Company agreed to acquire Abzu's 100% indirect interest in the Concessions by acquiring all of the issued and outstanding shares of Abzu in exchange for the issuance of 15,202,832 common shares of the Company (issued). In addition, the Company has issued 200,000 share purchase warrants exercisable at \$0.60 per share until November 30, 2014 to replace certain outstanding share purchase warrants of Abzu. The Transaction was completed by way of a take-over bid circular. The Transaction is arm's length and, is a "Fundamental Transaction" under the TSX Venture Exchange's (the "Exchange").

In September 2010, the Company announced a private placement for gross proceeds of \$7,000,000. Of the subscriptions related to this private placement, \$6,715,687 was received as at October 31, 2010. Additionally, as at October 31, 2010, the Company incurred \$86,851 in deferred financing costs in connection with this private placement. Subsequent to October 31, 2010, the Company closed on the \$7,000,000 private placement and issued 14,000,000 Subscription Receipts. Subsequent to October 31, 2010, the Company has paid commissions of \$353,390 in connection of the private placement

Each Subscription Receipt, issued for \$0.50, subsequent to October 31, 2010, has been automatically converted into one unit (a "Unit") of the Company. Each Unit will consist of one common share and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one additional common share of the Company at a price of \$0.75 for a period of 12 months. In the event that the closing price of the Company's common shares on the Exchange exceeds \$1.00 for 20 consecutive trading days, the Company shall have rights to accelerate the exercise period of the Warrants to a date not less than 30 days from date notice is given to holders of the acceleration.

The Company has agreed, to the payment of a finder's fee in the amount of 665,000 common shares of the Company, which will be paid in accordance with Exchange policies to an arm's length third party, for introducing the Company to Abzu upon the successful completion of the Transaction.

Also, pursuant to the terms of the Abzu LOI, the Company and Abzu have agreed, subject to Exchange acceptance, that conditional upon the closing of the Transaction, the Company will grant stock options to new directors, officers and consultants of the Company to purchase up to 2,000,000 common shares of the Company at the private placement price of \$0.50 per share in accordance with the Company's Stock Option Plan.

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**11. SUBSEQUENT EVENT**

Subsequent to October 31, 2010, 60,000 warrants were exercised at \$0.40 per share for total proceeds of \$24,000.