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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2010

Commission File Number 001-34399

**SHARPE RESOURCES CORPORATION**  
(Translation of registrant's name into English)  
**3258 MOB NECK ROAD, HEATHSVILLE, VIRGINIA 22473**  
(Address of principal executive offices)

Indicated by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(1):  
\_\_\_\_\_

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(7):  
\_\_\_\_\_

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82-4009

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 1, 2010

\_\_\_\_\_  
Sharpe Resources Corporation  
(Registrant)  
By \S\ Roland M. Larsen  
President & CEO

SEC1815 (04-09)

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**SHARPE RESOURCES CORPORATION**  
**(An Exploration Stage Company)**  
**(Expressed in United States Dollars)**  
**Interim Consolidated Financial Statements**  
**Three and Six Months Ended June 30, 2010**  
**(Unaudited)**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim consolidated financial statements of Sharpe Resources Corporation (An Exploration Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2009 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **NOTICE TO READER**

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 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 unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Interim Consolidated Balance Sheets

(Expressed in United States Dollars)

| <b>(Unaudited)</b>                                 | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|--|--------------------------|------------------------------|
| <b>Assets</b>                                      |                          |                              |
| Current assets                                     |                          |                              |
| Cash and cash equivalents                          | \$ 7,542                 | \$ 89,138                    |
| Prepaid expenses                                   | 51,675                   | -                            |
|  | <b>59,217</b>            | 89,138                       |
| Due from related party (Note 7)                    | 274,000                  | 250,000                      |
|  | <b>\$ 333,217</b>        | <b>\$ 339,138</b>            |
| <b>Liabilities</b>                                 |                          |                              |
| Current liabilities                                |                          |                              |
| Accounts payable and accrued liabilities           | \$ 213,005               | \$ 175,760                   |
| Current portion of due to related parties (Note 7) | 25,400                   | 25,400                       |
| Other liabilities (Note 9)                         | 563,818                  | 563,818                      |
|  | <b>802,223</b>           | 764,978                      |
| Due to related parties (Note 7)                    | 111,654                  | 111,654                      |
|  | <b>913,877</b>           | 876,632                      |
| <b>Shareholders' Deficiency</b>                    |                          |                              |
| Share capital (Note 5(b))                          | 11,463,430               | 11,463,430                   |
| Contributed surplus                                | 455,335                  | 455,335                      |
| Deficit  | (12,499,425)             | (12,456,259)                 |
|  | <b>(580,660)</b>         | <b>(537,494)</b>             |
|  | <b>\$ 333,217</b>        | <b>\$ 339,138</b>            |

## Nature of Operations and Going Concern (Note 1)

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States Dollars)

| <b>(Unaudited)</b>                                       | <b>Three Months Ended<br/>June 30,</b> |                    | <b>Six Months Ended<br/>June 30,</b> |                    | <b>Cumulative<br/>From Start of<br/>the Exploration<br/>Stage on<br/>January 1,<br/>2002</b> |
|--|--|--------------------|--------------------------------------|--------------------|--|
|  | <b>2010</b>                            | <b>2009</b>        | <b>2010</b>                          | <b>2009</b>        |  |
| <b>Revenue</b>   |  |                    |                                      |                    |  |
| Petroleum and natural gas revenue                        | \$ -                                   | \$ 2,902           | \$ 700                               | \$ 4,125           | \$ 426,697   |
| Interest income  | -                                      | 198                | 23                                   | 904                | 17,982   |
| Other income   | -                                      | -                  | 2,000                                | -                  | 5,239  |
|  | -                                      | 3,100              | 2,723                                | 5,029              | 449,918  |
| <b>Operating and administrative expenses</b>             |  |                    |                                      |                    |  |
| Operating  | -                                      | 134                | 32                                   | 191                | 742,964  |
| General and administrative                               | 19,729                                 | 43,052             | 33,565                               | 57,479             | 829,810  |
| Depletion, depreciation and amortization                 | -                                      | -                  | -                                    | -                  | 35,353   |
| Stock-option compensation                                | -                                      | -                  | -                                    | -                  | 312,249  |
| Interest on advance                                      | 508                                    | 508                | 1,016                                | 1,016              | 14,618   |
| Interest on loan claims                                  | 5,638                                  | 6,724              | 11,276                               | 13,373             | 143,988  |
| Management fees  | -                                      | -                  | -                                    | -                  | 169,000  |
|  | 25,875                                 | 50,418             | 45,889                               | 72,059             | 2,247,982  |
| <b>Loss before the following:</b>                        | <b>(25,875)</b>                        | <b>(47,318)</b>    | <b>(43,166)</b>                      | <b>(67,030)</b>    | <b>(1,798,064)</b>   |
| Write-off of an option to acquire mineral property       | -                                      | -                  | -                                    | -                  | (78,125)   |
| Gain on disposal of petroleum and natural gas properties | -                                      | -                  | -                                    | -                  | 606,047  |
| Gain on disposal of capital asset                        | -                                      | -                  | -                                    | -                  | 10,000   |
| Gain on settlement of debt                               | -                                      | -                  | -                                    | -                  | 149,681  |
| <b>Net loss and comprehensive loss for the period</b>    | <b>\$ (25,875)</b>                     | <b>\$ (47,318)</b> | <b>\$ (43,166)</b>                   | <b>\$ (67,030)</b> | <b>\$ (1,110,461)</b>  |
| <b>Loss per common share</b>                             |  |                    |                                      |                    |  |
| - Basic and diluted                                      | <b>\$ (0.00)</b>                       | <b>\$ (0.00)</b>   | <b>\$ (0.00)</b>                     | <b>\$ (0.00)</b>   | <b>-</b>   |
| <b>Weighted average of common shares outstanding</b>     | <b>46,619,863</b>                      | <b>46,619,863</b>  | <b>46,619,863</b>                    | <b>46,619,863</b>  | <b>-</b>   |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Interim Consolidated Statements of Deficit

(Expressed in United States Dollars)

| <b>(Unaudited)</b>           | <b>Three Months Ended</b> |                          | <b>Six Months Ended</b> |                          | <b>Cumulative</b>   |
|------------------------------|---------------------------|--------------------------|-------------------------|--------------------------|---|
|                              | <b>2010</b>               | <b>June 30,<br/>2009</b> | <b>2010</b>             | <b>June 30,<br/>2009</b> | <b>From Start of<br/>the Exploration<br/>Stage on<br/>January 1,<br/>2002</b> |
| Deficit, beginning of period | <b>\$(12,473,550)</b>     | \$(12,362,068)           | <b>\$(12,456,259)</b>   | \$(12,342,356)           | \$(11,388,964)  |
| Net loss for the period      | <b>(25,875)</b>           | (47,318)                 | <b>(43,166)</b>         | (67,030)                 | (1,110,461)   |
| Deficit, end of period       | <b>\$(12,499,425)</b>     | \$(12,409,386)           | <b>\$(12,499,425)</b>   | \$(12,409,386)           | \$(12,499,425)  |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in United States Dollars)

| (Unaudited)                       | Number of Shares  | Share Capital        | Warrants          | Contributed Surplus | Accumulated Deficit   | Total               |
|-----------------------------------|-------------------|----------------------|-------------------|---------------------|-----------------------|---------------------|
| <b>Balance, December 31, 2001</b> | <b>33,184,803</b> | <b>\$ 10,921,861</b> | <b>\$ -</b>       | <b>\$ -</b>         | <b>\$(11,388,964)</b> | <b>\$ (467,103)</b> |
| Net loss for the year             | -                 | -                    | -                 | -                   | (111,999)             | (111,999)           |
| <b>Balance, December 31, 2002</b> | <b>33,184,803</b> | <b>\$ 10,921,861</b> | <b>\$ -</b>       | <b>\$ -</b>         | <b>\$(11,500,963)</b> | <b>\$ (579,102)</b> |
| Stock options granted             | -                 | -                    | -                 | 17,660              | -                     | 17,660              |
| Net loss for the year             | -                 | -                    | -                 | -                   | (13,648)              | (13,648)            |
| <b>Balance, December 31, 2003</b> | <b>33,184,803</b> | <b>\$ 10,921,861</b> | <b>\$ -</b>       | <b>\$ 17,660</b>    | <b>\$(11,514,611)</b> | <b>\$ (575,090)</b> |
| Shares issued for mining property | 2,000,000         | 78,125               | -                 | -                   | -                     | 78,125              |
| Net loss for the year             | -                 | -                    | -                 | -                   | (194,909)             | (194,909)           |
| <b>Balance, December 31, 2004</b> | <b>35,184,803</b> | <b>\$ 10,999,986</b> | <b>\$ -</b>       | <b>\$ 17,660</b>    | <b>\$(11,709,520)</b> | <b>\$ (691,874)</b> |
| Stock options granted             | -                 | -                    | -                 | 15,484              | -                     | 15,484              |
| Net income for the year           | -                 | -                    | -                 | -                   | 289,238               | 289,238             |
| <b>Balance, December 31, 2005</b> | <b>35,184,803</b> | <b>\$ 10,999,986</b> | <b>\$ -</b>       | <b>\$ 33,144</b>    | <b>\$(11,420,282)</b> | <b>\$ (387,152)</b> |
| Issued on private placement       | 8,796,200         | 378,530              | -                 | -                   | -                     | 378,530             |
| Fair value of warrants issued     | -                 | (204,408)            | 204,408           | -                   | -                     | -                   |
| Net loss for the year             | -                 | -                    | -                 | -                   | (344,752)             | (344,752)           |
| <b>Balance, December 31, 2006</b> | <b>43,981,003</b> | <b>\$ 11,174,108</b> | <b>\$ 204,408</b> | <b>\$ 33,144</b>    | <b>\$(11,765,034)</b> | <b>\$ (353,374)</b> |
| Exercise of warrants              | 2,638,860         | 228,000              | -                 | -                   | -                     | 228,000             |
| Fair value of warrants exercised  | -                 | 61,322               | (61,322)          | -                   | -                     | -                   |
| Expiry of warrants                | -                 | -                    | (143,086)         | 143,086             | -                     | -                   |
| Fair value of granted options     | -                 | -                    | -                 | 90,232              | -                     | 90,232              |
| Net loss for the year             | -                 | -                    | -                 | -                   | (255,827)             | (255,827)           |
| <b>Balance, December 31, 2007</b> | <b>46,619,863</b> | <b>\$ 11,463,430</b> | <b>\$ -</b>       | <b>\$ 266,462</b>   | <b>\$(12,020,861)</b> | <b>\$ (290,969)</b> |
| Stock-based compensation          | -                 | -                    | -                 | 188,873             | -                     | 188,873             |
| Net loss for the year             | -                 | -                    | -                 | -                   | (321,495)             | (321,495)           |
| <b>Balance, December 31, 2008</b> | <b>46,619,863</b> | <b>\$ 11,463,430</b> | <b>\$ -</b>       | <b>\$ 455,335</b>   | <b>\$(12,342,356)</b> | <b>\$ (423,591)</b> |
| Net loss for the year             | -                 | -                    | -                 | -                   | (113,903)             | (113,903)           |
| <b>Balance, December 31, 2009</b> | <b>46,619,863</b> | <b>\$ 11,463,430</b> | <b>\$ -</b>       | <b>\$ 455,335</b>   | <b>\$(12,456,259)</b> | <b>\$ (537,494)</b> |
| Net loss for the period           | -                 | -                    | -                 | -                   | (43,166)              | (43,166)            |
| <b>Balance, June 30, 2010</b>     | <b>46,619,863</b> | <b>\$ 11,463,430</b> | <b>\$ -</b>       | <b>\$ 455,335</b>   | <b>\$(12,499,425)</b> | <b>\$ (580,660)</b> |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Interim Consolidated Statements of Cash Flows

(Expressed in United States Dollars)

| <b>(Unaudited)</b>   | <b>Three Months Ended<br/>June 30,</b> |                   | <b>Six Months Ended<br/>June 30,</b> |                   | <b>Cumulative<br/>From Start of<br/>the Exploration<br/>Stage on<br/>January 1,<br/>2002</b> |
|--|--|-------------------|--------------------------------------|-------------------|--|
|  | <b>2010</b>                            | <b>2009</b>       | <b>2010</b>                          | <b>2009</b>       |  |
| <b>Cash flows (used in) provided by operating activities</b> |  |                   |                                      |                   |  |
| Net loss for the period                                      | \$ (25,875)                            | \$ (47,318)       | \$ (43,166)                          | \$ (67,030)       | \$(1,110,461)  |
| Operating items not involving cash:                          |  |                   |                                      |                   |  |
| Depletion, depreciation and amortization                     | -                                      | -                 | -                                    | -                 | 35,353   |
| Accrued interest payable                                     | 6,146                                  | -                 | 12,292                               | -                 | 61,462   |
| Stock-option compensation                                    | -                                      | -                 | -                                    | -                 | 312,249  |
| Write-off of an option to acquire mineral property           | -                                      | -                 | -                                    | -                 | 78,125   |
| Gain on disposal of petroleum and natural gas properties     | -                                      | -                 | -                                    | -                 | (606,047)  |
| Gain on disposal of capital asset                            | -                                      | -                 | -                                    | -                 | (10,000)   |
| Gain on settlement of debt                                   | -                                      | -                 | -                                    | -                 | (149,681)  |
| Changes in non-cash working capital items                    | 19,715                                 | 13,319            | (26,722)                             | (21,614)          | 263,284  |
|  | <b>(14)</b>                            | <b>(33,999)</b>   | <b>(57,596)</b>                      | <b>(88,644)</b>   | <b>(1,125,716)</b>   |
| <b>Cash flows (used in) provided by financing activities</b> |  |                   |                                      |                   |  |
| Repayment of long term debt                                  | -                                      | -                 | -                                    | -                 | (117,654)  |
| Repayment of loan claims                                     | -                                      | -                 | -                                    | -                 | (100,715)  |
| Advances to/from related parties                             | -                                      | -                 | (24,000)                             | (25,000)          | (169,466)  |
| Common shares issued   | -                                      | -                 | -                                    | -                 | 606,530  |
|  | -                                      | -                 | <b>(24,000)</b>                      | <b>(25,000)</b>   | 218,695  |
| <b>Cash flows (used in) provided by investing activities</b> |  |                   |                                      |                   |  |
| Additions to coal mining properties                          | -                                      | -                 | -                                    | -                 | (31,404)   |
| Proceeds on disposal of petroleum and natural gas properties | -                                      | -                 | -                                    | -                 | 606,467  |
| Proceeds on disposal of capital assets                       | -                                      | -                 | -                                    | -                 | 10,000   |
|  | -                                      | -                 | -                                    | -                 | 585,063  |
| <b>Decrease in cash and cash equivalents</b>                 | <b>(14)</b>                            | <b>(33,999)</b>   | <b>(81,596)</b>                      | <b>(113,644)</b>  | <b>(321,958)</b>   |
| <b>Cash and cash equivalents, beginning of period</b>        | <b>7,556</b>                           | <b>159,510</b>    | <b>89,138</b>                        | <b>239,155</b>    | <b>329,500</b>   |
| <b>Cash and cash equivalents, end of period</b>              | <b>\$ 7,542</b>                        | <b>\$ 125,511</b> | <b>\$ 7,542</b>                      | <b>\$ 125,511</b> | <b>\$ 7,542</b>  |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.



# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

(Expressed in United States Dollars)

Three and Six Months Ended June 30, 2010

(Unaudited)

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## 1. Nature of Operations and Going Concern

Sharpe Resources Corporation (the "Company") is a publicly held company, engaged in the development of mineral resources in the United States of America. Currently the Company has oil and gas royalty interests in Texas through its wholly-owned subsidiary, Sharpe Energy Company, in a single cost centre in the United States of America. The Company's shares are listed in the United States on the OTC:BB under symbol SHGP.

The Company is considered in the exploration stage as of January 1, 2002 for the following reasons:

- (i) The Company started disposing of its interests in petroleum and natural gas properties at the beginning of 2002. The entire process of disposal of these properties was completed during the fiscal year ended on December 31, 2005;
- (ii) The Company has not earned significant revenue from petroleum and natural gas interests since that date; and
- (iii) The Company changed the focus of its business and started looking for mineral/coal properties and at present is exploring various options to invest in this industry.

As at June 30, 2010, the Company had a working capital deficiency of \$469,006 (December 31, 2009 - \$425,840) and an accumulated deficit of \$12,499,425 (December 31, 2009 - \$12,456,259).

These unaudited interim consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The ability of the Company to continue operations is dependent upon obtaining the necessary financing. In the event the Company is unable to obtain adequate funding, there is uncertainty as to whether the Company will be able to continue as a going concern. These unaudited interim consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

The Company funded its operations for the three and six months ended June 30, 2010 through the use of existing cash reserves. The Company does not have sufficient cash reserves to fund its administrative cost for the current fiscal year and to make inroads on its liabilities to trade creditors and debt holders. Management is actively involved in seeking new equity financing to enable it to service the Company's existing liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

(Expressed in United States Dollars)

Three and Six Months Ended June 30, 2010

(Unaudited)

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## 2. Basis of Presentation and Accounting Policies

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010.

The balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2009. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2009.

### Future Accounting Changes

#### Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: "Business Combinations" ("Section 1582"), "Consolidated Financial Statements" ("Section 1601"), and "Non-Controlling interests" ("Section 1602"). These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces section 1581 and revises standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standard 27 - "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company adopted these standards effective January 1, 2010, with no impact on its results of operations or financial position.

#### International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that publicly accountable, profit oriented enterprises will be required to report under IFRS for interim and annual financial statements for periods commencing on or after January 1, 2011. Accordingly, the Company will be required to have prepared, in time for its fiscal 2011 first quarter filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. This will be an ongoing process as the International Accounting Standards Board and the AcSB continue to issue new standards and recommendations. The Company is in the process of evaluating the potential impact of IFRS on its financial statements. Based on the current guidance provided by regulatory bodies, it is anticipated that the Company's financial results and position as disclosed in its current Canadian GAAP financial statements will not differ significantly from that which is required in accordance with IFRS.

# SHARPE RESOURCES CORPORATION

(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

(Expressed in United States Dollars)

Three and Six Months Ended June 30, 2010

(Unaudited)

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## 3. Capital Management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as maintains optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary, in order to support the acquisition, exploration and development of its projects. 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 considers its capital to be share capital, contributed surplus and accumulated deficit which at June 30, 2010 was a deficiency of \$580,660 (December 31, 2009 - \$537,494)

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 three and six months ended June 30, 2010. The Company is not subject to externally imposed capital requirements.

## 4. Financial Risk Factors

### (a) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

#### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and due from related party. Cash and cash equivalents consist of non-interest and interest bearing bank accounts and money market funds with reputable financial institutions. Due from related party amount is from a company that is related by virtue of its ownership by an officer and director of the Company. The amount is in good standing as of June 30, 2010. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents and due from related party is minimal.

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(An Exploration Stage Company)

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(Expressed in United States Dollars)

Three and Six Months Ended June 30, 2010

(Unaudited)

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## 4. Financial Risk Factors (Continued)

### (a) Financial Risk (Continued)

#### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at June 30, 2010, the Company had a cash and cash equivalents balance of \$7,542 (December 31, 2009 - \$89,138) to settle accounts payable and accrued liabilities of \$213,005 (December 31, 2009 - \$175,760), the current portion of due to related parties of \$25,400 (December 31, 2009 - \$25,400) and other liabilities of \$563,818 (December 31 2009 - \$563,818). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. A portion of the due to related parties is unsecured with no set date of repayment. The Company is seeking sources of additional capital to improve its liquidity position.

#### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

#### *Interest Rate Risk*

The Company has cash balances and balances due to related parties with fixed interest rates. The Company's current policy is to invest excess cash in interest bearing bank accounts and money market funds. The Company periodically monitors its interest bearing bank accounts and money market funds and is satisfied with the creditworthiness of its banks.

#### *Foreign Currency Risk*

The Company's functional currency is the United States dollar and major purchases are transacted in United States dollars. An operating account is maintained in Canadian dollars primarily for settlement of general and corporate expenditures. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

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## 4. Financial Risk Factors (Continued)

### (a) Financial Risk (Continued)

#### Market Risk (Continued)

##### *Commodity Price Risk*

Commodity price risk could adversely affect the Company. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of coal may be produced in the future, a profitable market will exist for them. As of June 30, 2010, the Company was not a producer of coal. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations. The Company closely monitors commodity prices as it relates to coal to determine the appropriate course of action to be taken by the Company.

#### **Sensitivity Analysis**

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

(i) Held-for-trading assets include an interest bearing bank account with a variable interest rate. As at June 30, 2010, sensitivity to a plus or minus 10% change in interest rates is not significant to the statement of loss and comprehensive loss.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts payable and accrued liabilities and due to related parties that are denominated in Canadian dollars. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net loss and comprehensive loss by approximately \$7,000 with all other variables held constant.

### (b) Fair Value Hierarchy and Liquidity Risk Disclosure

The following table illustrates the classification of the Corporation's financial instruments within the fair value hierarchy as at June 30, 2010:

|   | Level 1  | Level 2    | Level 3 | Total      |
|---|----------|------------|---------|------------|
| <b>Financial assets</b>                     |          |            |         |            |
| - Cash and cash equivalents                 | \$ 7,542 | \$ -       | \$ -    | \$ 7,542   |
| <b>Financial liabilities</b>                |          |            |         |            |
| - Accounts payable and accrued liabilities  | \$ -     | \$ 213,005 | \$ -    | \$ 213,005 |
| - Current portion of due to related parties | \$ -     | \$ 25,400  | \$ -    | \$ 25,400  |
| - Other liabilities                         | \$ -     | \$ 563,818 | \$ -    | \$ 563,818 |
| - Due to related parties                    | \$ -     | \$ 111,654 | \$ -    | \$ 111,654 |

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## 5. Share Capital

### (a) Authorized

Unlimited common shares without par value

### (b) Issued and Outstanding

|   | Shares            | Amount               |
|---|-------------------|----------------------|
| <b>Balance, December 31, 2009 and June 30, 2010</b> | <b>46,619,863</b> | <b>\$ 11,463,430</b> |

## 6. Stock Options

The continuity of share purchase options are as follows:

|                                   | Number of<br>stock options | Weighted<br>average<br>exercise price (CDN) |
|-----------------------------------|----------------------------|---|
| <b>Balance, December 31, 2009</b> | <b>3,580,000</b>           | <b>\$ 0.10</b>                              |
| Expired (i)                       | (480,000)                  | (0.10)                                      |
| <b>Balance, June 30, 2010</b>     | <b>3,100,000</b>           | <b>0.10</b>                                 |

(i) On May 16, 2010, 480,000 options with an exercise price of \$0.10 expired without exercise.

The following table reflects the actual stock options outstanding and exercisable as of June 30, 2010:

| Exercise price<br>per share<br>(CDN) | Expiry date  | Fair<br>value     | Number of<br>stock options | Weighted average<br>remaining contract life (years) |
|--------------------------------------|--------------|-------------------|----------------------------|---|
| \$ 0.10                              | May 15, 2012 | \$ 90,232         | 1,600,000                  | 1.88  |
| 0.10                                 | May 8, 2013  | 166,653           | 1,500,000                  | 2.86  |
|                                      |              | <b>\$ 256,885</b> | <b>3,100,000</b>           | <b>2.35</b>   |

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## 7. Related Party Balances and Transactions

Balances with related parties are comprised of:

|   | June 30,<br>2010  | December 31,<br>2009 |
|---|-------------------|----------------------|
| Due from related party<br>Standard Energy Company (i)   | \$ 274,000        | \$ 250,000           |
| Due to related parties<br>Roland Larsen (ii)<br>Royal Standard Minerals - current portion (iii) | \$ 25,400<br>-    | \$ 25,400<br>-       |
| Royal Standard Minerals - long term portion (iii)   | 25,400<br>111,654 | 25,400<br>111,654    |
|   | <b>\$ 137,054</b> | <b>\$ 137,054</b>    |

- (i) Standard Energy Company ("Standard") is related by virtue of its ownership by an officer and director of the Company. The loan receivable is unsecured, non-interest bearing and no date is set for its repayment.
- (ii) This loan is payable to an officer and director of the Company. It is unsecured, bearing interest at 8% and has no date set for repayment. The interest payable on this loan has been accrued in accounts payable and accrued liabilities, but has not yet been paid.
- (iii) Royal Standard Minerals Inc. ("RSM") is a related company by virtue of common management and common directors.

On September 9, 2008, the Company entered into an initial agreement with RSM for the repayment of the loan. To this end, the Company had executed a promissory note (the "Note") in favour of RSM that provided for the repayment of the loan over a three-year period commencing on September 9, 2008. The first principle payment of \$42,499 was due on September 9, 2009, \$42,499 on September 9, 2010 and \$42,499 on September 9, 2011. Pursuant to the Note, the outstanding amount of the loan was to accumulate interest at the rate of 4% per annum, such interest to accrue daily and be payable monthly, in arrears on the first business day of each and every month commencing on October 9, 2008 until the full amount of the loan together with all interest on such amount has been repaid in full.

On September 11, 2009, RSM obtained an extension of the option and joint venture agreement it has with the Company. As consideration for this extension, RSM cancelled the Note received from the Company and received a new promissory note in the amount of \$133,134 which is non-interest bearing payable in three equal installments of \$44,378 on September 9, 2011, 2012 and 2013. Netted against the due to related parties, Royal Standard Minerals Inc. is a balance due from related parties, Royal Standard Minerals Inc. in the amount of \$21,480 (December 31, 2009 - \$21,480).

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

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## 8. Segmented Information

The Company has one reportable business segment. Substantially all of the Company's assets are located in the United States except for small cash balances held in Canadian banks. The Company's operations in Canada consist of general and administrative expenses necessary to maintain the Company's public company status.

## 9. Loan Claims

|                              | June 30,<br>2010 | December 31,<br>2009 |
|------------------------------|------------------|----------------------|
| Unsecured vendor loan claims | \$ 563,818       | \$ 563,818           |

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Pursuant to a voluntary reorganization under Chapter 11 of the United States Bankruptcy Code, the agreed unsecured vendor loan claims of Sharpe Energy were paid partially by 10% cash settlement. The remaining 90% of the claims were settled by the issue of preferred stock certificates of Sharpe Energy, bearing a quarterly dividend of 4% per annum. The certificates were fully redeemable in 2006.

The amount outstanding has been classified as a current liability given the redemption feature and the dividend payments are reflected as interest expense.

## 10. Mining Interests

Refer to Note 10(b) of the audited annual consolidated financial statements for December 31, 2009.