

Starrex Mining Corporation Limited
Financial Statements
December 31, 2010 and 2009

Table of Contents
December 31, 2010 and 2009

	Page
Independent Auditors' Report	1 - 2
Financial Statements	
Balance Sheets	3
Statements of Operations, Comprehensive Loss and Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 12

Independent Auditors' Report

To the Shareholders of
Starrex Mining Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Starrex Mining Corporation Limited, which comprise the balance sheets as at December 31, 2010 and 2009 and the statements of operations, comprehensive loss and deficit, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Starrex Mining Corporation Limited as at December 31, 2010 and 2009, and the results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed: "*MSCM LLP*"

**Chartered Accountants
Licensed Public Accountants**

Toronto, Ontario
April 26, 2011

Starrex Mining Corporation Limited

Balance Sheets

as at December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 899,680	\$ 966,346
Other receivables	3,241	3,183
	902,921	969,529
Equipment (note 4)	122	152
	\$ 903,043	\$ 969,681
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 31,004	\$ 27,944
Loan payable to related party (note 5)	234,826	234,826
	265,830	262,770
Shareholders' equity		
Share capital (note 6)	1,203,723	1,203,723
Contributed surplus (note 7)	15,682	11,629
Deficit	(582,192)	(508,441)
	637,213	706,911
	\$ 903,043	\$ 969,681

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

Approved by the Board

Signed: "S. Donald Moore"

Signed: "John A. Murphy"

Starrex Mining Corporation Limited

Statements of Operations, Comprehensive Loss and Deficit for the years ended December 31, 2010 and 2009

	2010	2009
Income		
Investment income	\$ 4,559	\$ 3,295
Expenses		
Administrative (note 5)	74,227	82,797
Stock-based compensation (note 7)	4,053	5,227
Amortization	30	37
	78,310	88,061
Net loss and comprehensive loss for the year	(73,751)	(84,766)
Deficit, beginning of year	(508,441)	(423,675)
Deficit, end of year	\$ (582,192)	\$ (508,441)
Basic and diluted loss per common share (note 9)	(0.02)	(0.02)

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

Starrex Mining Corporation Limited

Statements of Cash Flows for the years ended December 31, 2010 and 2009

	2010	2009
Cash flow from operating activities		
Net loss for the year	\$ (73,751)	\$ (84,766)
Items not affecting cash		
Amortization	30	37
Stock-based compensation	4,053	5,227
	(69,668)	(79,502)
Other sources (uses) of cash from operations:		
Other receivables	(58)	147
Accounts payable and accrued liabilities	3,060	(16,575)
Decrease in cash	(66,666)	(95,930)
Cash and cash equivalents, beginning of year	966,346	1,062,276
Cash and cash equivalents, end of year	\$ 899,680	\$ 966,346
Supplemental disclosure of cash flow information:		
Interest received	\$ 2,625	\$ 3,274

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

Starrex Mining Corporation Limited

Notes to Financial Statements

December 31, 2010 and 2009

1. Business of the Company

Starrex Mining Corporation Limited ("the Company") is a Canadian company focusing on the review and evaluation of diverse business proposals in the resource and industrial sectors. The Company has been inactive for several years.

2. Significant Accounting Policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Foreign exchange

Monetary assets and liabilities in U.S. dollars are translated into Canadian dollars at the year end rate of exchange and non-monetary assets and liabilities in U.S. dollars are translated into Canadian dollars at their respective historical exchange rates. Any gains or losses are reflected in income. Revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing at the time of the transaction.

Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and short-term, highly liquid investments with original maturities of 90 days or less.

Included in cash and cash equivalents is:

	2010	2009
Cash	\$ 215,400	\$ 966,346
Bankers acceptances	684,280	-
	<u>\$ 899,680</u>	<u>\$ 966,346</u>

Equipment

Office equipment is recorded at cost and amortized over its estimated useful life on the declining-balance basis at an annual rate of 20%.

Revenue recognition

Revenue consists of interest income from investments which is recognized on an accrual basis as earned.

2. Significant Accounting Policies - continued

Stock-based compensation

The Company has in effect a Stock Option Plan, which is described in *note 7*. All stock based payments to employees are measured at the fair value of the equity instruments issued. Fair value is calculated using the Black-Scholes model for pricing options. The cost of stock based payments that are fully vested and non forfeitable at the grant date is measured and recognized over the vesting period of the options. On the exercise of stock options, consideration received and the accumulated contributed surplus amounts are credited to share capital.

Income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Net loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method whereby all options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statement include, but are not limited to stock-based compensation and composition of future income tax assets and liabilities.

The Black-Scholes pricing model, used by the Company to determine fair values, was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted during the year.

2. Significant Accounting Policies - continued

Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts payable and accrued liabilities and loan payable to related party.

Cash and cash equivalents are classified as held-for-trading and are measured at fair value. Accounts payable and accrued liabilities and loan payable to related party are classified as other financial liabilities, both of which are measured at amortized cost.

Financial instruments recorded at fair value on the balance sheets are classified using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The fair value hierarchy has the following levels:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents are measured at fair value and as such are classified within Level 1 of the fair value hierarchy.

With respect to accounts payable and accrued liabilities, the Company estimates that the fair value of these financial instruments approximates the carrying values at December 31, 2010 and 2009, respectively, due to their short-term maturity.

The loan payable to related party represents amounts due to a related party and its fair value is not determinable due to the related party nature of this amount.

3. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to adopt all of those IFRS standards which are effective for the fiscal year ending December 31, 2011 and apply them to its opening January 1, 2010 balance sheet.

Starrex Mining Corporation Limited

Notes to Financial Statements December 31, 2010 and 2009

4. Equipment

	2010		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 13,125	\$ 13,003	\$ 122

	2009		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 13,124	\$ 12,972	\$ 152

5. Related Party Transactions

The Company incurred expenses of \$15,000 in 2010 (2009 - \$15,000) with Secorp Limited ("Secorp"), a corporation controlled by a director and officer of the Company, for accounting, administrative and secretarial services rendered. These expenses are included in administrative expenses. At December 31, 2010, the amount of \$15,000 (2009 - \$15,000) was payable to Secorp. The amount due is unsecured, non-interest bearing and is due on demand.

The Company paid \$15,000 in management fees in 2010 (2009 - \$15,000) to the President for services provided to the Company. These are included in administrative expenses. At December 31, 2010 and 2009, no amount was payable to the President.

Included in loan payable to related party are advances of \$234,826 (2009 - \$234,826) from Talent Oil and Gas Limited, a corporation controlled by a director and officer of the Company. These advances are unsecured, non-interest bearing and are due on demand.

The related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

6. Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares

Issued

	2010	2009
3,429,566 Common shares	\$ 1,203,723	\$ 1,203,723

Starrex Mining Corporation Limited

Notes to Financial Statements December 31, 2010 and 2009

7. Stock-Based Compensation

The Company has a stock option plan (the "Plan") that enables its directors, officers, employees, consultants and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

In the current and prior year, no new stock options were issued.

In October 2007, the Company issued 80,000 stock options under the Plan to its directors with an exercise price of \$0.50 per share. The options have a term of five years and vest over 3 years starting on the first anniversary date of the grant. At December 2010, 80,000 (2009 - 53,334) options were exercisable.

For the year ended December 31, 2010, stock-based compensation expense of \$4,053 (2009 - \$5,227) was recorded with a corresponding increase to contributed surplus. At December 31, 2010, the weighted average remaining contractual life and weighted-average exercise price of the 80,000 options outstanding and exercisable are 1.78 years and \$0.50 respectively.

8. Income Taxes

(a) Provision for income taxes - current

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 30.0% (2009 - 30.0%) were as follows:

	2010	2009
Loss before income taxes	\$ (73,751)	\$ (84,766)
Expected income tax recovery based on statutory rate	(22,100)	(25,400)
Adjustments resulting from:		
Permanent differences	1,200	1,600
Tax rate changes and other adjustments	13,600	312,600
Increase (decrease) in valuation allowance	7,300	(288,800)
Provision for income taxes	\$ -	\$ -

Starrex Mining Corporation Limited

Notes to Financial Statements December 31, 2010 and 2009

8. Income Taxes - continued

(b) Future income taxes

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets are as follows:

	2010	2009
Non-capital losses	\$ 93,200	\$ 85,900
Capital losses	293,000	293,000
Future income tax assets, before valuation allowance	386,200	378,900
Valuation allowance	(386,200)	(378,900)
Net future income tax assets	\$ -	\$ -

The timing of the utilization of the future tax assets is undeterminable. Consequently, a full valuation allowance has been provided against the potential value of these assets.

(c) Tax loss carry-forwards

At December 31, 2010, the Company had approximately \$345,000 of non-capital losses carried forward and \$2,170,000 of capital losses carried forward available to reduce future taxable income.

The capital losses can be carried forward indefinitely and the non-capital losses that are available to reduce taxable income in future years expire at the end of the following years:

2014	\$ 47,000
2015	54,000
2026	47,000
2027	48,000
2029	79,000
2030	70,000
	\$ 345,000

9. Net Loss Per Share

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding during 2010 of 3,429,566 (2009 - 3,429,566). Due to the net loss for the years ended December 31, 2010 and 2009, the stock options were excluded from the calculation of weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

10. Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide return for shareholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it, in order to have funds available to support its corporate activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the year.

11. Financial Risk Factors

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. As at December 31, 2010, the Company had a cash and cash equivalents balance of \$899,680 to settle current financial liabilities of \$265,830.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash and cash equivalents are relatively unaffected by changes in short-term interest rates.