SENATOR MINERALS INC.

Consolidated Financial Statements

31 December 2010

Index

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Senator Minerals Inc.:

We have audited the accompanying consolidated financial statements of Senator Minerals Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of loss and deficit, comprehensive loss and accumulated other comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Senator Minerals Inc. and its subsidiaries as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes certain conditions that give rise to doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 19, 2011

SENATOR MINERALS INC.

Consolidated Balance Sheets
31 December

		2010		2009
ASSETS				
Current				
Cash	$	**89,646**	$	59,400
Receivables		**9,875**		2,860
Prepaids		**718**		1,523
Marketable securities (note 5)		**31,400**		10,000
TOTAL ASSETS	$	**131,639**	$	73,783
LIABILITIES AND SHAREHOLDERS' DEFICIT				
Current				
Accounts payable and accrued liabilities (note 10)	$	**133,595**	$	113,882
Loan payable (note 8)		**394,100**		201,900
Total Liabilities		**527,695**		315,782
SHAREHOLDERS' DEFICIT				
Share capital (note 7)		**6,791,151**		6,479,058
Subscriptions receivable (note 7)		**(40,000)**		-
Contributed surplus (note 7)		**327,169**		327,169
Accumulated other comprehensive loss		**(8,600)**		(30,000)
Deficit		**(7,465,776)**		(7,018,226)
		(396,056)		(241,999)
TOTAL LIABILITIES and SHAREHOLDERS' DEFICIT	$	**131,639**	$	73,783

Nature and continuance of operations (note 1)
Commitments (notes 6, 8 and 12)
Subsequent events (note 13)

Approved by the Directors: *"Donald A. Simon"* *"Roger G. Kidlark"*

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

SENATOR MINERALS INC.

Consolidated Statements of Loss and Deficit
Years Ended 31 December

	2010	2009
Mineral properties - acquisition, maintenance, and exploration expenditures (Schedule A)	$ **177,621**	$ 63,147
General & Administrative Expenses		
Communications	**7,498**	8,192
Conferences	**3,950**	2,156
Consultants	**24,000**	37,000
Filing fees	**7,195**	9,102
Foreign exchange gain	**-**	(31,103)
Interest expense	**33,019**	24,275
Management fees (note 10(b))	**124,500**	124,500
Occupancy (note 10(a))	**22,325**	21,571
Office and general	**2,217**	2,976
Professional fees (note 10(c))	**24,307**	41,260
Promotion	**5,897**	8,376
Shareholder relations	**2,341**	1,825
Transfer agent	**5,308**	7,087
Travel	**7,372**	6,277
Total General & Administrative Expenses	**269,929**	263,494
Other Items		
Gain on sale of marketable securities(note 5(c))	**-**	(130,560)
Impairment of marketable securities(note 5(b))	**-**	125,000
Write off of accounts payable	**-**	(61,481)
	-	(67,041)
Net loss for the year	**(447,550)**	(259,600)
Deficit, beginning	**(7,018,226)**	(6,758,626)
Deficit, ending	$ **(7,465,776)**	$ (7,018,226)
Loss per common share - basic and diluted	$ **(0.011)**	$ (0.008)
Weighted average number of common shares outstanding - basic and diluted	**39,447,926**	33,235,051

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

SENATOR MINERALS INC.

Consolidated Statements of Comprehensive Loss and
Accumulated Other Comprehensive Loss
Years Ended 31 December

	2010	2009
Comprehensive Loss		
Net loss for the year	**$ (447,550)**	$ (259,600)
Other comprehensive income - marketable securities	**21,400**	98,787
Comprehensive loss for the year	**$ (426,150)**	$ (160,813)

Accumulated Other Comprehensive Loss, Beginning of the year	**$ (30,000)**	$ (128,787)
Reclassification adjustment for gains and losses included in net income	**-**	31,250
Unrealized gain on marketable securities (note 5)	**21,400**	67,537
Accumulated Other Comprehensive Loss, End of the year	**$ (8,600)**	$ (30,000)

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

SENATOR MINERALS INC.

Consolidated Statements of Cash Flows
Years Ended 31 December

	2010	2009
Cash flows used in operating activities		
Loss for the year	$ (447,550)	$ (259,600)
Adjustments for items not involving cash:		
Gain on sale of marketable securities	-	(130,560)
Impairment of marketable securities	-	125,000
Write off of accounts payable	-	(61,481)
Change in non-cash working capital:		
Decrease (increase) in receivables	(7,015)	2,400
Decrease (increase) in prepaids	805	(1,523)
Increase (decrease) in accounts payable and accrued liabilities	19,713	(176,531)
	(434,047)	(502,295)
Cash flows from investing activities		
Proceeds from sale of marketable securities	-	149,310
	-	149,310
Cash flows from financing activities		
Issuance of common shares (net)	272,093	326,850
Loan proceeds	192,200	50,000
	464,293	376,850
Increase in cash during the year	30,246	23,865
Cash, beginning	59,400	35,535
Cash, ending	$ 89,646	$ 59,400
Supplementary cash flow information		
Interest paid in cash	$ 36,919	$ 24,275
Income taxes paid in cash	$ -	$ -

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

1. Nature and Continuance of Operations

Senator Minerals Inc (the “Company”), listed on the TSX-Venture Exchange (“TSX-V”), is an Ontario corporation with its head office in British Columbia.

The Company is involved in acquisition, exploration, and disposition of mineral exploration property interests in North America. The Company has not yet determined whether any of these properties contain economic reserves.

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon the motivation of its management and its ability to arrange adequate financing to develop its mineral properties and ultimately to commence profitable operations in the future. To date, the Company has not generated any significant revenues and is considered to be in the exploration stage. As at 31 December 2010, the Company has accumulated losses of $7,465,776 since inception. Working capital at 31 December 2010 was negative $396,056.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company’s ability to continue to finance its activities. As there are insufficient cash reserves to conduct planned programs and continue operations for the coming twelve months, in order to carry out its operations and administration, the Company will need to generate working capital through a combination of sale of its marketable securities, arrangements with lenders or creditors, and arrangement of additional equity financing.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not give effect to adjustments that might be necessary to the carrying values, classification of assets and liabilities, and reported expenses should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

The consolidated financial statements of the Company are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 515427 BC Ltd. and Senator Minerals US Inc. (individually and collectively referred to as the “Company”). Senator Minerals US Inc., a Nevada company incorporated on 12 May 2004 is inactive. There were no significant transactions in 515427 BC Ltd. during the current or previous year. All inter-company transactions and balances have been eliminated upon consolidation.

2. **Significant Accounting Policies** (continued)

(b) Use of Estimates and Assumptions

The preparation of financial statements in conformity with Canadian GAAP may require management to make estimates and assumptions that affect the reported amount 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 year. Actual results may differ from those estimates.

Significant areas requiring management's estimates and assumptions relate to the fair values assigned to marketable securities, the fair values of stock-based compensation and financial instruments, and the expected tax rates for future income tax recoveries.

(c) Mineral Property Acquisition, Maintenance, and Exploration Expenditures

The Company has adopted an accounting policy for its mineral properties that is consistent with an alternative available under Canadian GAAP. Mineral property acquisition costs would be capitalized only if management determined that probable future benefits, consisting of contributions to future cash inflows, had been identified and adequate financial resources were expected to be available to meet the terms of property acquisition and budgeted maintenance, exploration, and development expenditures. Mineral property acquisition costs are expensed as incurred if the criteria for capitalization are not met, in accordance with the Emerging Issues Committee Abstract of Issues Discussed, EIC - 126. Accordingly, the corresponding mineral property exploration costs are also expensed as incurred. If it were determined that a mineral property could be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop that property would be capitalized. As of the date of these financial statements, the Company has incurred only acquisition, maintenance, and exploration costs that have been expensed. To date, the Company has not established any NI 43-101-compliant inferred, indicated, or measured resources on any of its mineral properties.

(d) Asset Retirement Obligations

The Company has no asset retirement obligations, but is aware of and would adopt the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3110, "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to obligations associated with the retirement of property, plant, and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. Mineral property-related retirement obligations would be capitalized and amortized over the estimated useful lives of the corresponding mineral properties.

At 31 December 2010 and 2009, management has determined that there are no asset retirement obligations to the Company.

2. Significant Accounting Policies (continued)

(e) Impairment of Long-Lived Assets

If the Company had any long-lived assets, it would follow the recommendations of the CICA Handbook section 3063, "Impairment of Long-Lived Assets", which establishes standards for recognizing, measuring, and disclosing impairment of long-lived assets held for use.

The Company would conduct its impairment test on long-lived assets when events or changes in circumstances indicated that the carrying amount might not be recoverable. An impairment would be recognized when the carrying amount of an asset to be held and used exceeded the undiscounted future net cash flows expected from its use and disposal. If there were to be an impairment, the impairment amount would be measured as the amount by which the carrying amount of the asset exceeded its fair value, calculated using discounted cash flows when quoted market prices are not available.

(f) Property Option Agreements

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments for acquired mineral properties are recorded as property costs. Proceeds greater than the acquisition costs of properties that are sold or optioned are recorded as revenues.

(g) Loss Per Share

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 loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants, and similar instruments, assuming that the proceeds would be used to purchase common shares at the average market price during the period. Basic and diluted loss per common share are calculated using the weighted-average number of common shares outstanding during the period. For the years presented, dilutive loss per share is equal to basic loss per share.

(h) Stock-Based Compensation

The Company has adopted the accounting standards detailed in the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments", which recommends the fair-value-based method for measuring compensation costs. The Company therefore determines the fair value of stock-based compensation using the Black-Scholes ("B-S") option pricing model.

If stock options existed and were exercised, all consideration paid on the exercise of stock options would be credited to share capital.

2. Significant Accounting Policies (continued)

(i) Comprehensive Income (Loss)

The Company follows CICA Handbook Section 1530, Comprehensive Income. Comprehensive income or loss is defined as the change in equity from transactions and other events from non-owner sources. Section 1530 establishes standards for reporting and presenting certain gains and losses not normally included in net income or loss, such as unrealized gains and losses related to available for sale securities, in a statement of comprehensive income.

For the years ended 31 December 2010 and 2009, the Company recorded unrealized gains and other than temporary unrealized losses on marketable securities in other comprehensive loss.

(j) Income Taxes

Future income taxes are recorded using the asset and liability method, whereby 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 bases. Future tax assets and liabilities are measured using the 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 period that enactment or substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(k) Financial Instruments

The Company follows CICA Handbook section 3855 “Financial instruments - recognition and measurement”. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company’s financial instruments consist of cash, marketable securities, loan payable and accounts payable. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. Cash is measured at face value, representing fair value, and classified as held-for-trading. Marketable securities, which are measured at fair value, are classified as available-for-sale with unrealized gains and losses recorded as other comprehensive income (loss). Accounts payable and loan payable are measured at amortized cost and classified as other financial liabilities.

2. Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

The CICA Handbook Section 3862 "Financial instruments – disclosure" requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

Level 1 – fair values are based on quoted prices in active markets for identical assets or liabilities;
Level 2 – fair values are based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Cash and marketable securities are classified as a level 1.

The Company has determined that it does not have derivatives or embedded derivatives.

(l) Foreign currency translation

These financial statements are presented in Canadian dollars. The Company's monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains and losses arising on translation are included in results of operations for the period.

(m) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

(n) Recent Accounting Pronouncements

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan outlining the replacement of Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS. The date is for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2011.

As the conversion date of 1 January 2011 may require the restatement for comparative purposes of amounts reported by the Company for the year ended 31 December 2010, the Company is planning to prepare its initial balance sheet and all 2010 quarterly statements in IFRS-compliant format as well as the format required by Canadian GAAP.

2. Significant Accounting Policies (continued)

(n) Recent Accounting Pronouncements (continued)

The Company has carried out a line-by-line review of its financial statements and assessed IFRS and their adoption for 2011, and it is management's opinion that, with the possible exception of additional notes and possible format changes, the financial reporting impact of the transition to IFRS will not cause significant changes in the preparation and presentation of the Company's financial statements.

Other accounting pronouncements issued by the CICA with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

3. Capital Management

The Company is not subject to externally imposed capital requirements but must remain active in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

There were no changes to the Company's approach to capital management during the year.

4. Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation as well as fluctuations in commodity-based market prices associated with resource property interests. While management actively ensures that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements, there is no certainty that all environmental risks and contingencies have been addressed.

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. In the event of a large equity capital injection, the Company's primary exposure to credit risk would be in its cash accounts. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

4. Risk Management (continued)

Currency Risk: The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it may incur significant mineral property-related expenditures in the USA as well as Canada. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Interest Rate Risk: The Company's exposure to interest rate risk relates to its ability to maintain the current rate of interest on its loan payable.

Liquidity and Funding Risk: Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash or credit lines in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

5. Marketable Securities

		2010	2009
Alderon Resource Corp (ALD on TSX-V)	(a)	$ 31,400	$ 10,000
Bullion River Gold (BLRV on OTC:BB)	(b)	-	-
Kent Exploration Inc (KEX on TSX-V)	(c)	-	-
Totals		$ 31,400	$ 10,000

(a) In 2005, pursuant to the sale of its options on the Key and Okey properties (note 6(g)), the Company received 200,000 common shares of Aries Resource Corp. ("Aries"), a public company trading on the TSX-V. In September 2008, these shares were rolled back 10:1 and the company's name was changed to Alderon Resource Corp ("Alderon"). In 2010, the shares of Alderon were rolled back 2:1.

As at 31 December 2010, the Company holds 10,000 shares of Alderon at an estimated fair value of $31,400, at $3.14/share. For the year ended 31 December 2010, the Company recorded an unrealized gain of $21,400 (2009: unrealized gain $9,100) related to these shares, which has been recorded as part of other comprehensive loss. Also see Note 13.

(b) Pursuant to the optioning of certain properties in prior years, the Company received 250,000 common shares of Bullion River Gold Corp ("BLRV"), a public company quoted on the over the counter securities market in the United States.

As at 31 December 2010, the fair value of these shares was $nil (2009: $nil) per share. For the year ended 31 December 2009, the Company recorded an unrealized loss of $2,500 related to these shares, which was recorded as part of other comprehensive loss.

During the year ended 31 December 2009, management determined that the decline in the fair value of these shares was not temporary, and therefore recognized the total cumulative unrealized loss of $125,000 in net loss.

5. Marketable Securities (continued)

(c) Pursuant to an agreement with Kent Exploration Inc ("KEX"), a company that was related at the time by a common director, the Company acquired 1,250,000 common shares. KEX is a public company trading on the TSX-V. 312,500 of these shares were sold during the year ended 31 December 2007.

For the year ended 31 December 2009, the Company recorded an unrealized gain of $60,937 related to these shares, which was recorded as part of other comprehensive loss.

During the year ended 31 December 2009, the Company sold its remaining 937,500 shares for $149,310 and realized a gain of $130,560.

6. Mineral Properties: Acquisition, Maintenance, and Exploration Expenditures

Ownership of mineral property interests may involve certain risks due to difficulties in determining the validity of certain claims as well as the potential for problems arising from the ambiguous conveyancing history characteristic of some mineral properties. The Company has investigated ownership of the mineral properties in which it has an interest and, to the best of its knowledge, all properties are in good standing.

(See Schedule A - Summary of the 2010 and 2009 acquisition, maintenance, and exploration expenses and reimbursements for each property.)

At 31 December 2010, the Company owns or has lease options on the following mineral property interests:

(a) Taurus, southeastern Alaska:

In September 2004, the Company acquired a 100% interest in the 33 claim Taurus property in southeastern Alaska by way of staking.

In 2010, the total expended was $19,450 (2009: $34,494) on maintenance and exploration. The claims are in good standing with the State of Alaska until 30 November 2011.

(b) IC Bentonite, Nevada:

In 2008, the Company arranged the staking of seven placer claims to cover a bentonite deposit of undetermined size. The Company has a 50% interest. Due to prior agreements, KEX has earned a 50% interest in this property, and an area of interest clause in the Ivanhoe Creek-Rimrock mining lease option agreement gives the non-arms-length optionor a 1% net smelter return ("NSR").

In 2010, the total expended on maintenance was $3,035 (2009: $1,436). The property is in good standing until 31 August 2011.

6. Mineral Properties (continued)

(c) Coal Permits, Saskatchewan

During 2008, the Company, through a staking process costing $53,296, applied for permits allowing for coal exploration in an area covering 43,026 hectares located in central Saskatchewan. In 2010, the total expended was $nil (2009: $11,604)

These permits were issued to the Company on 16 December 2008 and are effective until 16 December 2011 with the option to renew for an additional two six month periods.

(d) King Dome, Yukon

In December 2010, the Company entered into an arms-length option agreement to acquire a 100% interest, net of a 3% NSR, in this gold-VMS target in south-central Yukon. Consideration included an initial cash payment of $50,000 and a commitment to issue 500,000 common shares (see Note 13). The other major expense in 2010 was a payment of cash-in-lieu of work to keep the property in good standing until December 2011.

To complete the option agreement, the Company has a 2011 work commitment of $250,000, then payment of $75,000 cash and 500,000 shares no later than 30 November 2011 upon submission of a NI 43-101-compliant report recommending further work; a 2012 work commitment of $500,000, then payment of $100,000 cash and 1,000,000 shares no later than 30 November 2012 upon submission of a NI 43-101-compliant report recommending further work; a 2013 work commitment of $750,000, then payment of $125,000 cash and 1,000,000 shares no later than 30 November 2013, upon submission of a NI 43-101-compliant report recommending further work.

Upon earning its 100% interest and commencing 30 November 2014, the Company will be obligated to make an annual advance royalty payment of $125,000. Within 30 days of the commencement of commercial production on the Property, the Company shall be obligated to make a one-time bonus payment equal to one dollar ($1.00) for every ounce of gold resource identified as indicated and/or inferred in the most recent NI 43-101-compliant report.

(e) M property, Yukon

In November 2010, the Company entered into a staking arrangement with an arms-length party to acquire a 50% interest in a gold-copper target in the White Gold mineral belt, Yukon. This acquisition has not yet been finalized. Staking expenditures to date are $52,244.

(f) General

During 2010, the Company spent $46,604 (2009: $10,834) carrying out research, due diligence, and field visits to possible acquisition targets in Peru, Brazil, Colombia, and Panama. No acquisitions resulted from this activity.

6. Mineral Properties (continued)

Other Property Interests (Net Smelter Returns) and properties dropped

(g) Key and Okey Properties, Liard M.D., British Columbia

Pursuant to option agreements dated 17 May 2001, the Company acquired the right to earn a 50% interest, net of a 3% NSR, in the Key and Okey properties in the Liard Mining District, British Columbia. On 21 December 2004, the Company effectively cancelled its agreements to acquire the Key and Okey properties by selling its options to earn a 50% interest in each property through an option agreement with the non-arm's-length original vendor to Alderon (note 5(a)).

The Company now holds a 1% NSR in each of the Key and Okey properties.

(h) Rosebud Property, Mohave County, Arizona

As a result of a finder's fee agreement in 2004, the Company now holds a 1% NSR interest in the Rosebud property.

(i) Ivanhoe Creek and Rimrock properties, Nevada

Pursuant to a Lease Option dated 19 September 2003, the Company entered into a non-arms-length agreement to acquire a 100% interest, net of a 3% NSR, in the Ivanhoe Creek property and the Rimrock property, located in Elko County, Nevada.

During 2010, the Company expended $nil (2009: $4,394) in total for maintenance, exploration and reclamation on the Ivanhoe Creek property. The Company had $nil expenditures on the Rimrock properties in 2009 and 2010.

The Company dropped its option on these two properties in August 2009.

(j) Mékinac property, Québec

In June 2008, the Company entered into an arms-length option to earn a 100% interest in seven claims in southern Québec. The terms included an initial cash payment of $10,000, which was made. No other cash or share payments were made, as the option was allowed to expire in April 2009.

7. Share Capital

	Number of shares	Share Capital	Contributed Surplus	Total
Balance, 31 December 2008	28,292,583	$ 6,228,935	$ 250,442	$ 6,479,377
Private placement, net 2009	11,000,000	326,850	-	326,850
Fair value of re-priced warrants	-	(76,727)	76,727	-
Balance, 31 December 2009	39,292,583	6,479,058	327,169	6,806,227
Private placement, net 2010	6,300,000	312,093	-	312,093
Balance, 31 December 2010	45,592,583	$ 6,791,151	$ 327,169	$ 7,118,320

(a) Authorized:

Unlimited number of common shares without par value
Unlimited number of special shares issuable in series without par value

(b) Common shares issued:

2009 common share capital transactions:
Pursuant to a private placement, on 21 July 2009, the Company issued 11,000,000 units at $0.03 per unit for total proceeds of $330,000. Each unit consisted of one common share and one-half non-transferable common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of $0.10 per share until July 21, 2010. The fair value of these warrants has been included in share capital. The Company incurred share issuance costs in the amount of $3,150 relating to this transaction.

2010 common share capital transactions:
Pursuant to a private placement, approved 22 December 2010, the Company issued 6,300,000 common shares at $0.05 per share for total proceeds of $315,000. The Company incurred share issuance costs in the amount of $2,907 relating to this transaction. At December 31, 2010, $40,000 remained in share subscription receivable relating to this transaction which was collected subsequent to the year end.

(c) Warrants

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

	Number of Shares	Weighted Average Exercise Price
Balance, 31 December 2008	6,000,000	$ 0.24
Warrants issued, 2009	5,500,000	0.10
Balance, 31 December 2009	11,500,000	0.13
Warrants expired, 2010	(11,500,000)	0.13
Balance, 31 December 2010	nil	$ nil

7. Share Capital (continued)

(c) Warrants (continued)

On 30 October 2009, the Company re-priced and extended 6,000,000 share purchase warrants: originally priced at $0.24, now priced at $0.15; originally expiring on 2 November 2009, now expiring on 2 November 2010. The total incremental change in the fair value of the warrants as a result of the extension and re-pricing was $76,727 as determined using the B-S model assuming a dividend rate of Nil, a risk-free interest rate of 1.89%, an expected volatility of 50% and an expected life of one year. This amount has been recorded as a non-cash finance cost in share capital.

(d) Stock Options

The Company has a rolling incentive stock option plan that can reserve a maximum of 10% of the issued shares of the Company at the time of the stock option grant with no vesting provisions, but including the following terms:

- Each incentive share purchase option is personal to the grantee and may be neither assigned nor transferred to anyone else;
- Individual incentive share purchase options will have no more than a maximum term of five (5) years from the date of their grant;
- Incentive share purchase options granted to any one individual in any 12 month period can not exceed 5% of the issued and outstanding shares of the Company;
- Individual incentive share purchase options granted to any one consultant in any 12 month period shall not exceed 2% of the issued and outstanding shares of the Company;
- Individual incentive share purchase option agreements granted to an employee conducting investor relations activities will not exceed an aggregate of 2% of the issued and outstanding shares of the Company in any 12 month period.

Stock option transactions are summarized as follows:

	Number of Shares	Average Exercise Price	Remaining Life (days)
Balance, 31 December 2008 and 2009	950,000	$ 0.284	62
Options expired	(950,000)	0.284	-
Balance, 31 December 2010	nil	nil	-

No stock options were granted during the years ended 31 December 2010 and 2009.

8. Loan Payable

In July of 2003, the Company entered into a revolving arms-length arrangement with a private lender for an unsecured credit line of up to $100,000 (later amended to $250,000, and in June 2010 to $500,000) repayable on demand or out of the equity financings undertaken by the Company. Interest is payable at 1% per month on any outstanding month-end balance. At 31 December 2010, a balance of $394,100 was owed on this credit facility (2009: $201,900) including accrued interest of $nil (2009 - $3,900).

9. Future Income Taxes

The provision for income taxes differs from the amount that would have resulted in applying Canadian federal and provincial statutory rates as follows:

	2010	2009
Net loss	$ (447,500)	$ (259,600)
Expected income tax recovery at 28.50% (2009: 30.00%)	$ 127,538	$ 77,880
Non-deductible items and other	(5,271)	7,636
Effect of reduction in tax rates	661	(44,397)
Expiration of non-capital losses	(105,870)	(32,906)
Change in valuation allowance	(17,058)	(8,213)
Income tax provision	$ -	$ -

The Company has non-capital losses of $1,808,620 and exploration related tax pools of $1,809,277 available to offset future income for income tax purposes. The exploration related tax pools may be carried forward indefinitely. The non-capital losses are scheduled to expire as follows:

Loss incurred in year ending 31 Dec	Non-capital Loss	Expiring
2004	$ 441,199	2014
2005	179,302	2015
2006	356,418	2026
2007	170,604	2027
2008	251,612	2028
2009	137,363	2029
2010	272,122	2030
Total	$ 1,808,620	

9. **Future Income Taxes** (continued)

The significant components of the Company's future income tax assets are as follows:

	2010	2009
Share issuance costs	$ 1,054	$ 630
Mineral properties	452,319	408,172
Non-capital losses carried forward	452,155	476,993
Marketable securities	16,700	19,375
Total	922,228	905,170
Valuation allowance	(922,228)	(905,170)
Net future income tax asset	$ -	$ -

Due to the uncertainty of realization of these loss carry-forwards and other future income tax assets, the potential benefits have not been reflected in the financial statements because the Company has provided a full valuation allowance.

10. Related Party Transactions and Balances

Related Party Transactions:

During 2010, the aggregate amount of expenditures made to parties not at arm's length to the Company consists of the following:

(a) The Company paid rent, communications, office, and bookkeeping services in the amount of $11,280 (2009: $11,280) to a company controlled by a director and an officer of the Company;

(b) The Company paid management fees in the amount of $124,500 (2009: $124,500) to a company controlled by a director and an officer of the Company.

(c) Included in professional fees are $5,550 (2009 - $11,250) consisting of fees paid to directors.

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.

Related Party Balances:

Included in accounts payable and accrued liabilities at 31 December 2010 is $9,596 (2009: $1,544) payable to a director and officer of the Company, and $1,320 (2009: $11,100) payable to directors of the Company. These amounts are unsecured, non-interest bearing and are due on demand.

11. Segmented Information

During the period covered by these financial statements, the Company had one reportable operating segment, being the acquisition, exploration, and disposition of interests in mineral properties.

At December 31, 2010 and 2009, all of the Company's recorded assets were located in Canada.

12. Commitments

The Company has an office and service agreement with a company controlled by a director and an officer of the Company. The terms of the agreement require the Company to pay $1,315 per month, with a time limitation tied to the term of the president's tenure. The monthly payment includes $375 per month for administrative services which has been included in management fees.

The Company has a management services agreement with a company controlled by a director and an officer of the Company. That agreement requires the Company to pay $10,000 per month, continuing for the duration of the president's tenure.

13. Subsequent Events

a) Share issuance

During March 2011, the Company issued 500,000 common shares as part of its option to acquire a 100% interest, net of a 3% NSR, in the King Dome property, Yukon.

b) Sale of marketable securities

During March 2011, the Company sold 5,000 shares of Alderon for net proceeds of $18,450.

SCHEDULE "A" – Mineral Property Expenditures

2010

Property	Acquisition	Maintenance	Exploration	Reimbursed	Total
Taurus	$ -	$ 8,483	$ 10,967	$ -	$ 19,450
General	-	-	46,604	-	46,604
IC Bentonite	-	1,385	1,650	-	3,035
King Dome	50,828	5,460	-	-	56,288
Yukon: M	52,244	-	-	-	52,244
Totals	$ 103,072	$ 15,328	$ 59,221	$ -	$ 177,621

2009

Property	Acquisition	Maintenance	Exploration	Reimbursed	Total
Taurus	$ -	$ 15,985	$ 20,245	$ (1,736)	$ 34,494
General	-	-	10,834	-	10,834
IC Bentonite	-	1,216	220	-	1,436
Ivanhoe Creek	-	-	4,394	-	4,394
Sask Coal	-	-	11,604	-	11,604
Mékinac	-	-	385	-	385
Totals	$ -	$ 17,201	$ 47,682	$ (1,736)	$ 63,147