Northfield Metals Inc.
(an exploration stage company)

Financial Statements
December 31, 2010

Collins Barrow
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Northfield Metals Inc.

We have audited the accompanying financial statements of Northfield Metals Inc.**,** which comprise the balance sheets as at December 31, 2010 and 2009 and the statements of operations and deficit and cash flow 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.

Auditor's 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 of our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northfield Metals Inc. as at December 31, 2010 and 2009, and its financial performance 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 in the financial statements which indicates that Northfield Metals Inc. incurred a net loss of 249,990 during the year ended December 31, 2010 and, as of that date; the Company's current liability exceeded its total assets by $910,413. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants

April 29, 2011
Toronto, Ontario

Northfield Metals Inc.
(an exploration stage company)
Balance Sheets

	As st December 31, 2010 $	2009 $
Assets		
Current		
Cash	46,909	40,811
Receivables	7,932	9,510
Marketable securities (note 3)	155,448	56,160
	210,289	106,480
Equipment (note 4)	-	15,000
	210,289	121,481
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 5 and 12)	1,067,916	819,941
Due to Champion Minerals Inc. (note 6)	9,304	-
Due to Eloro Resources Ltd. (note 7)	43,482	23,482
	1,120,702	843,423
Shareholders' equity		
Share capital (note 8)	1,666,399	1,666,399
Contributed surplus	18,000	18,000
Deficit	(2,594,812)	(2,406,341)
	(910,413)	(721,942)
	210,289	121,481

Approved by the Board:

Thomas Larsen **Director**

Miles Nagamatsu **Director**

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

Northfield Metals Inc.

(an exploration stage company)

Statements of Operations and Deficit

	Years ended December 31, 2010 $	2009 $	Cumulative from January 1, 2003 to December 31, 2010 $ (note 1)
General and administrative expenses			
Professional fees	13,375	32,534	346,685
Consulting fees (note 12)	240,000	240,000	2,195,669
General office	12,993	11,302	438,367
	266,368	283,836	2,980,721
Loss before the undernoted items	(266,368)	(283,836)	(2,980,721)
Writedown of equipment (note 4)	(15,000)	-	(20,978)
Writedown of amount due from Wavex International Inc.	-	-	(40,928)
Writedown of mineral resource property		-	(608,779)
Gain on sale of marketable securities	-	-	332,875
Increase in fair value of marketable securities	82,294	25,759	65,592
Forgiveness of debt	-	-	902,434
Gain on settlement of debts (note 5)	10,603	6,108	544,232
Other income	-	3,979	3,979
Loss and comprehensive loss for the period	(188,471)	(247,990)	(1,802,294)
Transitional adjustment for increase in fair value of marketable securities	-	-	22,188
Reduction in stated capital	-	-	45,400,853
Deficit, beginning of period	(2,406,341)	(2,158,351)	(46,215,559)
Deficit, end of period	(2,594,812)	(2,406,341)	(2,594,812)
Loss per common share-basic and diluted	(0.009)	(0.011)	
Weighted average number of common shares-basic and diluted	21,566,604	21,566,604	

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

Northfield Metals Inc.
(an exploration stage company)
Statements of Cash Flows

	Years ended December 31, 2010 $	2009 $	Cumulative from January 1, 2003 to December 31, 2010 $ (note 1)
Cash provided by (used in)			
Operating activities			
Loss	(188,471)	(247,990)	(1,802,293)
Items not affecting cash			
Writedown of equipment	15,000	-	20,978
Writedown of amount due from Wavex International Inc.	-	-	40,928
Writedown of mineral resource property	-	-	608,779
Gain on sale of marketable securities	-	-	(332,875)
Increase in fair value of marketable securities	(82,294)	(25,759)	(65,592)
Forgiveness of debt	-	-	(902,433)
Gain on settlement of debts	(10,603)	(6,108)	(544,232)
Changes in non-cash operating working capital			
Receivables	1,578	(6,341)	907
Accounts payable and accrued liabilities	258,579	263,042	1,967,856
	(6,212)	(23,156)	(1,007,977)
Financing activities			
Bank indebtedness	-	-	(23,308)
Common shares issued for cash	-	-	595,000
Exercise of warrants	-	-	225,663
Repayment of loan	-	-	(84,481)
Advances	-	-	15,000
Advances from Bear Lake Gold Ltd.	-	-	305,695
Advances from Champion Minerals Inc.	9,304	-	9,304
Advances from Eloro Resources Ltd.	20,000	-	62,700
Advances to Wavex International Inc.	-	-	(53,428)
Share issue costs	-	-	(6,694)
	29,304	-	1,045,451
Investing activities			
Purchase of marketable securities	(16,995)	(14,875)	(102,881)
Investment in Bear Lake Gold Ltd.	-	-	(147,761)
Proceeds on sale of marketable securities	-	-	138,555
Proceeds on sale of investment in Bear Lake Gold Ltd.	-	-	481,279
Mineral resource property expenditures	-	-	(338,779)
Purchase of equipment	-	-	(20,978)
	(16,995)	(14,875)	9,435
Net increase (decrease) in cash	6,097	(38,031)	46,909
Cash, beginning of period	40,811	78,842	-
Cash, end of period	46,908	40,811	46,909

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

1 Nature of operations and continuance of operations

Northfield Metals Inc. (the "Company") was incorporated under the laws of Ontario. The Company re-entered the exploration stage on January 1, 2003 with its decision to operate in the exploration and development of mineral properties and extraction of precious metals in Canada and internationally.

The Company is in the exploration stage and as at December 31, 2008 had written off its mineral resource properties. The continued operations of the Company is dependent upon the ability of the Company to obtain financing to acquire and complete the exploration and development of mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of mineral resource properties.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at December 31, 2010, the Company had a working capital deficit of $910,413 (2009 - $721,942), which included cash of $46,909 (2009 -$40,811), which is not sufficient to enable the Company to fund its operations and the acquisition and exploration of mineral resource properties. In order to preserve its cash, the Company suspended the acquisition and exploration of mineral resource properties, reduced its operating expenditures and deferred the payment of management's consulting fees. However, without the continued support of its creditors and additional funding to meet existing obligations and to finance its operations and the acquisition and exploration of mineral resource properties, there is substantial doubt as to the Company's ability to continue as a going concern. The Company is actively seeking to raise the necessary capital to meet its funding requirements, however, there can be no assurance that additional funding will be available.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. and these adjustments could be material.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Marketable securities
Marketable securities are valued at fair value using the last bid price.

Mineral resource properties
Costs relating to the acquisition, exploration and development of the mineral resource properties are deferred until the properties are brought into commercial production, at which time, they are amortized over the estimated useful life of the related properties on a unit-of-production basis. The cost of the mineral resource properties includes the cash consideration and the fair value of shares issued on the date the properties are acquired. The proceeds from options granted on the properties are credited to the cost of the related property. When a property is determined to be non-commercial, non-productive or its value impaired, those costs in excess of estimated recoveries are charged to operations.

Asset retirement obligations
The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company has not incurred and is not committed to any asset retirement obligations in respect of its mineral resource properties.

2 Summary of significant accounting policies (continued)

Stock-based compensation
The Company enters into transactions in which services are the consideration received for the issuance of stock or stock-based instruments. The value of these transactions are measured and accounted for, based on the fair value of the equity instruments issued or the value of the services, whichever is more reliably measurable. Stock-based compensation for instruments awarded to non-employees is expensed in the year during which the services are rendered. Stock-based compensation for instruments awarded to employees is expensed over the vesting period of the instrument.

Income taxes
Income taxes are recorded using the asset and liability method of income tax allocation. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment at the time that the differences are expected to reverse.

Loss per share
The basic loss per share is calculated by dividing the loss applicable to the common shares by the weighted average number of shares outstanding during the year. Fully diluted loss per share is calculated using the treasury stock method and reflects the potential dilution by including stock options and contingently issuable shares, in the weighted average number of common shares outstanding for the year.

Estimates
The preparation of financial statements in accordance 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 recorded amounts of income and expenses for the reporting period. There are no significant areas requiring the use of management estimates.

Financial instruments
Financial instruments are measured at fair value on initial recognition and valued in subsequent periods based upon their classification as held-for-trading, available for sale, held-to-maturity, loans and receivables or other liabilities. Financial assets and liabilities classified as held-for-trading are valued at fair value with gains and losses recognized in income. Financial assets classified as available-for-sale are valued at fair value with unrealized gains and losses recognizing in other comprehensive income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities classified as other liabilities are valued at amortized cost using the effective interest rate method. The Company has classified its cash and marketable securities as held-for-trading; due to Eloro and Champion and accounts payable and accrued liabilities as other financial liabilities.

The Company measures the fair value of its financial assets and financial liabilities based on the classification of the fair values in a hierarchy comprising three levels, which reflects the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Transaction costs
Transaction costs for financial instruments classified as held-for-trading are expensed as incurred.

2 Summary of significant accounting policies (continued)

Future accounting changes
On January 1, 2011, the Company will adopt CICA Handbook Section 1582, “Business Combinations”, which will replace Section 1581, “Business Combinations”. The new standard establishes standards for the recognition and measurement of identifiable assets acquired, liabilities assumed, non-controlling interest in the acquiree and goodwill acquired in a business combination.

On January 1, 2011, the Company will adopt CICA Handbook Sections 1601, “Consolidated Financial Statements” and Section 1602, “Non-controlling Interests”, which together, will replace section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602, establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company does not expect the adoption of these new standards to have an effect on the Company’s financial statements.

International Financial Reporting Standards (“IFRS”):
In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian generally accepted accounting principles will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS commencing with the interim financial statements for the 3 months ended March 31, 2011. The changeover date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3 Marketable securities

Marketable securities include the following investments in related parties:

	2010		**2009**	
	Fair value	**Cost**	**Fair value**	**Cost**
	$	**$**	**$**	**$**
Eloro Resources Ltd. (“Eloro”)	22,480	34,832	30,910	34,832
Champion Minerals Inc. (“Champion”)	130,980	27,461	23,075	10,466
Bear Lake Gold Ltd. (“Bear Lake”)	1,988	5,375	2,175	5,375
	155,448	67,668	56,160	50,673

Three directors of the Company are directors of Eloro, three directors of the Company are directors of Champion and one director of the Company is a director of Bear Lake.

4 Equipment

During the year ended December 31, 2010, equipment previously classified as held-for-sale was written off.

5 Accounts payable and accrued liabilities

During the year ended December 31, 2010, legal recourse to recover certain accounts payable became statute barred and therefore, the Company recorded a gain on settlement of debts of $10,603 (2009 - $6,108).

6 Due to Champion Minerals Inc. (“Champion”)

The amount due to Champion is unsecured, non-interest bearing and payable on demand. Three directors of the Company are directors of Champion.

7 Due to Eloro Resources Ltd. ("Eloro")

The amount due to Eloro is unsecured, non-interest bearing and payable on demand. Three directors of the Company are directors of Eloro.

8 Share capital

Authorized
An unlimited number of Class A preferred shares 5% voting, redeemable, convertible, non-cumulative dividend, which are redeemable at $0.10 per share and convertible on the basis of one common share for each Class A preferred share.

An unlimited number of common shares.

Issued

	Number of common shares	Amount $
Balance as at December 31, 2008, 2009 and 2010	21,566,604	1,666,399

Share consolidation
On June 30, 2010, the shareholders of the Company approved the consolidation of the issued common shares on the basis of 1 new share for up to 4 old common shares, with the actual consolidation ratio to be determined by the Board of Directors. As at December 31, 2010, no share consolidation has yet been effected.

Stock options
The Company may grant options to its directors and employees for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at December 31, 2009 and December 31, 2010, there were 2,156,660 stock options available to be issued under the stock option plan and no stock options were outstanding.

9 Capital disclosures

Capital of the Company consists of the equity attributable to the common shareholders, comprised of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource property for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. 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 the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company will spend its existing working capital and raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

10 Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 30.99% (2008 - 33%) to the net loss for the year. The reasons for the difference are as follows:

Provision for income taxes

	2010	**2009**
	$	**$**
Expected income tax expense (recovery) based on statutory rate	(58,000)	(82,000)
Increase (decrease) resulting from:		
Gain on settlement of debts	(3,000)	(2,000)
Effect on change in rates (other)	(11,000)	(61,000)
Unrecorded tax benefit of losses	83,000	150,000
Other	(11,000)	(5,000)
	—	—

Future income tax balances
The Company's future income tax assets are as follows:

	2010	**2009**
	$	**$**
Non-capital loss carryforward	477,000	556,000
Capital loss carryforward	2,801,000	2,801,000
Canadian exploration development	111,000	111,000
Foreign exploration and development	358,000	358,000
Other	(21,000)	5,000
	3,726,000	3,830,000
Valuation allowance	(3,726,000)	(3,830,000)
	—	—

Due to losses incurred in the current year and expected future operating results, management determined that it is more likely than not that the future income tax assets will not be realized. Accordingly, a valuation allowance has been recorded for the future income tax assets.

Losses carried forward

At December 31, 2010, the Company had non-capital loss carryforwards which expire as follows:

	$
2014	363,000
2015	126,000
2026	390,000
2028	304,000
2029	455,000
2030	269,000
	1,907,000

As at December 31, 2010, the Company had resource deductions of $1,875,000 which may be carried forward indefinitely to reduce taxable income in future years and capital losses of approximately $20,000,000 which may be carried forward indefinitely to be applied against capital gains in future years.

11 Financial instruments and risk management

Fair value
Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair values estimates are based on quoted market values and other valuation methods.

The carrying value of cash, accounts payable and accrued liabilities, due to Eloro and Champion approximates fair value due to the short-term nature of these financial instruments.

Fair value hierarchy

Financial instruments measured at fair value classified using the fair value hierarchy described in note 1:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset held-for-trading				
Cash and marketable securities	202,357	—	—	202,357

Level 1 investments are comprised of cash and publicly-traded equity securities carried at fair value based on available quoted prices.

Income statement disclosures

	2010 $	2009 $
For financial assets held for trading		
Net gain (losses) on investments		
Unrealized	82,294	25,759

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk interest rate risk and commodity price risk.

Currency risk
As the majority of the Company's expenditures are in Canadian dollars, the Company limits it exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

Market risk
Market risk arises from the possibility that changes in market prices will affect the value of financial instruments. The Company is exposed to fair value fluctuations on its marketable securities. The Company estimates that if the fair value of its marketable securities as at December 31, 2010 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by $38,862.

Credit risk
Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 9. Substantially all of the Company's accounts payable and accrued liabilities have been outstanding over 90 days and the amounts due to Eloro and Champion are payable on demand.

11 Financial instruments and risk management (continued)

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

12 Related party transactions

During the year, consulting fees of $240,000 (2009 - $240,000) were incurred to companies controlled by three officers, two of whom are also directors of the Company. As at December 31, 2010, accounts payable included $956,400 (2009 - $694,800) owed to the companies in respect of unpaid consulting fees. These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.