WATERFRONT CAPITAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Waterfront Capital Corporation

We have audited the accompanying consolidated financial statements of Waterfront Capital Corporation which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, shareholders' equity (deficiency), and 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 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.

Auditors' 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 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 auditors' 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 we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Waterfront Capital Corporation 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 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Waterfront Capital Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 21, 2011

WATERFRONT CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2010	2009
ASSETS		
Current		
Cash	$ 15,100	$ 16,927
Accounts receivable	134,585	54,078
Loan receivable (Note 4)	-	59,075
Investments held for trading (Note 5)	207,845	190,483
Prepaid expenses	1,365	1,346
	358,895	321,909
Loan receivable (Note 4)	335,348	216,067
Property and equipment (Note 6)	105,570	108,640
	$ 799,813	$ 646,616
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 54,989	$ 28,475
Deferred revenue	43,872	-
	98,861	28,475
Deferred revenue	43,873	91,875
	142,734	120,350
Shareholders' equity		
Capital stock (Note 7)	7,459,938	7,459,938
Contributed surplus	231,674	231,674
Deficit	(7,034,533)	(7,165,346)
	657,079	526,266
	$ 799,813	$ 646,616

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 10)

On behalf of the Board:

"Douglas L. Mason" Director

"Sead Hamzagic" Director

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

WATERFRONT CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31

		2010		2009
REVENUE				
Corporate and administrative services	$	631,588	$	459,483
Interest and other income		112,901		90,324
		744,489		549,807
EXPENSES				
Amortization		37,504		3,989
Consulting fees		67,812		55,000
Office and general		122,050		103,606
Professional fees		67,527		73,228
Regulatory and transfer agent fees		30,046		30,427
Rent		49,977		58,634
Stock based compensation (Note 7)		-		57,049
Wages and benefits		257,583		248,364
		632,499		630,297
Income (loss) and comprehensive income (loss) before other items		111,990		(80,490)
OTHER ITEMS				
Gain (loss) on sale of investments		(28,609)		11,367
Unrealized gain (loss) on investments held for trading		63,997		(37,195)
Unrealized foreign exchange loss		(16,565)		(58,110)
Foreign exchange loss		-		(4,432)
Net income (loss) from continuing operations		130,813		(168,860)
Net income from discontinued operations (Note 3)		-		886,333
Net income and comprehensive income for the year	**$**	**130,813**	**$**	**717,473**
Basic and diluted earnings (loss) per common share from continuing operations	$	0.01	$	(0.02)
Basic and diluted earnings per common share	$	0.01	$	0.07
Weighted average shares used in computation of basic and diluted earnings (loss) per common share		9,654,066		9,654,066

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

WATERFRONT CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)

	Capital Stock		Contributed Surplus	Deficit	Shareholders' Equity (Deficiency)
	Number of Shares	Amount			
Authorized Capital					
Unlimited number of common shares without par value					
Issued Capital					
Balance as at December 31, 2008	**9,654,066**	**$ 7,459,938**	**$ 174,625**	**$ (7,882,819)**	**$ (248,256)**
Stock-based compensation	-	-	57,049	-	57,049
Net income for the year	-	-	-	717,473	717,473
Balance as at December 31, 2009	**9,654,066**	**7,459,938**	**231,674**	**(7,165,346)**	**526,266**
Net income for the year	-	-	-	130,813	130,813
Balance as at December 31, 2010	**9,654,066**	**$ 7,459,938**	**$ 231,674**	**$ (7,034,533)**	**$ 657,079**

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

WATERFRONT CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year from continuing operations	$ 130,813	$ (168,860)
Items not affecting cash:		
Amortization	37,504	3,989
Amortization of deferred revenue	(36,130)	-
Accrued interest income included in loan receivable	(76,771)	-
Loss (gain) on sale of investments	28,609	(11,367)
Stock-based compensation	-	57,049
Unrealized foreign exchange loss	16,565	58,110
Unrealized (gain) loss on investments held for trading	(63,997)	37,195
	36,593	(23,884)
Changes in non-cash working capital items:		
Increase in accounts receivable	(80,507)	(9,074)
Decrease (increase) in prepaid expenses	(19)	2,126
Increase (decrease) in accounts payable and accrued liabilities	26,514	(21,863)
Increase in deferred revenue	32,000	-
Cash used in discontinued operating activities	-	(180,798)
Net cash provided by (used in) operating activities	14,581	(233,493)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan receivable repayment	-	52,117
Acquisition of property and equipment	(34,434)	(41,757)
Acquisition of investments	-	(59,880)
Proceeds on sale of investments	18,026	31,408
Proceeds on sale of discontinued operations, net of cash disposed	-	(162,982)
Net cash used in investing activities	(16,408)	(181,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits for deferred revenue	-	13,125
Net cash provided by financing activities	-	13,125
Decrease in cash for the year	(1,827)	(401,462)
Cash, beginning of year	16,927	418,389
Cash, end of year	$ 15,100	$ 16,927

Supplemental disclosures with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of Alberta and was continued into British Columbia during the year ended December 31, 2000. The Company's principal business activity is merchant banking and providing reporting and financial services and investment assistance to public and non-public companies.

During the year ended December 31, 2004, the Company incorporated Churchill Debenture Corp. ("CDC"), a wholly owned subsidiary. The business operations of CDC were concluded during the year ended December 31, 2006.

During the year ended December 31, 2005, the Company incorporated Churchill III Debenture Corp. ("CDC III"), a wholly owned subsidiary. The primary business of CDC III is the offering of debentures and making debenture issuer loans to Churchill III Real Estate Limited Partnership ("Churchill III").

During the year ended December 31, 2006, the Company incorporated Churchill IV Debenture Corp. ("CDC IV"), a wholly owned subsidiary. The primary business of CDC IV is the offering of debentures and making debenture issuer loans to Churchill IV Real Estate Limited Partnership ("Churchill IV").

During the year ended December 31, 2007, the Company incorporated Churchill V Debenture Corp. ("CDC V"), a wholly owned subsidiary. The primary purpose of CDC V is the offering of debentures and making debenture issuer loans to Churchill V Real Estate Limited Partnership ("Churchill V").

Effective July 1, 2009, the Company disposed of all of the shares of three of its subsidiaries, namely, CDC III, CDC IV and CDC V. The results of operations are reflected in the statement of operations to the date of disposition as discontinued operations (Note 3).

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume 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. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Future accounting changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be January 1, 2010 and this will require the restatement for comparative purposes of amounts reported by the Company for each of the quarters for the year ended December 31, 2010. The Company has completed the diagnostic phase of planning for the implementation of IFRS. It has determined that the principal areas of impact will be IFRS 1 – first time adoption; presentation of financial statements; share-based payments; loans receivable; impairment of long-lived assets and future income taxes. The Company expects its detailed analysis of relevant IFRS requirements and of IFRS 1 will be complete by the end of its fiscal quarter ending March 31, 2011, along with its determination of changes to accounting policies and choices to be made. The Company has not yet reached the stage where a quantified impact of conversion on its financial statements can be measured. The Company expects to complete its quantification of financial statement impacts by the end of its fiscal quarter ending March 31, 2011.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

Significant Accounting Policies

The financial statements have been prepared by the Company in accordance with Canadian GAAP. The functional and reporting currency of the Company is the Canadian dollar. The following are a list of significant accounting policies used by the Company:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Significant inter-company transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

i Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
ii Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
iii. Interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of net income (loss) for the period.

Comprehensive income

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of gains and losses affecting shareholders' equity that, under generally accepted accounting principles are excluded from net income. The Company has no items of other comprehensive income (loss) in any period presented. Therefore, net income (loss) as presented in the Company's statement of operations equals comprehensive income (loss).

Stock-based compensation

The Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the option is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts from contributed surplus are transferred to capital stock. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Measurement uncertainty and estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates 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. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, rates of amortization for equipment, balance of accrued liabilities, the fair value of financial instruments, determination of asset retirement and environmental obligations, the assumptions used in stock-based compensation and calculation of future income tax assets and liabilities and the estimate for the valuation allowance on future income tax assets. Financial results as determined by actual events could differ from those estimates.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Future 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 basis and losses carried forward. Future tax assets and liabilities are measured using the 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 year that substantive enactment or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments held for trading

At each financial reporting period, the Company's management estimates the fair value of investments (which are held-for-trading) based on the criteria below and reflects such valuations in the consolidated financial statements.

Publicly-traded investments:

1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing bid prices at the consolidated balance sheet dates or the closing bid price on the last day the security traded if there were no trades at the consolidated balance sheet dates.

2. Securities, which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments the Company considers the nature and length of the restriction.

3. For warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated balance sheet date of the underlying security less the exercise price of the warrant, or zero.

Equity accounted investments:

Investments in which the Company has significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income and losses of such investments are included in the consolidated statements of operations.

Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income (loss). Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Security transactions are recorded on a settlement date basis. Realized gains and losses on disposal of investments held for trading and unrealized gains and losses in the value of investments held for trading are reflected in the consolidated statements of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed to the consolidated statements of operations as incurred.

Consulting, rent and administration fees are recognized when the services are rendered and collection is reasonably assured. Deposits received in advance of services rendered are recorded as deferred revenue.

Interest income is recorded on an accrual basis. Loan commitment fees are recorded over the term of the loans. Annual loan fees are recorded quarterly based on the terms of the loan agreement and adjusted to the amount agreed to by the parties. Reasonable assurance of collectability is also required for recognition as revenue.

Property and equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided for annually at the following rates:

Computer equipment	30% declining balance
Computer software	30% declining balance
Furniture and fixtures	20% declining balance

Comparative figures

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

3. DISCONTINUED OPERATIONS

Effective July 1, 2009, the Company disposed of three of its subsidiaries, namely, CDC III, CDC IV and CDC V (the “Churchill Debenture Corporations”) (Note 1).

Gain on disposition of shares	
Consideration	
Cash (proceeds on sale of shares)	$ 300
Assumption of:	
Accounts payable and accrued liabilities	88,870
Debenture interest payable	1,530,277
Debentures payable	49,388,216
Future income taxes	49,000
	51,056,663
Assets disposed	
Cash	163,282
Interest receivable from Limited Partnerships	1,744,038
Prepaid expenses	15,698
Fees receivable from Limited Partnerships	2,195,044
Loans due from Limited Partnerships	46,120,000
	50,238,062
Gain on disposal	818,601
Income from discontinued operations	67,732
Net income from discontinued operations	$ 886,333

4. LOAN RECEIVABLE

	2010	**2009**
Loan receivable in United States dollars, payable in monthly installments of US$9,892, including interest (25.3% effective rate of interest per annum) due December 31, 2012.	$ 335,348	$ 275,142
Less: Current portion	-	(59,075)
	$ 335,348	$ 216,067

With respect to the above referenced loan, payment installments have not been received from the borrower for the year ended December 31, 2010. The Company is negotiating revised payment terms for the loan with the borrower. Until revised payment terms on the loan are renegotiated, interest is accrued and added to the principal of the loan. The loan is due from a company with common directors.

5. INVESTMENTS HELD FOR TRADING

Investments are marketable securities comprised of common shares in publicly traded companies as follows:

	2010	2009
Black Panther Mining Corp. (2010 – 82,000 common shares; 2009 – 82,000 common shares)	$ 9,840	$ 15,170
Columbia Yukon Explorations Inc. (2010 – 300,000 common shares, 2009 – 400,000 common shares)	51,000	80,000
Ikon Laser Eye Centres Inc. (2010 – 25,123 common shares; 2009 – 25,123 common shares)	2	-
International Bethlehem Mining Corp. (2010 – 600,000 common shares, 2009 – 600,000 common shares)	75,000	27,000
White Tiger Mining Corp. (2010 – 93,250 common shares; 2009 – 93,250 common shares)	34,503	23,313
World Famous Pizza Company Ltd. (2010 – 1,500,000 common shares; 2009 – 1,500,000 common shares)	37,500	45,000
	$ 207,845	$ 190,483

All of the investee companies other than Ikon Laser Eye Centre have common directors with the Company.

6. PROPERTY AND EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 54,178	$ 34,774	$ 19,404	$ 34,046	$ 27,951	$ 6,095
Computer software	114,313	30,174	84,139	-	-	-
Computer system under development	-	-	-	100,011	-	100,011
Furniture and fixtures	45,127	43,100	2,027	45,127	42,593	2,534
	$ 213,618	$ 108,048	$ 105,570	$ 179,184	$ 70,544	$ 108,640

The Company was implementing a new accounting system in fiscal 2008 and 2009 and recorded all the costs of software and computer consultants to “computer system under development”. All costs were recorded but not amortized during the implementation phase. On January 1, 2010, the Company begun migrating to the new system and accordingly reclassified the costs to computer software.

7. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has a stock option plan to grant options to directors, officers, employees and consultants to acquire up to 1,800,000 common shares in the capital of the Company. The exercise price of each option granted under the plan is determined by the directors but cannot be less than the closing price of the Company's shares on the day proceeding the day of which the directors grant such options, less any discount allowed by the TSX Venture Exchange. The options can be granted for a maximum term of 5 years and are subject to vesting over an 18 month period, with one-quarter of the options vesting on the date of grant and an additional one-quarter vesting at each subsequent 6 month interval.

During the year ended December 31, 2007, the Company granted 1,700,000 incentive stock options and expensed the balance of $53,368 during the 2009 fiscal year for the vested portion.

During the year ended December 31, 2008, the Company granted 100,000 incentive stock options and expensed the balance of $3,681 during the 2009 fiscal year for the vested portion.

As at December 31, 2010, the following incentive stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
1,300,000	$ 0.15	September 10, 2012
100,000	$ 0.10	February 12, 2013
1,400,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2008	1,630,000	$ 0.15
Cancelled	(230,000)	0.15
Outstanding, December 31, 2009 and December 31, 2010	1,400,000	$ 0.15
Number of options exercisable at December 31, 2010	1,400,000	$ 0.15

Warrants

There were no warrants outstanding as at December 31, 2010 and 2009.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid during the year for interest	$ -	$ 1,637,359
Cash paid during the year for income taxes	$ -	$ -

There were no significant non-cash financing or investing transactions during the year ended December 31, 2010.

The significant non-cash financing or investing transactions during the year ended December 31, 2009 involved converting a $100,000 demand loan receivable for shares in a publicly traded company with common directors (Note 4).

9. RELATED PARTY TRANSACTIONS

(a) Included in accounts receivable at December 31, 2010 is $134,077 (2009 - $51,507) due from companies controlled by directors and/or companies with common directors;

(b) Included in deferred revenue at December 31, 2010 is $87,745 (2009 - $91,875) from companies with common directors to cover the cost of implementing new computer hardware and software systems as part of the Company's strategic plan in preparing for the adoption of IFRS;

(c) During the year ended December 31, 2010, the Company paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors and/or companies with common directors:

	2010	2009
Consulting fees	$ 59,500	$ 37,000
Professional fees	31,050	32,100
Rent	49,977	58,634

(d) During the year ended December 31, 2010, the Company received or accrued the following amounts from companies controlled by directors and/or companies with common directors:

	December 31, 2010	December 31, 2009
Interest and other income	$ 112,901	$ 90,234
Corporate and administrative services revenue	613,930	459,483

(e) During the year ended December 31, 2009, the Company converted a $100,000 demand loan for shares in publicly traded company with common directors (Note 4).

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

10. COMMITMENTS AND CONTINGENCIES

The Company has entered into lease agreements for premises and equipment expiring through 2014. The minimum annual lease commitments under these leases are as follows:

2011	$	29,444
2012	$	8,771
2013	$	8,771
2014	$	7,309

The Company has entered into three 5-year term renewable agreements with companies controlled by three directors of the Company for the provision of consulting and/or legal services at a cost of $2,500 per month ($30,000 per annum), $2,500 per month ($30,000 per annum) and $1,000 per month ($12,000 per annum), respectively. If any of such agreements are terminated without cause, or if there is a change in control of the Company, the Company is required to pay an amount equal to five times the annual fees payable there under.

The Company has entered into three agreements with certain directors/officers for services rendered in such capacities. If such agreements are terminated without consent of the director/officer or the director/officer resigns within 120 days following a change in control, the Company must pay $100,000 to such director/officer and allow any unvested stock options to vest.

11. CAPITAL RISK MANAGEMENT

The Company manages its common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry 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 future development of the business.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

The Company expects its current capital resources will be sufficient to carry its corporate and administrative services and operations through its current operating period.

12. FINANCIAL INSTRUMENTS

Fair value

The Company classified its cash and short-term investments as held-for-trading; accounts receivable and loan receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. Cash is carried at fair value using Level 1 of the fair value hierarchy.

The fair values of the short-term investments are determined directly by reference to published price quotations in an active market at the reporting date.

The fair value of accounts receivable and loan receivable are determined by the amount of cash anticipated to be collected in the normal course of business from the financial asset, net of any direct costs on the conversion into cash.

As the carrying value of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Currency risk

The Company has a loan receivable outstanding in United States dollars and is subject to foreign currency fluctuations and inflationary pressures which may affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not consider the exposure to be significant.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and short-term investments, trade accounts receivable and loan receivable.

The Company's credit risk is primarily attributable to cash and short-term investments. Management believes that the credit risk concentration with respect to cash and short term investments is remote as it maintains accounts with highly-rated financial institutions. Receivables are due primarily from companies with common directors and/or officers.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2010	2009
Cash	$ 15,100	$ 16,927
Investment held for trading	207,845	190,483
	$ 222,945	$ 207,410

12. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at December 31, 2010, the Company had a cash balance of $15,100 (2009 - $16,927) and investments held for trading of $207,845 (2009 – $190,483) to settle current liabilities of $52,635 (2009 - $28,475). All of the Company's financial liabilities are subject to normal trade terms.

Based on the current cash, accounts receivable and investments held as at December 31, 2010, the Company has sufficient working capital.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company manages its financial instruments with the objective of mitigating any potential interest rate risks. The interest rates on the loans receivable from related parties are fixed. Therefore, the Company is not exposed to any significant interest rate risk during their term to maturity.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is not exposed to significant other price risk.

13. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes for the year ended December 31, 2010 is as follows:

		2010		2009
Income (loss) for the year from continuing operations	$	130,813	$	(168,860)
Expected income tax (recovery)		37,000		(51,000)
Non deductible items		(1,000)		48,000
Deductible costs and other items		7,000		(4,000)
Unrecognized benefits of non-capital losses		(43,000)		7,000
Future income taxes	$	-	$	-

The tax effects of temporary differences that give rise to significant components of future income tax assets for the year ended December 31, 2010 are as follows:

		2010		2009
Future income tax assets:				
Non-capital losses available for future years	$	121,000	$	197,000
Investments and other assets		81,000		90,000
Net capital losses available for future years		606,000		606,000
Financing costs		1,000		2,000
		809,000		895,000
Valuation allowance		(809,000)		(895,000)
Net future income tax liability	$	-	$	-

The Company and its subsidiaries have incurred non-capital losses of approximately $500,000, which, if un-utilized, will expire through to 2029. The Company also has net capital losses of approximately $2,423,000 available to reduce taxable capital gains of future years. Future tax benefits which may arise as a result of these losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

14. SEGMENTED INFORMATION

The Company currently operates its business in one operating segment in Canada.