LIONS GATE METALS INC.
(An exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Lions Gate Metals Inc. (An exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate consolidated financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Beauchamp & Company, Chartered Accountants, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Arni Johansson" (signed)

Arni Johansson
Chairman and Chief Executive Officer

"Michael Sweatman" (signed)

Michael Sweatman
Chief Financial Officer

Vancouver, British Columbia
April 20, 2011

BEAUCHAMP & COMPANY
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lions Gate Metals Inc.
(An exploration stage company)

We have audited the accompanying consolidated financial statements of Lions Gate Metals Inc. (An exploration stage company), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and deficit, comprehensive income (loss), changes in shareholders' equity, cash flows and mineral property interests and deferred exploration expenditures for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lions Gate Metals Inc. (An exploration stage company) 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.

Vancouver, B.C
April 20, 2011

"Beauchamp & Company"
Chartered Accountants

LIONS GATE METALS INC.
(An exploration stage company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 367,713	$ 569,470
Investments (Notes 2 and 6)	145,400	464,895
Amounts receivable	121,800	115,643
Loans receivable (Note 7)	1	29,926
Prepaid expenses (Note 8)	161,211	88,165
	796,125	1,268,099
Reclamation Bonds (Note 8)	44,002	12,000
Mineral Property Interests (Statement) (Note 8)	3,578,211	786,215
Deferred Exploration Expenditures (Statement) (Note 8)	1,653,418	1,742,549
	$ 6,071,756	$ 3,808,863
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 198,392	$ 113,954
Due to related parties (Note 10)	7,560	143,548
	205,952	257,502
SHAREHOLDERS' EQUITY		
Share Capital (Note 9)	15,819,452	12,096,545
Share Purchase Warrants (Note 9)	1,902,699	1,687,299
Contributed Surplus (Note 9)	1,630,073	1,617,893
Accumulated Other Comprehensive Income	1,851	68,171
Deficit	(13,488,271)	(11,918,547)
	5,865,804	3,551,361
	$ 6,071,756	$ 3,808,863

Going Concern (Note 1)
Commitments (Note 11)

Approved By The Directors:

"Arni Johansson" **Director**

"Michael Sweatman" **Director**

See accompanying notes.

LIONS GATE METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Administrative Expenses		
Accounting and audit	$ 44,070	$ 20,300
Advertising and promotion	74,541	48,202
Bank charges, interest and foreign exchange	11,353	86,167
Conferences and trade shows	2,480	6,034
Consulting (Note 10)	614,285	578,650
Directors fees (Note 10)	25,250	18,000
Filing and transfer agent fees	22,075	25,990
General exploration	1,500	-
Investor relations	-	18,903
Insurance	23,733	6,984
Legal (Note 2)	156,094	281,927
Office, rent and telephone (Note 10)	115,442	100,355
Stock-based compensation (Note 9c) and d))	135,602	1,844,686
Travel and accommodation	55,594	28,138
Net Loss Before Undernoted Items	(1,282,019)	(3,064,336)
Other Income (Expense)		
Interest income	3,305	77,904
(Loss) Gain on sale of investments (Note 6)	(72,833)	1,224,022
Write down of investments for permanent impairment (Note 6)	(147,424)	-
Write down of loan (Note 7)	-	(378,359)
Write down of mineral property interests (Note 8)	(70,753)	(94,810)
Loss Before Income Taxes	(1,569,724)	(2,235,579)
Future Income Tax Recovery (Note 12)	-	-
Loss For Year	(1,569,724)	(2,235,579)
Deficit, Beginning Of Year	(11,918,547)	(9,682,968)
Deficit, End of Year	$(13,488,271)	$(11,918,547)
Loss Per Share (Note 2)	$ (0.12)	$ (0.21)
Weighted Average Number Of Common Shares Outstanding	13,081,017	10,496,374

See accompanying notes.

LIONS GATE METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Loss For Year	$ (1,569,724)	$ (2,235,579)
Other Comprehensive Income (Loss)		
Change in fair value of investments	149,067	(779,809)
(Loss) Gain reclassified on sale of investments	(72,833)	1,224,022
Write down of investments for permanent impairment	(147,424)	-
Change in fair value of loans receivable	4,697	(88,572)
Interest reclassified on realization	173	77,907
Change in fair value of mineral property interests	-	7,035
	(66,320)	440,583
Comprehensive Loss For Year	$ (1,636,044)	$ (1,794,996)

See accompanying notes.

LIONS GATE METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Share Capital		
Balance, beginning of year	$ 12,096,545	$ 12,094,045
Issued for (Purchased with) cash:		
Private placements	1,114,600	-
Exercise of options	213,400	-
Acquisition of shares via normal course issuer bid	-	(9,000)
Reclassification from contributed surplus on exercise of options	123,422	-
Issued for mineral property interests	2,414,000	11,500
Share issuance costs	(142,515)	-
Balance, end of year	15,819,452	12,096,545
Share Purchase Warrants		
Balance, beginning of year	1,687,299	-
Fair value of warrants from private placements	215,400	-
Fair value on warrant term amendments (Note 9d))	-	1,687,299
Balance, end of year	1,902,699	1,687,299
Contributed Surplus		
Balance, beginning of year	1,617,893	1,460,506
Reclassification to share capital on exercise of options	(123,422)	-
Issuance of stock-based compensation options (Note 9c))	135,602	157,387
Balance, end of year	1,630,073	1,617,893
Accumulated Other Comprehensive Income		
Balance, beginning of year	68,171	(372,412)
Change in fair value of investments	149,067	(779,809)
(Loss) Gain reclassified on sale of investments	(72,833)	1,224,022
Write down of investments for permanent impairment	(147,424)	-
Change in fair value of loan recoverable	4,697	(88,572)
Interest reclassified on realization	173	77,907
Change in fair value of mineral property interests	-	7,035
Balance, end of year	1,851	68,171
Deficit		
Balance, beginning of year	(11,918,547)	(9,682,968)
Loss for year	(1,569,724)	(2,235,579)
Balance, end of year	(13,488,271)	(11,918,547)
Total Shareholders' Equity	$ 5,865,804	$ 3,551,361

See accompanying notes.

LIONS GATE METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Provided By (Used For):		
Operating Activities		
Loss for year	$ (1,569,724)	$ (2,235,579)
Items not requiring (providing) cash:		
Foreign exchange loss	4,492	77,327
Stock-based compensation	135,602	1,844,686
Loss (Gain) on sale of investments	72,833	(1,224,022)
Write down of investments for permanent impairment	147,424	-
Write down of loan	-	378,359
Write down of mineral property interests	70,753	94,810
Net change in non-cash working capital items	(164,629)	(183,875)
Cash used for operating activities	(1,303,249)	(1,248,294)
Investing Activities		
Proceeds from sale of investments	28,048	2,063,173
Acquisition of investments for cash	-	(416,183)
Advance of loan proceeds	-	(30,855)
Receipt of loan proceeds	30,303	114,040
Advance for reclamation bonds	(32,002)	(1,000)
Acquisition of mineral property interests for cash	(376,591)	(221,008)
Receipt of BC mineral exploration tax credit	242,020	-
Payments of deferred exploration expenditures	(191,171)	(638,515)
Cash (used for) provided by investing activities	(299,393)	869,652
Financing Activities		
Loan proceeds received	350,000	-
Loan proceeds repaid	(350,000)	-
Proceeds from issuance of share capital and share purchase warrants	1,543,400	-
Acquisition of share capital via normal course issuer bid	-	(9,000)
Payments of share issuance costs	(142,515)	-
Cash provided by (used for) financing activities	1,400,885	(9,000)
Decrease In Cash And Cash Equivalents	(201,757)	(387,642)
Cash And Cash Equivalents, Beginning Of Year	569,470	957,112
Cash And Cash Equivalents, End Of Year	$ 367,713	$ 569,470

Supplemental Disclosure Of Non-Cash Investing And Financing Activities
During the year ended December 31, 2010, the Company issued 4,025,000 common shares with a fair value of $2,414,000 pursuant to mineral property interest agreements (Note 8).

	2010	2009
Interest paid in cash	$ -	$ -
Income taxes paid in cash	$ -	$ -

See accompanying notes.

LIONS GATE METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS AND DEFERRED EXPLORATION EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Mineral Property Interests

	Balance Dec. 31, 2009	Current Year Costs Incurred	Write-Down For Valuation	Balance Dec. 31, 2010
Poplar mineral property interest Omineca Mining Division of BC 100% interest	$ 661,214	$ 125,991	$ -	$ 787,205
Kelly Creek mineral property interest Omineca Mining Division of BC 100% interest	1	16,000	(16,000)	1
Hudson Bay Mountain mineral property interest Omineca Mining Division of BC 100% interest	125,000	1,086,959	(51,714)	1,160,245
Copperline mineral property interest 60% interest	-	1,630,760	-	1,630,760
	$ 786,215	$ 2,859,710	$ (67,714)	$ 3,578,211

Deferred Exploration Expenditures

	Balance Dec. 31, 2009	Current Year Expenditures Incurred	Write-Down For Valuation	Balance Dec. 31, 2010
Poplar				
Airborne survey	$ 322,406	$ 11,723	$ -	$ 334,129
Assays	29,301	3,590	-	32,891
Camp costs	191,826	37,173	-	228,999
Consulting (Note 10)	307,322	108,862	-	416,184
Drilling	297,579	-	-	297,579
Environmental	85,232	9,313	-	94,545
Field expenditures and personnel	291,057	200	-	291,257
Geophysical/I.P. magnetic survey	95,335	4,100	-	99,435
Line cutting	34,201	-	-	34,201
Maps and reports	423	390	-	813
Miscellaneous	20,626	3,286	-	23,912
Telecommunications	2,103	3,357	-	5,460
Travel and accommodation	65,138	5,244	-	70,382
Mining exploration tax credits claimed	-	(286,369)	-	(286,369)
	1,742,549	(99,131)	-	1,643,418
Hudson Bay Mountain				
Consulting	-	12,094	(2,094)	10,000
Field expenditures and personnel	-	945	(945)	-
	-	13,039	(3,039)	10,000
	$ 1,742,549	$ (86,092)	$ (3,039)	$ 1,653,418

See accompanying notes.

LIONS GATE METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS AND DEFERRED EXPLORATION EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

Mineral Property Interests

	Balance Dec. 31, 2008	Current Year Costs Incurred	Write-Down For Valuation	Balance Dec. 31, 2009
Poplar mineral property interest Omineca Mining Division of BC 100% interest	$ 497,902	$ 163,312	$ -	$ 661,214
Kelly Creek mineral property interest Omineca Mining Division of BC 100% interest	1	15,786	(15,786)	1
Hudson Bay Mountain mineral property interest Omineca Mining Division of BC 100% interest	100,000	66,325	(41,325)	125,000
	$ 597,903	$ 245,423	$ (57,111)	$ 786,215

Deferred Exploration Expenditures

	Balance Dec. 31, 2008	Current Year Expenditures Incurred	Write-Down For Valuation	Balance Dec. 31, 2009
Poplar				
Airborne survey	$ -	$ 322,406	$ -	$ 322,406
Assays	27,286	2,015	-	29,301
Camp costs	184,662	7,164	-	191,826
Consulting	163,650	143,672	-	307,322
Drilling	297,579	-	-	297,579
Environmental	56,050	29,182	-	85,232
Field expenditures and personnel	236,937	54,120	-	291,057
Geophysical/I.P. magnetic survey	40,015	55,320	-	95,335
Line cutting	34,201	-	-	34,201
Maps and reports	-	423	-	423
Miscellaneous	10,694	9,932	-	20,626
Telecommunications	-	2,103	-	2,103
Travel and accommodation	36,477	28,661	-	65,138
	1,087,551	654,998	-	1,742,549
Hudson Bay Mountain				
Airborne survey	-	35,805	(35,805)	-
Consulting	-	1,894	(1,894)	-
	-	37,699	(37,699)	-
	$ 1,087,551	$ 692,697	$ (37,699)	$ 1,742,549

See accompanying notes.

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

The Company is a publicly listed company incorporated pursuant to the laws of the Province of British Columbia. The common shares of the Company are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "LGM". Effective February 19, 2009 and in accordance with TSXV Policy 2.5, the Company's TSXV classification changed from Tier 2 to Tier 1.

The Company is in the process of exploring its mineral property interests and has not yet determined whether these property interests contain reserves that are economically recoverable. The recoverability of amounts shown for mineral property interests and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's major activity is the acquisition and exploration of mineral property interests. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of amounts shown for mineral property interests and their related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves. The Company does not generate sufficient cash flow from operations to adequately fund its exploration activities, and has therefore relied principally upon the issuance of securities for financing. As a direct result of the recent volatility in the markets, the Company has significantly reduced its overhead in order to conserve its treasury. The Company is currently focussing on projects which have potential for near-term production. The Company believes that its 2011 financing will provide sufficient treasury to fund its exploration activities and overhead for the next 12 months. Accordingly, the Company's consolidated financial statements are presented on a going concern basis, which assume that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP, and reflect the following significant accounting policies:

Principles Of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, Northern Canadian Metals Inc., which subsidiary was incorporated by the Company on December 13, 2010. All inter company transactions are eliminated on consolidation.

Assessing Going Concern, Section 1400

In June 2007, the Canadian Institute of Chartered Accountants (the "CICA") Handbook Section 1400 was amended to include requirements for management to assess and disclose the Company's ability to continue as a going concern. This Section applies to interim and annual periods beginning on or after January 1, 2008. Requirements pursuant to this standard are disclosed in note 1 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the year. Actual results could differ from those estimates.

The Company's current items involving substantial measurement uncertainty are the carrying costs of investments, loans receivable, mineral property interests and their related deferred exploration expenditures, the provision for future site restoration and abandonment costs, determinations of stock-based compensation and share purchase warrant valuation assumptions and the future income tax asset valuation allowance. By their nature, these estimates are subject to measurement uncertainty, and the impact on the consolidated financial statements of future changes in such estimates could be material.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of income (loss) for the year and other comprehensive income (loss). Amounts are recorded in other comprehensive income (loss) until the criteria for recognition in the Company's consolidated statements of operations are met.

Business Combinations

CICA Handbook Section 1582, *Business Combinations* provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" and replaces the existing Section 1581 *Business Combinations*. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on January 1, 2009. The policy had an impact on the Company's operations during the year ended December 31, 2009 with respect to acquisition costs being expensed relating the subsequently abandoned business combination which was disclosed in note 11 to the Company's financial statements for the year ended December 31, 2009.

CICA Handbook Section 1601, *Consolidated Financial Statements* establishes standards for the preparation of consolidated financial statements and replaces the existing Section 1600, Consolidated Financial Statements. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on January 1, 2009. The adoption of this standard had no impact on the Company's presentation of its consolidated financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

CICA Handbook Section 1602, *Non-controlling Interests* establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on January 1, 2009. The adoption of this standard had no impact on the Company's presentation of its consolidated financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

CICA Handbook Section 3064 replaces CICA Handbook Section 3062, *Goodwill and Other Intangible Assets* and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. Concurrent with the introduction of this standard, the CICA withdrew EIC27, *Revenues and Expenses during the Pre-operating Period.* This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on January 1, 2009. The adoption of this standard had no impact on the Company's presentation of its consolidated financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

EIC 173 - Credit Risk And The Fair Value Of Financial Assets And Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC - 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that the Company's credit risk and the credit risk of the counter party should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company adopted this standard on January 12, 2009. The adoption of this standard had no impact on the Company's presentation of its consolidated financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

Financial Instruments - Recognition And Measurement

Financial assets are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading or available-for-sale, and financial liabilities are classified as held-for-trading or other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets held-to-maturity, loans and receivables, and financial liabilities other than those held-for-trading, are measured at amortized cost. Financial assets available-for-sale are measured at fair value with unrealized gains or losses recognized in accumulated other comprehensive income (loss) and recognized in operations when realized or when there is an other than temporary decline in value. Transaction costs for financial liabilities are capitalized as incurred for financial instruments classified and amortized using the effective interest rate method.

The Company designated its financial instruments as follows:

- Cash and cash equivalents are classified as held-for-trading;
- Investments are classified as available-for-sale;
- Amounts receivable are classified as loans and receivables;
- Loans receivable are classified as available-for-sale;
- Reclamation bonds are classified as held-for-trading;
- Accounts payable and accrued liabilities are classified as other financial liabilities.

The fair value of cash and cash equivalents, amounts receivable, reclamation bonds, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying value due to their short-term maturity. Investments relate to marketable securities, and have been designated as available-for-sale, and are recorded at fair value based on their quoted market price.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments - Recognition And Measurement (Cont'd)

Net smelter return royalties and related purchase provisions associated with mineral property interests represent derivatives that are financial instruments. The fair value of such instruments, where reserves and economic feasibility have not been established, cannot be readily determined with reliability. Accordingly, management has not made a determination of fair value for these financial instruments.

Capital Disclosures And Financial Instruments - Presentation And Disclosure

The CICA issued three accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. Section 1535 establishes disclosure requirements about the Company's capital and how it is managed. The purpose will be to enable users of the consolidated financial statements to evaluate the Company's objectives, policies and processes for managing capital. See notes 3, 4 and 5 to the consolidated financial statements for these additional disclosures.

Cash And Cash Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and generally have maturities of three months or less at the time of acquisition.

Mineral Property Interests And Deferred Exploration Expenditures

The Company is in the exploration stage and accounts for its mineral property interests whereby all costs related to acquisition, exploration and development are capitalized. These costs will be amortized against revenue from future production or written-off if the mineral property interest is abandoned, sold, or cannot be further progressed due to the lack of funds at the time.

The carrying values of mineral property interests are reviewed periodically by management on a property-by-property basis to determine if they have become impaired. If impairment is deemed to exist, the mineral property interest will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral property interests is dependent upon the determination of economically recoverable reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investments in various property interests have been based on current conditions. However, it is possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write downs of capitalized mineral property interest carrying values.

EIC 174 - Mining Exploration Costs

In March 2009, the EIC of the CICA issued EIC -174 "Mining exploration costs," which provides guidance on capitalization of exploration costs related to mineral property interests. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its property interests in assessing whether impairment in such property interests is required. This EIC also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

EIC 174 - Mining Exploration Costs (Cont'd)

annual consolidated financial statements for periods ending on or after the date of issuance of EIC-174. The EIC should be applied to consolidated financial statements issued after March 27, 2009 and the Company has adopted EIC-174. The adoption of this standard had no impact on the presentation of its consolidated financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the year in which the obligation is incurred. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenditures using a systematic and rational method and is also adjusted to reflect year-to-year changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. The Company has not recorded any asset retirement obligations as at December 31, 2010 and 2009.

Flow-Through Common Shares

The Company applies the accounting pronouncement of CICA Handbook EIC 146 in respect of its accounting for all flow-through renunciations. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors, and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate) thereby reducing share capital. The Company records the initial share issuances by crediting share capital for the full value of the cash consideration received.

Share Capital Issued For Other Than Cash

Share capital issued for other than cash is valued at the price at which the Company's common shares traded on the TSXV at the time the related agreement to issue common shares is made or, if such issuance is at the option of the Company, at the time the Company determines to issue such common shares.

Revenue Recognition

The Company recognizes interest income as earned, dividends when declared, and investment gains and losses when realized. Interest income includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses on available-for-sale investments are recorded in other comprehensive income (loss) and recognized in consolidated operations when realized.

Transaction costs are included in the acquisition cost of individual investments and recognized as part of the realized gains or losses when they are sold or written down. Direct investment expenses such as external custodial and management fees, as well as internal investment management expenses, are netted against investment income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and current fair value is recorded against investment income in the Company's consolidated statement of operations.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and their respective income tax basis (temporary differences) and on unclaimed losses carried forward. Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse or when losses are expected to be utilized. The effect on future income tax assets and liabilities of a change in tax rates is included in consolidated operations in the year in which the change is enacted or substantively assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

Stock-Based Compensation

The Company applies the fair value method of accounting for stock option awards granted to employees and directors, as recommended by CICA Handbook Section 3870 on stock-based compensation and other stock-based payments.

The fair value of stock options and share purchase warrants are determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options and share purchase warrants. The fair value of direct awards of share capital is determined by the quoted market price of the Company's common shares.

Loss Per Share

The Company calculates loss per share using the treasury stock method. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. Loss per share data is computed by dividing loss for the year by the weighted average number of common shares and common share equivalents outstanding during the year. Shares issuable upon the exercise of share purchase warrants and stock options were excluded from the computation of loss per share because their effect would be anti-dilutive.

Future Accounting Standard Changes

The following is an overview of accounting standard changes that the Company will be required to adopt in future years:

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises which includes the Company, effective for fiscal years beginning on or after January 1, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Future Accounting Standard Changes (Cont'd)

***International financial reporting standards (IFRS)* (Cont'd)**

Accordingly, the Company will apply accounting policies consistent with IFRS beginning with its interim consolidated financial statements for the quarter ended March 31, 2011. The Company's 2011 interim and annual consolidated financial statements will include comparative 2010 consolidated financial statements, transitioned to comply with IFRS.

The Company's first consolidated financial statements prepared with accounting policies consistent with IFRS will be the interim consolidated financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include 2010 consolidated financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS consolidated statement of financial position (at January 1, 2010).

3. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including credit, liquidity, and market risk.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held with large Canadian financial institutions. Cash equivalents are comprised of financial instruments guaranteed by those institutions. Additional financial instruments that potentially subject the Company to credit risk consist of amounts and loans receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities and amounts due to related parties are due within the current operating period. The Company's expected source of cash flow in the upcoming year will be through equity financing and future loan facilities.

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

Other than a cash balance of $338U.S., the Company's working capital balances are all held in Canadian dollars and are therefore not subject to fluctuation against the Canadian dollar.

3. MANAGEMENT OF FINANCIAL RISK (CONT'D)

(c) Market risk (Cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

4. FAIR VALUE

CICA Handbook Section 3862, Financial Instruments - Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarch are: Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; Level 3 - Inputs that are not based on observable market data.

		December 31, 2010		December 31, 2009	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Held for trading					
Cash and cash equivalents	1	$ 367,713	$ 367,713	$ 569,470	$ 569,470
Reclamation bonds	1	44,002	44,002	12,000	12,000
Loans and receivables					
Amounts receivable	2	121,800	121,800	115,643	115,643
Available for sale					
Investments	1	145,400	145,400	464,895	464,895
Loans receivable	2	1	1	29,926	29,926
Financial Liabilities					
Accounts payable and accrued liabilities	2	$ 198,392	$ 198,392	$ 113,954	$ 113,954
Due to related parties	2	7,560	7,560	143,548	143,548

5. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, investments, amounts and loans receivable as well as cash and cash equivalents. The Company manages its 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 its capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of its cash and cash equivalent balances.

6. INVESTMENTS

	2010	2009
Balance, beginning of year	$ 464,895	$443,650
Additions	-	416,183
Dispositions	(28,048)	(2,063,173)
(Loss) Gain on sale of investments	(72,833)	1,224,022
Write down for permanent impairment	(147,424)	-
Fair value adjustment	(71,190)	444,213
Balance, end of year	$ 145,400	$464,895

As at April 20, 2011, the Company' above investments in marketable securities had an estimated fair market value of $147,000.

7. LOANS RECEIVABLE

In November, 2008, the Company loaned $400,000U.S. (the "Principal Sum") to a third party borrower. As security, the borrower provided a promissory note which acknowledged itself indebted to the Company and promised to pay on or before May 15, 2009 the Principal Sum, together with interest thereon at the rate of fifteen percent, payable at maturity. On May 20, 2009, the Company received $100,000U.S. and agreed to extend the payment terms to July 15, 2009. The third party borrower did not make payment on or before July 15, 2009 and the $300,000U.S. plus $60,000U.S. in interest remained outstanding. The Company communicated with the third party weekly, and during the year end December 31, 2009, determined to write the loan down to $1 due to concerns with respect to collectibility.

During the year ended December 31, 2010, the repayment terms included in the promissory note were amended. The balance of the Principal Sum and accrued interest was agreed to be repaid to the Company in six equal instalments of $60,000U.S. commencing March 5, 2010, and concluding with a final payment on August 27, 2010. The Company received no repayments during the year ended December 31, 2010, but has received $100,000U.S. subsequent to 2010 and will record these and any further proceeds received as recoveries in its consolidated statement of operations. If necessary, the Company may commence legal action to recover any balance owing in respect of the loan.

In January 2009, the Company loaned $25,000U.S. (the "Principal Sum") to a third party borrower. As security, the borrower provided a promissory note which acknowledged itself indebted to the Company and promised to pay on or before March 31, 2009 the Principal Sum, together with interest thereon at the rate of fifteen percent per annum, payable at maturity. The third party borrower did not make payment on or before March 31, 2009, but did repay this balance in full together with accrued interest on January 19, 2010.

8. MINERAL PROPERTY INTERESTS

Title to mineral property interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of them are in good standing.

8. MINERAL PROPERTY INTERESTS (CONT'D)

Management reviewed the valuation of the mineral property interests and in previous years took the decision to write down acquisition costs to the cash outlays for its interests due to the lack of funds available at the time to further progress the interests. All of the mineral property interest costs and deferred exploration expenditures incurred with respect to the Poplar, Hudson Bay Mountain and Copperline mineral property interests will continue to be capitalized in accordance with the Company's disclosed basis of accounting. It is management's full intention to keep all of its current mineral property interests in good standing.

Poplar

By an agreement dated April 20, 2004, the Company was granted an option to acquire a 50% interest in 26 mineral claims, known as the Poplar mineral property interest, situated in the Omineca Mining Division of B.C. Consideration paid to exercise the option totalled $147,777, the issuance of 40,000 common shares, and the incurrence of exploration expenditures in excess of $275,000.

In December 2007, the Company finalized terms with Hathor Exploration Limited to grant the Company an option to acquire the remaining 50% interest in the Poplar mineral property interest by issuing 240,000 common shares in stages and by making annual payments of $75,000 in cash or shares, with reference to the initial payment which was made in December, 2005. The Company continues to make its obligated annual $75,000 payments and has previously issued the 240,000 common shares, with the final 190,000 shares being issued by the Company in December 2007 to exercise its option.

The optionor of the mineral property interests retains a 2% net smelter return royalty ("NSR").

During the year ended December 31, 2005, the Company paid $11,000 for a reclamation bond pursuant to regulatory requirements against reclamation obligations relating to exploration work on the Poplar mineral property interest. To date, the Company has purchased an additional $33,002 in reclamation bonds for a total of $44,002.

During the year ended December 31, 2008, the Company staked 44,963 additional hectares in the area adjacent to the Poplar mineral property interest. These mineral claim holdings are 100% owned by the Company and all mineral claims are current and are in good standing.

On April 15, 2009, the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest in sixteen mineral claims south of Poplar Lake. The Company will earn its 100% interest in the property interest by issuing 10,000 of its common shares upon transfer of the claims to the Company, 20,000 common shares on the first anniversary of the transfer of claims to the Company, 30,000 common shares on the second anniversary of the transfer of claims to the Company and 40,000 common shares on the third anniversary of the transfer of claims to the Company. Additionally, should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $1,000,000 less any NSR amounts previously paid. On April 30, 2009, the Company issued 10,000 of its common shares in respect of this agreement and valued these shares at $9,500 and on July 29, 2010, the Company issued 20,000 shares and valued these shares at $11,200.

On May 25, 2009, the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest in three mineral claims south of Poplar Lake. The Company will earn its 100% interest in the property interest by issuing 2,500 of its common shares upon transfer of the claims to the Company, 5,000 common shares on the first anniversary of the transfer of claims to the

8. MINERAL PROPERTY INTERESTS (CONT'D)

Poplar (Cont'd)

Company, 7,500 common shares on the second anniversary of the transfer of claims to the Company and 15,000 common shares on the third anniversary of the transfer of claims to the Company. Additionally, should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $100,000 in the form of a 1% NSR or a one-time only buy-out by the Company of $100,000 less any NSR amounts previously paid. On May 25, 2009, the Company issued 2,500 of its common shares in respect of this agreement and valued the shares at $2,000, and on July 29, 2010, the Company issued 5,000 shares and valued these shares at $2,800.

During the period between September and December 2009, the Company staked 10,169 additional hectares in the area adjacent to the Poplar mineral property interest. This staking covered areas of interest that were discovered while analyzing results of the Geoscience BC Quest-West airborne survey as well as more detailed target areas uncovered during the Company funded airborne survey of 2009.

On August 20, 2009, the Company announced that The Office of the Wet'suwet'en, representing the interests of five Clans and thirteen Houses, and the senior executive of the Company have concluded a Memorandum of Understanding ("MoU"). The MoU recognized that both parties to the MoU are committed to a respectful, consultative relationship with regard to the Company's mineral exploration activities on Wet'suwet'en territories.

On signing the MoU, the Company paid the Office of the Wet'suwet'en $10,000 and is obligated to make annual $10,000 payments until such time as the MoU is terminated by either party. The Company's 2010 spring exploration program on its Poplar property interest was abandoned due to unresolved internal issues of political representation and jurisdiction between the Wet'suwet'en Heredity Chiefs and a particular House group with the Wet'suwet'en Nation. This issue was raised on April 6, 2010 by a number of individuals who attended the site of the Company's planned exploration activities. Further discussions with the Unis'tot'en have occurred, and the Company subsequently paid $10,000 to the Unis'tot'en and is currently funding a traditional use study of the Poplar area of geographical interest. Subsequent to the year ended December 31, 2010, the Company commenced a drilling program of approximately 5,500 metres which program employed several First Nations personnel. Discussions with affected First Nations groups are ongoing with respect to a Company proposal to conduct a further exploration program in the third quarter of 2011.

Kelly Creek

By an agreement dated July 26, 2004, the Company was granted an option to acquire an undivided 100% interest in what are now 6 mineral claims, known as the Kelly Creek mineral property interest, situated in the Omineca Mining Division of B.C. Terms of the agreement were the payment of $20,000 and the issuance of 100,000 common shares of the Company to be issued in various stages, with the final 40,000 common shares being issued in July, 2007. The optionor retains a 2% NSR, in respect of these mineral claims, with the Company being granted the right to purchase 1% of this royalty for consideration of $1,000,000.

The Kelly Creek mineral property interest is 100% owned by the Company and all related mineral claims are current and in good standing. During the year ended December 31, 2010, tenure fees of $16,000 (2009 - $15,786) were paid to keep the Company's Kelly Creek mineral property interests in good standing.

8. MINERAL PROPERTY INTERESTS (CONT'D)

Hudson Bay Mountain

The Company acquired a 100% interest in certain mineral claims known as the Hudson Bay Mountain mineral property interest located near Smithers, British Columbia by issuing 460,000 common shares in May 2005 and by making annual payments of $25,000, with reference to the initial payment which was made in May 2005. The Company has negotiated with the vendor and the previous annual $25,000 payment obligation has been waived by the vendor in connection with the 2010 agreement disclosed below. The vendor retains a 2% NSR in respect of these mineral claims.

During the year ended December 31, 2010, tenure fees of $50,237 (2009 - $41,325) were paid to keep these mineral property interests in good standing, and the 2009 annual payment obligation of $25,000 pursuant to the agreement was made in April 2009.

The Hudson Bay Mountain mineral property interest is 100% owned by the Company and all mineral claims are current and in good standing. During the year ended December 31, 2009, the Company renewed 22 claims on the Hudson Bay Mountain mineral property interest totalling 8,236 hectares, and 11 claims totalling 1,398 hectares were not renewed.

On July 29, 2010, the Company announced that it had entered into an agreement to acquire additional claims, known as the Mason claims, surrounding its existing mineral property interest on Hudson Bay Mountain. The Mason claims are located on Hudson Bay Mountain, a short distance west of Smithers, B.C. The addition of these claims increases the Company's claims on Hudson Bay Mountain to 82 tenures totalling over 26,000 hectares. Pursuant to a sale and purchase agreement entered into between the Company and the vendor of the Mason claims, the Company acquired a 100% interest in the property interest by (i) issuing to the vendor 1,300,000 common shares of the Company, and valued the shares at $780,000; (ii) paying a total of $250,000 cash ($150,000 at the closing of the acquisition and $100,000 on September 13, 2010); and (iii) granting the vendor a 2% net smelter returns royalty on the Mason claims.

Copperline

On July 29, 2010, the Company entered into an agreement to acquire a 60% interest in the Copperline mineral property interest in British Columbia. The Copperline property surrounds Skutsil Knob at the south end of the Driftwood Range, 25 km northwest of Takla Lake, and about 120 km northeast of Smithers, B.C. Pursuant to the sale and purchase agreement, the Company has acquired a 60% undivided beneficial and recorded interest in the Copperline mineral property interest in consideration for the issuance to the vendor of a total of 2,700,000 common shares (issued) in the share capital of the Company, and valued the shares at $1,620,000.

The remaining 40% interest in the mineral property interest is held by Max Minerals Ltd. (TSXV: MJM) and following the acquisition of the 60% interest, the Company has assumed the vendors' rights and obligations pursuant to an existing joint venture with Max Minerals Ltd.

A portion of the claims comprising the Copperline property interest is subject to a 1.5% net smelter returns royalty held by Cominco Ltd. Kleinebar Resources Ltd. ("Kleinebar") also holds a 0.5% net smelter returns royalty on the part of the property interest subject to the Cominco royalty, and a 1.25% net smelter returns royalty on the balance of the property interest. The Kleinebar royalty can be purchased at any time for $500,000.

8. MINERAL PROPERTY INTERESTS (CONT'D)

ROK-Coyote

On January 21, 2010, the Company entered into a letter of intent ("LOI"), as amended, with Firesteel Resources Inc. ("Firesteel") for an option to acquire a 75% interest in the ROK-Coyote mineral property interest (the "Property") situated in the Stikine Arch region of north-western B.C. comprising 19 contiguous claims covering 6,891 hectares. Pursuant to the terms of the LOI, the Company is to be granted an option (the "Option") to acquire a seventy-five percent (75%) interest in the Property in consideration for the issuance of an aggregate of $496,000 in cash, and an aggregate exploration expenditures commitment of $2,329,000 over a period of four years (the "Option Period"). During the Option Period, the Company will be the operator on the Property. A $22,000 cash finder's fee will be payable on TSXV acceptance of a formal option agreement.

As at December 31, 2010, included in prepaid expenses is a cash payment of $50,000 made by the Company to Firesteel which shall be credited against the cash payment and exploration expenditure commitment obligations pursuant to the Option. Any common shares issued pursuant to the Option shall be subject to a pooling arrangement providing for the release of 25% of such shares on acceptance and 25% every three months thereafter. The Company shall also have a first right to repurchase or arrange for the purchase of any of its shares to be issued to Firesteel. Firesteel retains the right to acquire a five percent (5%) interest in the Property for $200,000 at any time following the date which is three years after the Option is accepted for filing by the TSXV and is prior to a production decision being made by the Company concerning the Property. In the event Firesteel elects to exercise this right, the Company's rights pursuant to the Option would be reduced to a 70% interest in the Property. Firesteel will also be granted a 2% net smelter return royalty ("Royalty") on the Property, subject to the Company's right to purchase ½ of such royalty (1%) for $1,000,000 at any time within 240 days of commencement of commercial production. The Property consists of two blocks earned or under option by Firesteel from previous claim holders, each with 2% royalty obligations; one block in an area of common interest with a 0.5% royalty obligation; and a fourth block with no previous royalty obligation.

Subsequent to December 31, 2010, the Company entered into a formal option agreement as contemplated by the LOI, which agreement was subsequently accepted for filing by the TSXV. In connection with this acceptance, the Company satisfied its initial obligations by paying Firesteel $121,000, and issuing 50,000 of its common shares to Firesteel.

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

9. SHARE CAPITAL (CONT'D)

b) Issued And Outstanding

	Number Of Shares	Amount	Contributed Surplus
Balance, December 31, 2008	10,501,694	$ 12,094,045	$ 1,460,506
Shares issued pursuant to mineral property interest agreements (note 8)	12,500	11,500	-
Stock-based compensation (note 9c))	-	-	157,387
Acquisition of shares via normal course issuer bid	(14,000)	(9,000)	-
Balance, December 31, 2009	10,500,194	12,096,545	1,617,893
Private placements	1,512,500	1,330,000	-
Fair value of share purchase warrants	-	(215,400)	-
Exercise of stock options (notes 9c) & 10)	194,000	213,400	-
Reclassification from contributed surplus on exercise of stock options	-	123,422	(123,422)
Shares issued pursuant to mineral property interest agreements (note 8)	4,025,000	2,414,000	-
Stock-based compensation (note 9c))	-	-	135,602
Share issuance costs	-	(142,515)	-
Balance, December 31, 2010	16,231,694	$ 15,819,452	$ 1,630,073

Share Capital Reorganization

At its Annual General Meeting on July 6, 2010, the Board of Directors of the Company resolved to subdivide its common shares on the basis of two and one half new common shares for every existing common share issued at any time within six months following the meeting, subject to regulatory acceptance. The Board subsequently resolved to delay this action, with the formal action lapsing subsequent to December 31, 2010.

Effective September 18, 2008, the TSXV approved the Company's application for a normal course issuer bid. The Company had the right to purchase up to 5% of its outstanding common shares. The actual number of shares and the timing of purchase was determined by the Company and all purchased shares were ultimately cancelled. The purchase of shares was governed by the policies of the TSXV. During the year ended December 31, 2009, 14,000 (2008 - 55,500) shares were purchased in the market at an average price of $0.64 (2008 - $1.15). All of these shares were cancelled during the year ended December 31, 2009. The Company did not reapply for a normal course issuer bid and effective September 22, 2009, the Company is no longer a Normal Course Issuer.

Private Placements

In June, 2010 the Company completed a non-brokered private placement consisting of 1,200,000 units at a price of $0.90 for aggregate proceeds of $1,080,000. Each unit is comprised of one flow-through common share and one half of one share purchase warrant which entitles the holder to acquire one additional common share for $1.00 at any time within 24 months after the date the warrants were issued. A finder's fee of $75,600

9. SHARE CAPITAL (CONT'D)

b) Issued And Outstanding (Cont'd)

Private Placements (Cont'd)

in cash was paid in connection with this private placement financing. In July, 2010 the Company also completed a non-brokered private placement consisting of 312,500 units at a price of $0.80 for aggregate proceeds of $250,000. Each unit is comprised of one common share and one half of one share purchase warrant which entitles the holder to acquire one additional common share for $1.00 at any time within five years after the date the warrants were issued. A Director and Officer of the subscribing company is also a Director of the Company.

c) Stock Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The term of the stock options granted are fixed by the board of directors and are not to exceed 5 years. The exercise prices of the stock options are determined by the board of directors but shall not be less than the closing price of the Company's common shares on the day preceeding the day on which the directors grant the stock options, less any discount permitted by the TSXV. The stock options vest immediately on the date of grant unless otherwise required by the TSXV, however, a four month hold period applies to all shares issued under each stock option, commencing on the date of grant. Other terms and conditions are as follows: all stock options are non-transferable; no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares.

During the year ended December 31, 2010, 244,000 (2009 - 215,000) stock options were granted to directors, officers and consultants of the Company. The estimated fair value for the options granted was $135,602 (2009 - $157,387) which has been expensed as stock-based compensation in the Company's consolidated statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity.

The fair value of 200,000 of the options, being $0.18 to $0.84 (2009 - $0.63 to $0.88) per option, has been estimated at the grant dates using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate. The additional 44,000 options granted in 2010 were exercised on the same day as the grant day and therefore no stock-based compensation was recorded.

9. SHARE CAPITAL (CONT'D)

c) Stock Options (Cont'd)

Assumptions used in the pricing model are as follows:

	2010	2009
Risk-free interest rate	0% to 2.7%	2.0%-2.7%
Expected life of options	0 to 5 years	5 years
Annualized volatility	103%-131%	117%-156%
Dividend rate	Nil	Nil

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2008	1,000,000	$1.12	3.42
Exercised			
Granted	215,000	$0.87	
Cancelled/Expired	(200,000)	($1.12)	
Balance, December 31, 2009	1,015,000	$1.07	3.11
Exercised	(194,000)	($1.10)	
Granted	244,000	$1.04	
Cancelled/Expired	(355,000)	($1.03)	
Balance, December 31, 2010	710,000	$1.07	2.53

At December 31, 2010, the Company had the following incentive stock options outstanding:

Exercise Price	Expiry Date	Balance 2009	Granted	Exercised/ Cancelled	Balance 2010
$1.10	June 26, 2011	261,000	-	(150,000)	111,000
$1.10	September 14, 2011	39,000	-	-	39,000
$1.12	June 23, 2013	470,000	-	(170,000)	300,000
$1.40	July 23, 2013	30,000	-	(20,000)	10,000
$0.72	April 2, 2014	125,000	-	(50,000)	75,000
$1.07	September 18, 2014	90,000	-	(65,000)	25,000
$1.10	January 12, 2015	-	44,000	(44,000)	-
$1.10	January 15, 2015	-	150,000	-	150,000
$0.80	October 29, 2010	-	50,000	(50,000)	-
		1,015,000	244,000	(549,000)	710,000

9. SHARE CAPITAL (CONT'D)

c) Stock Options (Cont'd)

Subsequent to year ended December 31, 2010, 75,000 of the June 23, 2013 options were cancelled. 125,000 options were granted to a consultant at an exercise price of $0.80 per share to December 15, 2015 and 804,000 and 135,000 options were granted to directors, officers and consultants at exercise prices of $0.80 and $0.90 per share to January 3, 2016, and April 11, 2016, respectively.

d) Share Purchase Warrants

At December 31, 2010, the Company had the following share purchase warrants outstanding:

Exercise Price	Expiry Date	Balance 2009	Issued	Exercised/ Cancelled	Balance 2010
$0.72	June 25, 2012	4,393,702	-	-	4,393,702
$0.72	May 23, 2013	1,200,000	-	-	1,200,000
$1.00	June 30, 2012	-	600,000	-	600,000
$1.00	July 13, 2015	-	156,250	-	156,250
		5,593,702	756,250	-	6,349,952

During the year ended December 31, 2009, the 4,393,702 share purchase warrants which were to expire on June 25, 2009 had their expiry date extended to June 25, 2012, and the 1,200,000 share purchase warrants which were to expire on May 23, 2010 had their expiry date extended to May 23, 2013. The modification of the terms of the warrants is treated as an exchange of the original warrants for new warrants. The incremental value of the new warrants has been recorded at an estimated fair value of $1,687,299 as stock based compensation in the Company's consolidated statement of operations with a corresponding amount recorded as share purchase warrants in the equity portion of the Company's consolidated balance sheet. The fair value of the warrants has been estimated at the amendment date using the Black-Scholes pricing model with the following assumptions: Risk-free interest rate of 2.0%; Expected life of warrants extended an additional three years, realized volatility of 150%; and no expected payment of dividends.

10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the Company paid or accrued consulting fees totalling $524,719 plus GST/HST (2009 - $492,463) to directors, officers, and companies subject to their control. As at December 31, 2010, $7,560 (2009 -$143,548) of these amounts are disclosed on the Company's consolidated balance sheet as due to related parties. These related party balances are unsecured, non-interest bearing, and are due on demand. In addition, as at December 31, 2009, $123,298 of the balance disclosed as due to related parties was subject to a contract settlement agreement which saw this balance repaid in January, 2010.

During the years ended December 31, 2010 and 2009, the Company paid or accrued administrative expenses totalling $76,956 (2009 - $85,878), which are disclosed as office rent and telephone in the Company's consolidated statement of operations, to a company controlled by a director and officer of the Company. Administrative

10. RELATED PARTY TRANSACTIONS (CONT'D)

expenses included in this total were paid pursuant to an agreement which is in effect up to and including June 30, 2011, and were on account of occupancy costs, telecommunications, benefits, copiers and office supplies. During the years ended December 31, 2010 and 2009, the Company determined to pay each of three directors of the Company fees totalling $25,250 (2009 - $18,000) as compensation for their additional time spent in respect of the subsequently abandoned acquisition of AusNiCo Ltd. in April of 2010.

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. The exchange amount reflects the values that the Company would transact at with arms' length parties.

11. COMMITMENTS

As disclosed in note 8, the Company's minimum mineral property interest payment requirements over the next five years and thereafter are $75,000 (2009 - $100,000) per year.

In accordance with agreements between the Company and its directors, officers and companies subject to their control, the Company is committed to paying consulting fees of $27,050 per month to October 31, 2011 unless cancelled pursuant to the terms of the agreements.

12. INCOME TAXES

No provision for recovery of income taxes was made in 2010 and 2009 because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for Canadian income tax purposes of approximately $3,320,500 (2009 - $2,291,829) which expire in various years to 2030 as follows:

2014	$ 358,760
2015	400,131
2026	321,117
2027	270,345
2028	746,305
2030	1,223,842
	$ 3,320,500

In addition, the Company has capital losses available to offset capital gains in future years in the amount of $235,434 (2009 - $231,034). The Company has undeducted Canadian and Foreign exploration and development expenditures of $6,695,308 (2009 - $3,974,136) which expenditures have no expiration date. The Company also has share issuance costs of $120,293 (2009 - $14,856) available for deduction against future Canadian taxable income. Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the consolidated balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for income tax purposes that are likely to be realized.

12. INCOME TAXES (CONT'D)

	2010	2009
Loss before income taxes	$ (1,569,724)	$ (2,235,579)
Tax rate	25%	25%
Calculated income tax recovery	(392,431)	(558,895)
Share issuance costs deductible for tax purposes	(35,629)	-
Items not deductible for tax purposes and expiry of loss	102,000	564,384
Change in tax rate	-	166,376
Increase (Decrease) in valuation allowance	326,060	(179,425)
Future income tax recovery	-	(7,560)
Application of non-capital loss carryforward	-	7,560
Future income tax recovery	$ -	$ -

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2010	2009
Future income tax assets		
Temporary differences in assets	$ 529,198	$ 461,406
Non-capital loss carry forwards	831,225	572,957
	1,360,423	1,034,363
Valuation allowance for future income tax assets	(1,360,423)	(1,034,363)
	$ -	$ -

13. SUBSEQUENT EVENTS

In March, 2011 the Company completed a non-brokered private placement consisting of 1,052,632 flow-through common shares at a price of $0.95 for aggregate proceeds of $1,000,000. The Company also completed a non-brokered private placement consisting of 6,289,000 units at a price of $0.80 for aggregate proceeds of $5,031,200. Each unit is comprised of one common share and one half of one share purchase warrant which entitles the holder to acquire one additional common share for $1.20 at any time within the first year, and for $1.50 at any time within the second year after the date the warrants were issued. Finder's fees of $229,728 in cash were paid and 275,318 in finders' warrants were issued in connection with this private placement financing. Each finders' warrant entitles the holder to acquire a common share for $0.82 at any time within 18 months after the date the warrants were issued.