ACME RESOURCES INC.
(An Exploration Stage Company)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2010
(UNAUDITED – PREPARED BY MANAGEMENT)

These financial statements
have not been reviewed by the Company's auditors.

ACME RESOURCES INC.

(An Exploration Stage Company)

(UNAUDITED – PREPARED BY MANAGEMENT)

Notice of no Auditor Review of Interim Financial Statements

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards of the Canadian Institute of Chartered Accountants for a review of interim financial statements.

ACME RESOURCES INC.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

(UNAUDITED – PREPARED BY MANAGEMENT)

	November 30, 2010 - $ - Unaudited	May 31, 2010 - $ - Audited
A S S E T S		
CURRENT ASSETS		
Cash	209,706	336,303
Marketable securities	7,850	6,280
Amounts receivable	7,235	10,538
Prepaid expenses and deposits	10,745	7,838
	235,536	360,959
CAPITAL ASSETS (Note 6)	95,806	98,214
INVESTMENT IN GOLDEN HARP (Note 8)	1,509,196	1,500,000
MINERAL INTERESTS (Note 7)	4,712,123	4,708,406
ASSETS HELD FOR SALE (Note 5)	75,000	85,500
	6,627,661	6,753,079
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable	15,864	67,754
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	17,134,569	17,134,569
CONTRIBUTED SURPLUS (Note 12)	940,934	860,264
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 13)	56,886	7,798
DEFICIT	(11,520,592)	(11,317,306)
	6,611,797	6,685,325
	6,627,661	6,753,079

APPROVED BY THE DIRECTORS

Signed: “Seamus Young”

Signed: “Shaun Maskerine”

ACME RESOURCES INC.

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(UNAUDITED – PREPARED BY MANAGEMENT)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2010 - $ -	2009 - $ -	2010 - $ -	2009 - $ -
EXPENSES				
Administration salaries	6,681	10,657	13,369	41,165
Amortization	1,204	1,531	2,408	3,062
Business development	1,260	2,049	1,260	2,089
Management fees (Note 14(a))	1,025	31,625	1,775	61,625
Office and miscellaneous	13,924	15,825	23,984	31,032
Professional fees	7,843	7,367	24,064	14,381
Transfer agent and filing fees	5,396	7,381	6,934	8,961
	37,333	76,435	73,794	162,315
	(37,333)	(76,435)	(73,794)	(162,315)
OTHER INCOME (EXPENSE)				
Loss from equity investment	(94,534)	(45,396)	(118,992)	(187,415)
Dilution loss from equity investment	-	(269)	-	(269)
	(94,534)	(45,665)	(118,992)	(187,684)
LOSS from CONTINUING OPERATIONS	(131,867)	(122,100)	(192,786)	(349,999)
INCOME (LOSS) from DISCONTINUED OPERATIONS	(10,500)	-	(10,500)	8,550
NET LOSS FOR PERIOD	(142,367)	(122,100)	(203,286)	(341,449)
DEFICIT, BEGINNING OF PERIOD	(11,378,225)	(9,423,717)	(11,317,306)	(9,204,368)
DEFICIT, END OF PERIOD	(11,520,592)	(9,545,817)	(11,520,592)	(9,545,817)
NET LOSS PER SHARE				
Continuing Operations	(0.012)	(0.025)	(0.018)	(0.074)
Discontinued Operations	(0.001)	0.000	(0.001)	0.002
WEIGHTED AVERAGE SHARES OUTSTANDING	10,969,299	4,912,753	10,969,299	4,716,522

ACME RESOURCES INC.

(An Exploration Stage Company)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED – PREPARED BY MANAGEMENT)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2010 **- $ -**	**2009** **- $ -**	**2010** **- $ -**	**2009** **- $ -**
Net (loss) for the period	(142,367)	(122,100)	(203,286)	(341,449)
Other Comprehensive income (loss):				
Unrealized gain (loss) on available for sale marketable securities	-	3,140	1,570	1,525
Proportionate share of Golden Harp's unrealized gain on available for sale marketable securities	59,185	-	55,539	-
Proportionate share of Golden Harp's reclassification adjustment for gains included in Golden Harp's net loss upon sale of marketable securities	(8,021)	-	(8,021)	-
Comprehensive (loss)	(91,203)	(118,960)	(154,198)	(339,924)

- See Accompanying Notes -

ACME RESOURCES INC.

(An Exploration Stage Company)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(UNAUDITED – PREPARED BY MANAGEMENT)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2010	**2009**	**2010**	**2009**
	- $ -	**- $ -**	**- $ -**	**- $ -**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net loss for the period	(142,367)	(122,100)	(203,286)	(341,449)
Items not involving cash				
Amortization	1,204	1,531	2,408	3,062
Dilution loss from equity investment	-	269	-	269
Loss from equity investment	94,534	45,396	118,992	187,415
Write down of asset held for sale	10,500	-	10,500	-
	(36,129)	(74,904)	(71,386)	(150,703)
Changes in non-cash working capital				
Amounts receivable	(4,917)	(3,734)	3,303	(3,151)
Prepaid expenses and deposits	-	4,154	(2,907)	15,137
Accounts payable and accrued liabilities	(67,883)	(456)	(51,890)	(4,999)
Due to related parties	-	23,076	-	63,730
Net cash (used in)/provided by operating activities	(108,929)	(51,864)	(122,880)	(79,986)
INVESTING ACTIVITIES				
Mineral interests	(1,745)	(5,309)	(3,717)	(18,873)
Net cash (used in)/provided by investing activities	(1,745)	(5,309)	(3,717)	(18,873)
FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	60,000	-	109,500
Share issuance costs	-	(2,830)	-	(5,456)
Net cash provided by financing activities	-	57,170	-	104,044
(DECREASE)/INCREASE IN CASH	(110,674)	(3)	(126,597)	5,185
CASH, BEGINNING OF PERIOD	320,380	11,818	336,303	6,630
CASH, END OF PERIOD	209,706	11,815	209,706	11,815

SUPPLEMENTAL CASH FLOW INFORMATION (Note 17)

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

ACME Resources Inc. ("the Company") was incorporated in the Province of British Columbia and is primarily engaged in the acquisition and exploration of mineral properties throughout Canada. The Company is in the exploration stage and there has been no determination whether properties held contain ore reserves which are economically recoverable. In the ordinary course of business, the Company sells or options its mineral property interests to third parties, accepting as consideration cash and/or securities of the acquiring party. The Company is a public company listed on the TSX Venture Exchange.

The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

As at November 30, 2010 the Company incurred a loss of $203,286 (2009 – $341,449) and has a deficit of $11,520,592 (November 30, 2009 - $9,545,817) which have been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business, and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective June 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants' ("CICA") Handbook:

(a) Goodwill and Intangible Assets - (Section 3064)

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning June 1, 2009. The adoption of this accounting policy had no impact on the financial statements.

(b) Financial Instruments – Disclosures (Section 3862)

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures". These amendments are applicable to financial statements relating to the Company's annual financial statements ending on May 31, 2010. The amendments provide for additional disclosure requirements about fair value measurements of financial instruments and enhanced liquidity risk disclosure requirements for publicly accountable enterprises. The additional required disclosures are included in Note 19 of these financial statements. The Company classifies its cash and cash equivalents as held-for-trading, marketable securities as available for sale, amounts receivable and amounts due to/from related parties as loans and receivables and its accounts payable as other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These unaudited interim financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles, prepared on a consolidated basis and the comparative figures includes the accounts of the Company and its 50% share of the assets, liabilities, other income and expenses of the joint venture formed November 15, 2007 on a proportionate consolidated basis in accordance with CICA Handbook Section 3055, "Interests in Joint Ventures. All inter-company transaction and balances have been eliminated upon consolidation. The Company and Logan Resources Ltd. decided to terminate the Joint Venture agreement during fiscal 2010.

These consolidated financial statements also include an equity interest in Golden Harp Resources Inc. ("Golden Harp"). The Company's ownership in Golden Harp was 40.51% (November 30, 2009 – 40.51%). The percentage ownership decreased, as a result of the issuance of shares by Golden Harp to outside interests. The Company's ownership interest is accounted for using the equity method.

All share references, numbers of options, numbers of warrants and per share amounts included in the financial statements have been retroactively restated to reflect the 15 : 1 share consolidation that occurred on December 7, 2009 and are presented on a post consolidated basis.

Certain of the prior year's figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

(b) These unaudited interim consolidated financial statements have been prepared on a basis consistent with the policies set out in the Company's annual audited consolidated financial statements for the year ended May 31, 2010. However, certain disclosures required for annual financial statements have not been included. Accordingly, these unaudited interim financial statements should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended May 31, 2010.

(c) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method over the estimated useful lives at the following rates:

Computer equipment	30%	
Computer software	50%	
Office and field equipment	20%	
Vehicle	30%	
Airborne-Magnetometer & Spectrometer	25%	Straight - line

In the year of acquisition, amortization is recorded at one-half the above rates.

4. RECENT ACCOUNTING PRONOUNCEMENTS

(a) In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

(b) In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Theses standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

(c) In August 2009, Section 3251, Equity was issued in response to issuing Section 1602 Non-controlling Interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the financial statements.

(d) August 2009, Section 1625, Comprehensive Revaluation of Assets and Liabilities was issued for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on the financial statements.

(e) In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During fiscal 2008, the Company acquired a 50% interest in Airborne Magnetometer and Spectrometer equipment for use in the exploration of its mineral properties for $274,019. During fiscal 2009 the Company recorded an impairment loss of $154,267 which was recorded as a loss from discontinued operations. During fiscal 2009, the Company decided to sell the asset and wrote it down to its fair value of $ 85,500. The equipment was jointly used by the Company and Logan Resources Ltd. who holds the other 50% interest. The two parties entered into a joint venture agreement on November 15, 2007 to govern the use of the equipment. Logan is a Canadian public company that has common directors with the Company. During fiscal 2010 the Company and Logan agreed to dissolve the joint venture, subject to the sale of the equipment, and liabilities were allocated to the respective companies on a proportionate basis.

The Company's proportionate interest in the assets and liabilities of the discontinued joint venture is:

	November 30, 2010 - $ - Unaudited	May 31, 2010 - $ - Audited
Assets held for sale – field equipment – Airborne	75,000	85,500
Liabilities	-	-
Net assets	75,000	85,500

During fiscal 2009, the Company had found a purchaser for the Airborne Magnetometer and Spectrometer asset. The purchaser did not honour the sales agreement and the non-refundable deposit of $8,550 is shown as income in fiscal 2010. The Company is looking for a new purchaser. See subsequent events.

The Company's proportionate share of the results of the Joint Venture for the period ended are as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2010 - $ -	2009 - $ -	2010 - $ -	2009 - $ -
Other income	-	-	-	8,550
Asset written down to Fair Value	(10,500)	-	(10,500)	-
Income on discontinued joint venture	(10,500)	-	(10,500)	8,550

6. CAPITAL ASSETS

	Cost - $ -	Accumulated Amortization - $ -	November 30, 2010 Net Book Value - $ -	May 31, 2010 Net Book Value - $ -
Computer equipment	18,236	16,904	1,332	1,567
Computer software	2,327	2,286	41	55
Field equipment	41,972	25,936	16,036	17,818
Office equipment	13,964	10,567	3,397	3,774
Storage facility – 50% share of the Company*	75,000	-	75,000	75,000
	151,499	55,693	95,806	98,214

***** The Company's share - shared 50% with Logan Resources Ltd. See subsequent event.

7. MINERAL INTERESTS

A summary of expenditures incurred relating to the Company's mineral interests is as follows:

	November 30, 2010 - $ -	Current expenditures - $ -	May 31, 2010 - $ -
a) Nor, Yukon			
Acquisition costs	422,080	-	422,080
Exploration expenditures:			
Accommodation & Meals	340,830	-	340,830
Assays	68,787	-	68,787
Diamond Drilling	850,848	-	850,848
Drafting	15,234	-	15,234
Fuel	378,022	-	378,022
Geologist	522,466	2,848	519,618
Geophysics	281,283	-	281,283
Helicopter	1,448,816	-	1,448,816
Housing	28,900	-	28,900
Licenses	33,149	-	33,149
Line Cutting	109,794	-	109,794
Supervision	91,305	-	91,305
Supplies & misc.	147,798	839	146,959
Support wages	334,260	-	334,260
Surveys	86,568	-	86,568
Travel & vehicle	96,517	-	96,517
METC	(595,129)	-	(595,129)
	4,239,448	3,687	4,235,761
Total Nor Property, Yukon	4,661,528	3,687	4,657,841

7. MINERAL INTERESTS (continued)

	November 30, 2010 - $ -	Current expenditures - $ -	May 31, 2010 - $ -
b) Bear River, B.C.			
Acquisition costs	10,389	-	10,389
Exploration expenditures:			
Assay	326	-	326
License and recording fees	15,126	-	15,126
Supervision	13,750	-	13,750
Supplies & misc.	224	-	224
	29,426	-	29,426
Total Bear River, British Columbia	39,815	-	39,815
c) Carswell, Saskatchewan			
Acquisition costs	-	-	-
Exploration expenditures:			
Supervision	10,750	-	10,750
Supplies & misc.	30	30	-
	10,780	30	10,750
Total Carswell, Saskatchewan	10,780	30	10,750
Total Mineral Interests	4,712,123	3,717	4,708,406

(a) Nor Property, Yukon

The Nor Property consists of 448 mineral claims in the Dawson Mining District, Yukon Territory. A total of 396 claims were acquired through staking. The remaining 52 claims are held pursuant to an Option Agreement dated October 28, 2004. During fiscal 2009 the Company earned a 100% interest in the property. The Company paid $207,500 cash and issued 66,667 shares during the years that have been allocated to acquisition cost.

A total of 402 claims are subject to a 2% NSR royalty. The Company has the right to purchase 50% of the NSR royalty retained by the Optionor for a purchase price of $2,000,000 and the right of first refusal on the remaining 50%.

(b) Bear River, British Columbia

The Company owns a 100% interest in one mineral claim plus a fraction of a claim covering 475 hectares, located in the Skeena Mining Division of British Columbia. One of these claims is subject to a 3.5% NSR Royalty. During fiscal 2010 a 300 hectare claim owned by the Company expired.

(c) Carswell, Saskatchewan

During October, 2004, the Company staked 1 claim, consisting of 5,970 acres in the Athabasca Basin area of Saskatchewan.

Pursuant to an Option Agreement dated March 2, 2005, the Company granted an option to a third party to earn a 50% interest in the Carswell Property. To earn this interest the optionee paid $25,000 cash, issued 200,000 of its shares and incurred a total of $100,000 in exploration expenditures. During fiscal 2009, the third party company met the terms of the option agreement and has a 50% interest in the property.

7. MINERAL INTERESTS (continued)

Pursuant to a Joint Venture Agreement dated July 24, 2008, the Company granted the third party a further 30% interest in the claim, resulting in the third party having a 80% undivided interest in the property, subject to the delivery by the third party of a bankable feasibility study. The Company will retain a carried interest until the feasibility study is delivered, at which time the company will have the choice to take on a 20% participating interest in a new company to operate the production facility or take on a 2% gross overriding royalty for all uranium mineral products and a 2% net smelter returns royalty for all other metals.

The third party will return all the Company's interest in any of the claims upon a decision by the third party to terminate work thereon.

8. INVESTMENT IN GOLDEN HARP

The Company recorded its investment in Golden Harp on a fully-consolidated basis until February 29, 2008. Thereafter, the Company no longer had a controlling interest in Golden Harp which was then accounted for under the equity method. As of November 30, 2010, the Company owned 10,000,000 shares of Golden Harp. The Company's proportionate interest in Golden Harp declined from 65.32% to 40.53% during fiscal 2008 as a result of issuances of common shares by Golden Harp and from the exercise of stock options and warrants. The Company's proportionate interest in Golden Harp declined further, from 40.53% to 40.51% during fiscal 2010 as a result of issuances of common shares by Golden Harp due to the exercise of warrants. The Company, through its shareholding in Golden Harp, exercises significant influence over that company. As a result, the investment in Golden Harp is accounted for using the equity method.

The following is a summary of the Golden Harp equity transactions completed during the year and prior year that resulted in changes in the Company's ownership interest in Golden Harp:

For the period ending November 30, 2010

(a) For the period ending November 30, 2010, Golden Harp had no further share transactions and the Company retained its 10,000,000 shares in Golden Harp, resulting in an unchanged 40.51% equity interest as of November 30, 2010.

For fiscal 2010

(b) During fiscal 2010, the Company retained its 10,000,000 shares in Golden Harp, however during fiscal 2010; Golden Harp issued 11,000 common shares due to the exercise of 11,000 share purchase warrants, resulting in the Company's interest in Golden Harp, to decline from 40.53% to 40.51% and is still unchanged as of year end May 31, 2010.

Details of the investment in Golden Harp are as follows:	**November 30, 2010 - $ -**	**May 31, 2010 - $ -**
	Unaudited	**Audited**
Opening balance	1,500,000	2,291,427
Dilution loss from share issuances	-	(269)
Proportionate share of net loss	(118,992)	(262,037)
Proportionate share of unrealized (loss)gain on available for sale marketable securities	55,539	12,153
Proportionate share of reclassification adjustment for gains included in net loss upon sale of available for sale marketable securities	(8,021)	-
Proportionate share of Equity pick-up in Contributed surplus due to Stock Based Compensation issuance	80,670	-
Write-down of investment	-	(541,274)
Closing balance	1,509,196	1,500,000

8. INVESTMENT IN GOLDEN HARP (continued)

Subsequent to year-end May 31, 2010, the Company's management believed the decline in quoted market value was other than temporary and the investment was written down to its estimated fair value of $1,500,000, for the year ended May 31, 2010, which was based on the average closing price of the Company's common shares for the fifteen trading days ended September 21, 2010.

Based upon TSX.V closing market prices of $0.15 (2010 - $0.08) per share, this investment had a quoted market value of $1,500,000 at November 30, 2010 ($800,000 at May 31, 2010).

The Company's management believes there is no indication the decline in quoted market value is other than temporary as of November 30, 2010.

A former director of Golden Harp believes to be entitled to $169,464 from Golden Harp. Golden Harp has received a garnish order and this amount was transferred to the Court of Justice – Vancouver, B.C. Golden Harp is in the process of defending it. The outcome is not yet determined. No adjustment has been made for any liability, if any.

9. SHARE CAPITAL

The authorized share capital of the Company consists of unlimited common shares without par value.

Issued and outstanding	Number of shares	Amount - $ -
Balance, May 31, 2009	4,462,633	16,280,011
Issued during the period for:		
Cash	6,486,666	859,500
Mineral property option payments	20,000	6,000
Share issuance costs	-	(10,942)
Balance, May 31, 2010	10,969,299	17,134,569
Issued during the period:	-	-
Balance, November 30, 2010	10,969,299	17,134,569

For the Period ending November 30, 2010

No Shares were issued

For the year ending May 31, 2010

(a) On May 12, 2010 the Company issued 3,000,000 units through a non-brokered private placement at a price of $0.12 per unit for total proceeds of $360,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at a price of $0.16 for a period of 5 years. Share issuance costs amounted to $2,670.

(b) On March 16, 2010 the Company issued 3,000,000 units through a non-brokered private placement at a price of $0.13 per unit for total proceeds of $390,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at a price of $0.17 for a period of 5 years. Share issuance costs amounted to $2,820.

(c) On August 6, 2009 the Company issued 220,000 units through a non-brokered private placement at a price of $0.225 per unit for total proceeds of $49,500 in a first tranche. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for a period of five years at a price of $0.75 per share for the first year, and at $1.50 per share for the balance of the term of the warrant.

9. SHARE CAPITAL (continued)

(d) On September 16, 2009, the Company issued 266,666 units through a non-brokered private placement at a price of $0.225 per unit for total proceeds of $60,000 in a second and final tranche. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for a period of five years at a price of $0.75 per year for the first year, and at $1.50 per share for the balance of the term of the warrant.

(e) The Company issued 20,000 common shares pursuant to the Wolf mineral property acquisition option agreements with an estimated fair value of $0.30 per share for total fair value of $6,000. Refer to Note 7(e).

10. STOCK OPTIONS

Stock option plan and stock options issued.

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the “Plan”). Options issued pursuant to the Plan must have an exercise price greater than or equal to the “Discounted Market Price” of the Company's stock on the grant date. The maximum discount allowed varies with share price, with a maximum of 25% and a minimum price of $0.10. Options have a maximum expiry period of up to ten years from the grant date. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

Pursuant to the stock option plan, options granted in respect of investor relations activities are subject to vesting in stages over one year from the grant date with a maximum of one-quarter of the options vesting in any three month period. Vesting restrictions may also be applied to other option grants, at the discretion of the directors.

The following table summarises the continuity of the Company’s stock options:

	Number of shares
Outstanding, May 31, 2009	206,667
Issued	290,000
Cancelled/expired	(206,667)
Outstanding, May 31, 2010	290,000
Issued	-
Outstanding, November 30, 2010	290,000

At November 30, 2010 the following stock options were outstanding:

Number of Options	Exercise price $	Expiry date
290,000	0.22	Jan 14, 2015
290,000		

11. SHARE PURCHASE WARRANTS

The following table summarises the continuity of the Company's share purchase warrants:

	Number of shares
Outstanding, May 31, 2009	-
Issued	6,486,667
Outstanding, May 31, 2010	6,486,667
Issued	-
Outstanding, November 30, 2010	6,486,667

At November 30, 2010 the following share purchase warrants were outstanding:

Number of Warrants	Exercise price $	Expiry date
220,000	1.50	August 06, 2014
266,667	1.50	September 16, 2014
3,000,000	0.17	March 16, 2015
3,000,000	0.16	May 12, 2015
6,486,667		

12. CONTRIBUTED SURPLUS

	Amount - $ -
Balance, May 31, 2009	799,464
Fair value of stock options vesting	60,800
Balance, May 31, 2010	860,264
Fair value of stock options vesting	-
Proportionate Share of Fair Value of Stock Options granted by Golden Harp	80,670
Balance, November 30, 2010	940,934

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	November 30, 2010 - $ - Unaudited	**May 31, 2010 - $ - Audited**
Opening Balance Accumulated other Comprehensive Income (Loss)	7,798	(52,795)
Unrealized gain (loss) on available for sale marketable securities	1,570	3,140
Reclassification adjustment for losses included in net loss upon sale of marketable securities	-	45,300
Proportionate share of Golden Harp's unrealized gain on available for sale marketable securities	55,539	12,153
Proportionate share of Golden Harp's reclassification adjustment for gains included in net loss upon sale of marketable securities	(8,021)	-
Closing Balance Accumulated other Comprehensive Income (loss)	56,886	7,798

14. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions during period:

	November 30, 2010 - $ -	November 30, 2009 - $ -
Management fees charged by directors and a company controlled by a director	-	60,000
Consulting fees charged by a director	-	-
Other fees charged by an officer of the Company	1,775	1,625
Included in loss from equity investment are payments made to directors, officers and a company controlled by a director – Proportionate share	16,509	-
	18,284	61,625

15. COMMITMENTS

(a) The Company is committed to aggregate premises lease payments of $26,653 ($46,643 – May 31, 2010), consisting of $19,990 for fiscal 2011 and $6,663 for 2012.

16. CAPITAL MANAGEMENT

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 for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. The Company considers the components of shareholders' equity to comprise capital.

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.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended November 30,		**Six Months Ended November 30,**	
	2010 - $ -	**2009 - $ -**	**2010 - $ -**	**2009 - $ -**
Non-Cash transactions				
Shares issued for acquisition of mineral interests	-	-	-	-
Issuance of shares for finders' fees	-	-	-	-
Cash transactions				
Interest paid on debt	-	-	-	-
Income tax paid	-	-	-	-

18. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND FINANCIAL RISKS

(a) Financial Instruments

As at May 31, 2010, the Company's financial instruments consist of cash, marketable securities, accounts payable and due to related parties. The fair value of cash and marketable securities are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The fair values of accounts payable and due to related parties approximate their carrying values due to their nature and short terms to maturity.

(b) Fair Value Measurements

CICA 3862, Financial Instruments – Disclosures, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.
Financial assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of November 30, 2010 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	Balance as of May 31, 2010 $
Assets:				
Cash	209,706	-	-	336,303
Marketable securities	7,850	-	-	6,280
Total assets measured at fair value	217,556	-	-	342,583

(c) Financial Risks

(i) Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and marketable securities. The risk arises from the non-performance of counterparties of contractual financial obligations. To minimize the credit risk the Company places these instruments with high credit quality financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts.

18. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND FINANCIAL RISKS (continued)

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to provide reasonable assurance that it has sufficient capital to meet short-term financial obligations after taking into account its exploration obligations and cash equivalents on hand. The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits. The Company will require additional equity financing to meet its administrative overhead costs and further exploration activities on its mineral properties in fiscal 2011.

(iii) Market Risk

Market risks consist of interest rate risk, foreign exchange risk and other price risk. It is management's opinion that the Company is not exposed to significant market risk. However, all marketable securities are subject to price and market volatility.

(iv) Commodity Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of gold and iron. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

19. SUBSEQUENT EVENTS

Subsequent to November 30, 2010 the Company entered into the following transactions:

(a) On December 9, 2010, the Company granted 400,000 incentive stock options, exercisable at $0.25 per share for a period of five years.

(b) On January 4, 2011, the Company found a purchaser for the Airborne Magnetometer and Spectrometer asset and it was sold for $150,000. The Company's 50% portion netted $75,000.

(c) On January 4, 2011, the Company entered into an agreement to sell the Company's 50% portion of the Storage facility for $75,000. The transaction is expected to close before February 20, 2011.