

**BLUE VISTA TECHNOLOGIES INC.**  
(a development stage company)  
**INTERIM FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011 and 2010**

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**Notice to Reader – From Blue Vista Technologies Inc.**

The interim unaudited consolidated financial statements of Blue Vista Technologies Inc. (the “Company”) including the accompanying statements of financial position as at June 30, 2011 and December 31, 2010 and the statements of operations and comprehensive loss and cash flows for the three month periods ended June 30, 2011 and 2010 are the responsibility of the Company’s management. The interim unaudited financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements.

The interim unaudited financial statements as at and for the three month period ended June 30, 2011 have not been reviewed by the Company's auditors.

**BLUE VISTA TECHNOLOGIES INC.**

(a development stage company)

**INTERIM STATEMENT OF FINANCIAL POSITION****AS AT**

(Unaudited-prepared by management)

|  | June 30,<br>2011   | December 31,<br>2010 |
|--|--------------------|----------------------|
| <b>ASSETS</b>  |                    |                      |
| <b>Current</b>                                       |                    |                      |
| Cash   | \$ 728,674         | \$ 783,776           |
| Accounts receivable                                  | 31,813             | 14,703               |
| Subscription receivable                              | -                  | 130,000              |
| Prepaid expenses                                     | 2,625              | 5,775                |
|  | 763,112            | 934,254              |
| <b>Capital asset</b>                                 | <b>2,339</b>       | <b>-</b>             |
|  | \$ 765,451         | \$ 934,254           |
| <b>LIABILITIES</b>                                   |                    |                      |
| <b>Current</b>                                       |                    |                      |
| Accounts payable and accrued liabilities(Note 10(a)) | \$ 862,502         | \$ 912,666           |
| Notes payable (Note 6)                               | 188,597            | 188,597              |
|  | 1,051,099          | 1,101,263            |
| Future tax liability                                 | 108,500            | 108,500              |
|  | 1,159,599          | 1,209,763            |
| <b>SHAREHOLDERS' EQUITY</b>                          |                    |                      |
| Share capital (Note 8(b))                            | 8,692,474          | 8,689,819            |
| Contributed surplus (Note 9)                         | 152,527            | 152,527              |
| <b>Deficit</b>                                       | <b>(9,239,149)</b> | <b>(9,117,855)</b>   |
|  | (394,148)          | (275,509)            |
|  | \$ 765,451         | \$ 934,254           |

**COMMITMENTS AND CONTINGENCIES, (Notes 11)****Approved on Behalf of the Board**

'Alex Falconer' Director

'Chris Irwin' Director

See accompanying notes to the interim unaudited financial statements.

**BLUE VISTA TECHNOLOGIES INC.**

(a development stage company)

**INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE**

(Unaudited-prepared by management)

|  | Three Months<br>June 30, |                   | Six Months<br>June 30, |                  |
|--|--------------------------|-------------------|------------------------|------------------|
|  | 2011                     | 2010              | 2011                   | 2010             |
| <b>Expenses</b>  |                          |                   |                        |                  |
| Amortization (Note 7)                                    | \$ 125                   | \$ -              | \$ 156                 | \$ -             |
| Operating expenses                                       | 72,238                   | 45,312            | 121,149                | 66,112           |
| Loss from operations                                     | 72,363                   | 45,312            | 121,305                | 66,112           |
| Interest income  | 11                       | -                 | 11                     | -                |
| <b>Net loss and comprehensive loss for the period</b>    | <b>(72,352)</b>          | <b>(45,312)</b>   | <b>(121,294)</b>       | <b>(66,112)</b>  |
| <b>Loss per shares</b>                                   |                          |                   |                        |                  |
| <b>Basic and fully diluted (loss) earnings per share</b> | <b>\$ (0.003)</b>        | <b>\$ (0.008)</b> | <b>\$ (0.005)</b>      | <b>\$ 0.012</b>  |
| <b>Weighted average number of shares</b>                 | <b>23,555,401</b>        | <b>5,615,576</b>  | <b>23,528,951</b>      | <b>5,330,576</b> |

See accompanying notes to the interim unaudited financial statements.

**BLUE VISTA TECHNOLOGIES INC.**

(a development stage company)

**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011 and 2010**

(Unaudited-prepared by management)

|   | Preferred<br>shares | Share capital |                  | Issuable<br>shares | Contributed<br>Surplus | Accumulated<br>deficit | Total          |                |              |
|---|---------------------|---------------|------------------|--------------------|------------------------|------------------------|----------------|----------------|--------------|
|   |                     | Amount        | Common<br>shares |                    |                        |                        |                | Amount         | Amounts      |
| Balance December 31, 2009                 | 9,100,000           | \$ 13,056     | 3,905,576        | \$ 7,796,862       | 250,000                | \$ 12,500              | \$ 51,928      | \$ (8,870,869) | \$ (996,523) |
| Shares issued for cash                    | -                   | -             | 1,710,000        | 85,500             | 50,000                 | 2,500                  | -              | -              | 88,000       |
| Fair value of warrants                    | -                   | -             | -                | (7,249)            | -                      | -                      | 7,249          | -              | -            |
| Loss and comprehensive loss for<br>period | -                   | -             | -                | -                  | -                      | -                      | -              | (66,112)       | (66,112)     |
| Balance, June 30, 2010                    | 9,100,000           | \$ 13,056     | 5,615,576        | \$ 7,875,113       | 300,000                | \$ 15,000              | 59,177         | \$ (8,936,981) | \$ (974,635) |
| Balance December 31, 2010                 | 9,100,000           | \$ 13,056     | 23,515,576       | \$ 8,676,763       | -                      | \$ -                   | \$ 152,527     | \$ (9,117,855) | \$ (275,509) |
| Shares issued for service (Note 8(b)(i))  | -                   | -             | 53,100           | 2,655              | -                      | -                      | -              | -              | 2,655        |
| Loss and comprehensive loss for<br>period | -                   | -             | -                | -                  | -                      | -                      | -              | (121,294)      | (121,294)    |
| Balance, June 30, 2011                    | 9,100,000           | \$ 13,056     | 23,568,676       | \$ 8,679,418       | -                      | \$ -                   | \$ (9,480,770) | \$ (9,239,149) | \$ (394,148) |

See accompanying notes to the interim unaudited financial statements.

**BLUE VISTA TECHNOLOGIES INC.**

(a development stage company)

**INTERIM STATEMENTS OF CASH FLOWS  
FOR THE THREE AND SIX MONTH PERIODS ENDED**

(Unaudited-prepared by management)

|  | Three Months<br>June 30, |                  | Six Months<br>June 30, |                  |
|--|--------------------------|------------------|------------------------|------------------|
|  | 2011                     | 2010             | 2011                   | 2010             |
| <b>OPERATING ACTIVITIES</b>                  |                          |                  |                        |                  |
| Net loss for the period                      | \$ (72,352)              | \$ (45,312)      | \$ (121,294)           | \$ (66,112)      |
| Adjustments not effecting cash:              |                          |                  |                        |                  |
| Amortization                                 | 125                      | -                | 156                    | -                |
|  | (72,227)                 | (45,312)         | (121,138)              | (66,112)         |
| Changes in non-cash working capital          |                          |                  |                        |                  |
| Accounts receivable                          | (6,780)                  | -                | 114,444                | -                |
| Prepaid expenses                             | 1,575                    | 27,848           | 3,150                  | -                |
| Accounts payable and accrued liabilities     | 28,785                   | (11,623)         | (51,718)               | (5,979)          |
| <b>Cash used in operating activities</b>     | <b>(48,647)</b>          | <b>(29,087)</b>  | <b>(55,262)</b>        | <b>(72,091)</b>  |
| <b>INVESTING ACTIVITIES</b>                  |                          |                  |                        |                  |
| Purchase of capital assets                   | -                        | -                | (2,495)                | -                |
| <b>Cash used in investing activities</b>     | <b>-</b>                 | <b>-</b>         | <b>(2,495)</b>         | <b>-</b>         |
| <b>FINANCING ACTIVITIES</b>                  |                          |                  |                        |                  |
| Issuance of common shares                    | -                        | -                | 2,655                  | 85,500           |
| Share subscriptions                          | -                        | 15,000           | -                      | 2,500            |
| <b>Cash provided by financing activities</b> | <b>-</b>                 | <b>15,000</b>    | <b>2,655</b>           | <b>88,000</b>    |
| <b>Net (decrease) increase in cash</b>       | <b>(48,647)</b>          | <b>(14,087)</b>  | <b>(55,102)</b>        | <b>15,909</b>    |
| Cash, beginning of period                    | 777,321                  | 42,371           | 783,776                | 12,375           |
| <b>Cash, end of period</b>                   | <b>\$ 728,674</b>        | <b>\$ 28,284</b> | <b>\$ 728,674</b>      | <b>\$ 28,284</b> |

# BLUE VISTA TECHNOLOGIES INC.

(an exploration stage enterprise)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2011

(Unaudited)

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### 1. REPORTING ENTITY

Blue Vista Technologies Inc. (the "Company") is an exploration stage enterprise incorporated under the laws of Ontario on December 9, 1995 and is principally engaged in the business of exploring and developing base. Substantially all of the efforts of the Company are devoted to these business activities and to date the Company has not earned significant revenues.

### 2. BASIS OF PRESENTATION

#### Statement of Compliance

These unaudited interim financial statements for the three and six months ended June 30, 2011 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") under International Financial Reporting Standards ("IFRS") and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011.

The same accounting policies and methods of computation were followed in the preparation of these unaudited interim financial statements as were followed in the preparation of the unaudited interim financial statements for the three months ended March 31, 2011.

The unaudited interim financial statements for the three months ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP.

Accordingly, these unaudited interim financial statements for the three and six months ended June 30, 2011 should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP, as well as unaudited interim financial statements for the three months ended March 31, 2011.

As IFRS and Canadian GAAP differ in some areas, management has amended certain accounting, and measurement previously applied under Canadian GAAP financial statements in order to comply with IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial results and cash flows of the Company is provided in note 3. This note includes reconciliations of equity and total comprehensive loss for the comparative periods under previous GAAP to those reported under IFRS.

#### Functional and Presentation Currency

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### Use of Estimates and Judgement

The preparation of interim financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim financial statements and related notes to the financial statements. Actual results may differ from those estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

# BLUE VISTA TECHNOLOGIES INC.

(an exploration stage enterprise)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2011

(Unaudited)

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Significant estimates used in the preparation of these financial statements include, but are not limited to, the recoverability of exploration and evaluation (“E&E”) assets, investments, automobile and equipment, asset retirement obligations, share-based compensation, income taxes, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management’s best estimates.

### Recent accounting pronouncements

The IASB has issued IFRS 9 “Financial Instruments” which proposes to replace IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets—amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories. This standard is effective for the Company’s annual year end beginning January 1, 2013. The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

IFRS 7 “Financial instruments – Disclosures” (“IFRS 7”) was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

The IASB also has issued the following standard, which is effective for annual periods beginning on or after January 1, 2013, for which the Company has not yet determined the impact on its financial statements.

IFRS 13, “Fair Value Measurement” (“IFRS 13”) provides guidance on how fair value should be applied where its use is already required or permitted by other IFRS standards, and includes a definition of fair value and is a single source of guidance on fair value measurement and disclosure requirements for use across IFRS.

### 3. TRANSITION TO IFRS

#### *First-time adoption of IFRS*

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates that have been previously made. Accordingly, estimates used in the preparation of the Company’s opening IFRS statements of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

#### *Changes to accounting policies:*

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for adoption on December 31, 2011, the Company’s first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, and expenses within its interim consolidated financial statements.



# BLUE VISTA TECHNOLOGIES INC.

(an exploration stage enterprise)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2011

(Unaudited)

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During the six month period ended June 30, 2010, there were no reconciling items within Shareholder's Equity between Canadian GAAP and IFRS, except for the opening balance adjustments recorded at January 1, 2010, which was previously reported in the Company's March 31, 2011 unaudited interim consolidated financial statements.

There were no changes to the three and six month periods ended June 30, 2010 Statement of Operations upon conversion from Canadian GAAP to IFRS.

### 4. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

#### Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

#### Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents. The current year's budget is planned to be funded by cash and cash equivalents.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

As at June 30, 2011 the Company held cash and cash equivalents of \$728,674.

#### 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. Cash and cash equivalents bear interest at market rates. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature or being non-interest bearing.

# BLUE VISTA TECHNOLOGIES INC.

(an exploration stage enterprise)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2011

(Unaudited)

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company has reduced its credit risk by investing its cash equivalents with a Canadian chartered bank. Also, as the majority of its receivables are with the Canadian government in the form of sales tax receivable, credit risk is considered minimal.

### Commodity Price Risk

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. Gold, copper and other metal prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control.

The future operations of the Company are highly correlated to the market prices of these metals, as is the ability of the Company to continue to explore and develop its mineral properties.

A prolonged period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value.

### Fair Value

The Company has designated its cash and cash equivalents as FVTPL, which is measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Marketable securities are classified as available-for-sale which are measured at fair value.

The carrying value and fair value of financial instruments held at June 30, 2011 and December 31, 2010 are disclosed below by financial instrument category.

| Financial Instrument                        | Period ended<br>June 30, 2011 |               |                     | Year ended<br>December 31, 2010 |               |                     |
|---|-------------------------------|---------------|---------------------|---------------------------------|---------------|---------------------|
|   | Carrying<br>Value             | Fair<br>Value | Interest<br>Expense | Carrying<br>Value               | Fair<br>Value | Interest<br>Expense |
| <i>FVTPL</i>                                |                               |               |                     |                                 |               |                     |
| Cash  | \$ 728,674                    | \$ 728,674    | \$ -                | \$ 783,776                      | \$ 783,776    | \$ -                |
| <i>Loan and receivable</i>                  |                               |               |                     |                                 |               |                     |
| Accounts receivable                         | \$ 31,813                     | \$ 31,813     | \$ -                | \$ 144,703                      | \$ 144,703    | \$ -                |
| <i>Financial liabilities</i>                |                               |               |                     |                                 |               |                     |
| Other liabilities                           |                               |               |                     |                                 |               |                     |
| Accounts payable<br>and accrued liabilities | \$ 862,502                    | \$ 862,502    | \$ -                | \$ 912,666                      | \$ 912,666    | \$ -                |
| Notes payable                               | \$ 188,597                    | \$ 188,597    | \$ -                | \$ 188,597                      | \$ 188,597    | \$ -                |

**BLUE VISTA TECHNOLOGIES INC.**

(an exploration stage enterprise)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****JUNE 30, 2011**

(Unaudited)

**5. CAPITAL MANAGEMENT**

The Company defines capital management in the manner it manages its capital stock. As at June 30, 2011 the Company's capital stock was \$8,692,474 (December 31, 2010 - \$8,689,819). Changes in capital stock over prior year end resulted from the issuance of 53,100 common shares during period ended June 30, 2011.

There were no changes in the Company's approach to capital management during the period ended June 30, 2011 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

- a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
- b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company's capital structure includes components of shareholders' equity.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

**6. NOTES PAYABLE**

|   | June 30,         |                  |
|---|------------------|------------------|
|   | 2011             | 2010             |
| Unsecured advances from shareholders, directors and officers of the Company due on demand and are non-interest bearing. | <u>\$188,597</u> | <u>\$188,597</u> |

**7. CAPITAL ASSET**

|           | June 30, |                             | December 31,      |                   |
|-----------|----------|-----------------------------|-------------------|-------------------|
|           | 2011     |                             | 2010              |                   |
|           | Cost     | Accumulated<br>Amortization | Net Book<br>Value | Net Book<br>Value |
| Equipment | \$ 2,495 | \$ 156                      | \$ 2,339          | \$ -              |

**BLUE VISTA TECHNOLOGIES INC.**

(an exploration stage enterprise)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****JUNE 30, 2011**

(Unaudited)

**8. SHARE CAPITAL**

## (a) Authorized:

Unlimited number of common shares

8,000,000 Class A preference shares, transferable, non-cumulative, non-retractable, redeemable on a performance basis for \$1 per share over sixteen years, commencing subsequent to the sale of 50 PARCON units.

1,600,000 Class B preference shares, transferable, non-cumulative, non-retractable, redeemable on a performance basis for \$1 per share over four years, commencing subsequent to the sale of 50 PARCON units.

## (b) Issued - Common shares:

i) In February 2011, the Company issued 53,100 common shares with a fair value of \$2,655 pursuant to the debt settlement agreement

ii) The Company recorded an estimated premium of \$108,500 respectively on the flow-through shares issued on December 2010 against share capital, generating a liability which is credited to the statement of options and comprehensive loss, on a proportional basis, as offset to deferred tax expense in the period of renunciation.

## (d) Warrants

The following table summarizes warrants that have been issued during the period ended June 30, 2011

|                            | Number of Warrants | Fair Value       | Weighted Average Exercise Price | Expiry date       |
|----------------------------|--------------------|------------------|---------------------------------|-------------------|
| Balance, January 1, 2010   | -                  | \$ -             | \$ -                            |                   |
| Issued                     | 855,555            | 7,249            | 0.10                            | March 31, 2011    |
| Issued                     | 11,000,000         | 93,350           | 0.10                            | December 31, 2011 |
| Balance, December 31, 2010 | 11,855,555         | \$ 100,599       | \$ 0.10                         |                   |
| Expired                    | (855,555)          | (7,249)          | 0.10                            |                   |
| Balance, June 30, 2011     | <b>11,000,000</b>  | <b>\$ 93,350</b> | <b>\$ 0.10</b>                  |                   |

**9. CONTRIBUTED SURPLUS**

|   | June 30, 2011     | December 31, 2010 |
|---|-------------------|-------------------|
| Balance, beginning of period                  | \$ 152,527        | \$ 51,928         |
| Fair value of warrants issued during the year | -                 | 100,599           |
| Balance, end of period                        | <u>\$ 152,527</u> | <u>\$ 152,527</u> |

# BLUE VISTA TECHNOLOGIES INC.

(an exploration stage enterprise)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2011

(Unaudited)

### 10. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the interim financial statements during the period ended June 30, 2011 and 2010 as follows:

|   | June 30, 2011 | June 30, 2010 |
|---|---------------|---------------|
| Management fees and directors fees expense:   |               |               |
| Management fees were charged by officers for corporate administrative and financial management services   | \$ 15,000     | \$ -          |
| Professional fees expense:  |               |               |
| Legal fees were charged by an officer for legal and corporate secretarial services  | \$ 18,449     | \$ -          |
| a) Included in accounts payable and accrued liabilities are management fees of \$502,758 (December 31, 2010 - \$543,434) to companies controlled by certain directors and officers in common with the Company and legal fees of \$180,992 (December 31, 2010 - \$162,543 ) due to a company controlled by a director in common with the Company, and interest on notes of \$53,118 (December 31, 2010 - \$53,118) due to certain directors and an officer of the Company and companies controlled by certain shareholders, directors and officers in common with the Company. |               |               |
| b) Included in notes payable are advances of \$188,597 (December 31, 2010 - \$188,597) due to certain directors and an officer of the Company, companies controlled by certain shareholders, and companies controlled by a director and officer in common with the Company.   |               |               |

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. In management's opinion, the exchange amount was negotiated, established and agreed to by the related parties as if they were dealing at arm's length.

### 11. COMMITMENTS AND CONTINGENCIES

On December 30, 2010, the Company shareholders approved a proposal to settle a total of up to \$1.1 million of debt through the issuance of up to 22 million common shares of the Company. The Company is waiting TSX Venture approval for the transaction.

The Company shareholders also approved special resolutions which would authorize the Company to: (i) to change the name of the Company to such other name as the directors of the Company may determine and may be acceptable to applicable regulatory authorities; (ii) increase the authorized capital of the Company by creating an unlimited number of special shares, issuable in series; (iii) converting each 100 issued and outstanding Class A preference shares and each 100 issued outstanding Class B preference shares (collectively referred to herein as the "Preference Shares") into one common share ("Common Share") of the Company; (iv) cancelling the unissued Preference Shares and deleting the rights, privileges and restrictions attached to such shares; (v) providing that a holder of shares of a class or series of the Company are not entitled to vote separately as a class or series and shall not be entitled to dissent in respect of certain proposals to amend the articles of the Company; and (vi) consolidating each of the issued and outstanding Common Shares by changing four (4) Common Shares, or such lesser amount as the directors of the Company may determine, into one (1) Common Share (1:4).