Schyan Exploration Inc. / Exploration Schyan Inc.

(A Development Stage Company)

Financial Statements

Years Ended
December 31, 2010 and 2009

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Schyan Exploration Inc.

We have audited the accompanying financial statements of Schyan Exploration Inc, which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of operations and comprehensive loss (income) and deficit and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Schyan Exploration Inc as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes that the Company is in the development stage and will require additional financing to fund the development of its properties. This condition indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 25th, 2011

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Schyan Exploration Inc. / Exploration Schyan Inc.

(A Development Stage Company)
Balance Sheets

As at December 31,		**2010**		2009
Assets				
Current Assets				
Cash	**$**	**271,271**	$	304,338
Short-term Investments *(Note 4)*		**416,000**		553,208
Sales tax recoverable		**18,815**		2,461
		706,086		860,007
Mineral properties and deferred exploration expenditures *(Note 5)*		**258,269**		128,308
	$	**964,355**	$	988,315
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**139,016**	$	137,755
Due to related parties *(Note 7)*		**185,742**		157,646
		324,758		295,401
Future income tax liability		**16,300**		24,800
Shareholders' Equity				
Capital Stock *(Note 6)*	**$**	**531,694**	$	529,944
Shares to be issued *(Note 6)*		**-**		1,750
Warrants *(Note 6)*		**250**		250
Contributed Surplus *(Note 6)*		**36,012**		16,000
Retained Earnings		**55,341**		120,170
		623,297		668,114
	$	**964,355**	$	988,315

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 12)

APPROVED ON BEHALF OF THE BOARD:

Signed "James N. Fairbairn"
Director

Signed "George W. Rayfield"
Director

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

Schyan Exploration Inc. / Exploration Schyan Inc.

(A Development Stage Company)
Statements of Operations and Comprehensive (Loss) Income and Deficit

	Year Ended December 31, 2010	2009
Administrative Expenses		
General and administrative	**$ 6,668**	$ 16,351
Stock-based compensation	**20,012**	-
Shareholder information	**8,714**	5,530
Investor relations and travel	**11,121**	12,021
Professional fees	**31,179**	22,252
(Loss) before the undernoted	**(77,694)**	(56,154)
Gain on sale of investment	**1,365**	246,382
Change in fair value of investment	**3,000**	449,244
Net (Loss) Income Before Income Tax	**(73,329)**	639,472
Current income tax expense (recovery) (Note 10)	-	52,000
Future income tax expenses (recovery) (Note 10)	**(8,500)**	(27,200)
Net (Loss) Income and comprehensive (loss) income for the year	**(64,829)**	614,672
Retained Earnings (Deficit), beginning of year	**120,170**	(494,502)
Retained Earnings, end of year	**$ 55,341**	$ 120,170
(Loss) income per share - basic and diluted	**$ (0.02)**	$ 0.16
Weighted average number of shares outstanding - basic	**3,961,372**	3,941,372
Weighted average number of shares outstanding - diluted	**3,961,372**	3,961,372

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

Schyan Exploration Inc. / Exploration Schyan Inc.

(A Development Stage Company)

Statements of Cash Flows

	Year Ended December 31,	
	2010	2009
Operating activities		
Net (Loss) Income before income taxes	**$ (64,829)**	$ 614,672
Adjustment to reconcile net loss to net cash used by operating activities:		
Stock based compensation	**20,012**	-
Change in fair value of long-term Investment	**(3,000)**	(449,244)
Gain on sale of investment	**(1,365)**	(246,382)
Current income tax expense	**-**	52,000
Future income tax recovery	**(8,500)**	(27,200)
	(57,682)	(56,154)
Net Change in non-working capital: items:		
Due to related parties	**28,096**	29,143
Sales tax recoverable	**(16,354)**	(1,596)
Accounts payable and accrued liabilities	**(239)**	8,765
Cash provided by (used in) operating activities	**(46,179)**	(19,842)
Financing activities		
Proceeds on the sale of investments	**141,573**	463,084
Issuance of common shares	**-**	2,000
Cash provided by (used in) financing activities	**141,573**	465,084
Investing activities		
Purchase of short-term investments	**-**	(140,305)
Expenditures on mineral properties and deferred exploration	**(128,461)**	(708)
Cash provided by (used in) operating activities	**(128,461)**	(141,013)
(Decrease) increase in cash	**(33,067)**	304,229
Cash at beginning of year	**304,338**	109
Cash at end of year	**$ 271,271**	$ 304,338

SUPPLEMENTARY INFORMATION

Interest paid	**-**	-
Income taxes paid	**-**	-
Change in accrued exploration expenditures	**1,500**	13,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Schyan Exploration Inc. / Exploration Schyan Inc. (the "Company") is a development stage company, as defined by the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 11, and has one current operation and is currently seeking other business opportunities. The Company has limited working capital to pursue such opportunities.

As at December 31, 2010, the Company had a working capital of $381,328, had not yet achieved profitable operations, has retained earnings of $55,341 and expects to incur future losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interest in mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

Management plans to secure the necessary financing through a combination of the exercise of existing warrants for the purchase of common shares, the issue of new equity or debt instruments and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

The company will require substantial additional funds to further explore and, if warranted, develop its exploration properties. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), consistently applied, except as disclosed.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions include those related to the valuation of mineral properties and deferred exploration expenditures, commitments and contingencies, stock-based compensation, warrants and income taxes. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material. Management believes that the estimates are reasonable.

Cash

Cash consists of cash on hand and balances with Canadian banks, including cashable guaranteed investment certificates with maturity dates of three months or less at the date of acquisition.

Mineral Properties and Deferred Exploration Expenditures

The Company records its interest in mineral properties at cost and defers direct expenditures relating to the acquisition, exploration and development of mineral properties until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. The amounts at which mineral properties and deferred exploration expenditures are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration expenditures will be written off.

The Company reviews its mineral resource properties on an annual basis to determine if events or circumstance have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on the mineral resource property is dependent upon numerous factors including exploration results, environmental risks, commodity risks and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value.

Fair Value of Financial Instruments

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts of cash, short-term investments, sales tax recoverable, accounts payable and accrued liabilities and due to related parties approximate their fair values since theses instruments have short term maturity dates.

Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has made the following classifications for its Financial Instruments:

Cash	Held for trading
Short-term investments	Held for trading
Sales tax recoverable	Loans and Receivables
Accounts payable and accrued liabilities	Other Liabilities
Due to related parties	Loans and Receivables

Transaction costs associated with the acquisition of a financial asset or liability are expensed as incurred.

Comprehensive Income (Loss)

The Company records unrealized gains and losses from temporary changes in fair value outside net income. It includes unrealized gains and losses such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges of the net of the net investment in self-sustaining foreign operations. Comprehensive income or (loss) is comprised of net income for the year and other comprehensive income or loss. The Company had no other comprehensive income or loss transactions during the years ended December 31, 2010 and 2009.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted or substantively enacted tax rates. The effect on the future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs. A future income tax asset is recorded when the probability of the realization is more likely than not.

Stock-based Compensation

The Company records compensation cost based on the fair value method of accounting for stock based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock. As at December 31, 2010, the Company had $36,012 in contributed surplus.

Impairment of Long-lived Assets

The Company reviews mineral properties and deferred expenditures for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting standard CICA Handbook Section 3063 “Impairment or Disposal of Long-Lived Assets”. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable.

Asset Retirement Obligations

The fair value of asset retirement obligations are recorded as liabilities on a discounted basis when incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. Management is not currently aware of any material asset retirement obligations of the Company at December 31, 2010 and 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per Share

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

3. FUTURE CHANGES IN ACOUNTING POLICIES

CICA Handbook Section 1582

The new Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies 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 1, 2011. Earlier application is permitted.

The Company does not expect the adoption of this new standard to have an impact on its financial statements.

CICA Handbook Section 1601 & 1602

The new section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interest, together replace Section 1600 – Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year.

The Company does not expect the adoption of these new standards to have an impact on its financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("Canadian GAAP") with IFRS over an expected five year transitional period. The AcSB announced in February 2008 that 2011 will be the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. These standards will apply to the Company for interim and fiscal reporting periods commencing January 1, 2011.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending December 31, 2010. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS has not been determined.

4. SHORT-TERM INVESTMENTS

The investment is represented by 100,000 common shares of Lake Shore Gold Inc. (previously West Timmins Mining Inc. converted at 0.73 to 1), a publicly listed company. As at December 31, 2010, the investment had a quoted market value approximating $416,000 (2009 - $413,000).

During the year ending December 31, 2009, the Company sold 80,000 shares of West Timmins Mining Inc. with a carrying value of $1 for net proceeds of $181,764 and 68,606 shares of Lake Shore Gold Inc. with a carrying value of $1 for net proceeds of $ 281,220.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	December 31, 2010	December 31, 2009
Mineral properties		
Balance, beginning of the year	**$ 115,308**	$ 114,600
Acquisition costs	**728**	708
	116,036	115,308
Deferred exploration expenditures		
Balance, beginning of year	**13,000**	**-**
Exploration costs	**129,233**	13,000
	142,233	13,000
Balance, end of year	**$ 258,269**	$ 128,308

Casino Property

Pursuant to a purchase agreement dated August 29, 2008, the Company acquired 22 mining claims located in the Township of Cadillac, county of Abitibi, in the Province of Quebec. The purchase price of $100,000 was settled by the issuance of 1,000,000 common shares of the Company at a price of $0.10 per share. The property was acquired from a director and officer of the Company.

In September 2008, the Company entered into an Option Agreement with The Globex-Queenston Joint Venture ("Globex-Queenston") whereas the Company granted Globex- Queenston the right and option to acquire a 50% interest in the Casino Claims. Under the terms of the agreement, Globex-Queenston was required to spend $500,000 in exploration expenditures on or before September 2, 2010.

In March 2009, Globex-Queenston decided not to complete the Option Agreement and the Company will be reimbursed a total of $13,000 spent in exploration expenditures as per the terms outlined in the Option Agreement which has been accrued as at December 31, 2010.

6. CAPITAL STOCK

Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. The issued and outstanding common shares consist of the following:

	No. of Shares		$
Balance at December 31, 2008 and 2009	**3,941,372**	**$**	**529,944**
Shares issued	20,000		2,000
Reclassified value of warrants issued	-		(250)
Balance at December 31, 2010	**3,961,372**	**$**	**531,694**
Shares to be issued:			
Balance at December 31, 2008	-	$	-
Subscribed for but not issued	20,000		2,000
Value of warrants issued	-		(250)
Balance at December 31, 2009	**20,000**	**$**	**1,750**
Shares issued	(20,000)		(2,000)
Reclassified value of warrants issued	-		250
Balance at December 31, 2010	**-**	**$**	**-**

During 2009, a director of the Company subscribed for 20,000 units at $0.10 per unit for gross proceeds of $2,000. Each unit consists of one common share and one-half of a share purchase warrant exercisable at $0.25 per whole warrant until May 6, 2011. The common shares were issued during the year ended December 31, 2010.

Stock Options

At December 31, 2010 and 2009, outstanding options to acquire common shares of the Company were as follows:

	December 31, 2010		December 31, 2009	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of year	**$ -**	**-**	$ 0.10	180,000
Transactions during the year:				
Granted	**0.10**	**300,000**	-	-
Exercised	**-**		-	-
Expired	**-**	**-**	0.10	(180,000)
Outstanding at end of year	**$ 0.10**	**300,000**	$ -	-

6. CAPITAL STOCK (continued)

Stock-based Compensation

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended December 31, 2010:

Grant Date	**May 3, 2010**
Number of options	300,000
Exercise price	$ 0.10
Expected life in years	5
Volatility	100.00%
Risk-free interest rate	2.83%
Dividend yield	-
Fair value of options	$ 20,012

Warrants

At December 31, 2010, outstanding common share purchase warrants of the Company were as follows:

Number of warrants outstanding	Exercise Price $	Expiry Date
10,000	0.25	May 2, 2011

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2009:

Grant Date	**May 2, 2009**
Number of warrants	10,000
Exercise price	$ 0.25
Expected life in years	2
Volatility	100.00%
Risk-free interest rate	1.03%
Dividend yield	-
Fair value of warrants	$ 250

7. DUE TO RELATED PARTIES

December 31,	**2010**	2009
Balance, beginning of year	**$ 157,646**	$ 128,503
Advances from related parties	**-**	13,908
Related party reimbursements payable	**28,096**	15,235
Balance, end of year	**$ 185,742**	$ 157,646

The balances due to related parties are owing to a director and officer of the Company and are unsecured, non-interest bearing and due on demand.

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 3010, $18,976 (2009 – 9,120) was expensed as professional fees to a law firm in which one of the directors of the Company is a partner.

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.

See note 7.

9. CAPITAL MANAGEMENT

The Company considers its shareholders' equity (capital stock, contributed surplus and deficit) as its total capital.

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions.

10. INCOME TAXES

Provision for Income Tax
The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 31% (2009 – 33%) were the following:

For the year ended December 31,		**2010**		2009
(Loss) income before income taxes	**$**	**(73,329)**	$	639,472
Expected tax expense (recovery) based at statutory rate		**(22,700)**		211,000
Adjustments to expense (benefit) resulting from:				
Change in fair value of long- term investment		**1,400**		(93,300)
Expiry of non-capital losses		**-**		-
Stock based compensation		**6,200**		-
Gain on sale of investment		**(400)**		(81,300)
Taxable capital gain		**-**		59,800
Change in tax rates		**7,000**		(18,600)
Change in valuation allowance		**-**		(52,800)
Total income tax (recovery) expense		**(8,500)**		24,800
Consisting of: Current tax expense		**-**		52,000
Future income tax recovery		**(8,500)**		(27,200)
Net income tax provision	**$**	**(8,500)**	$	24,800

Future income tax balances
The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2010 and 2009 approximate the following:

Future income tax assets (liabilities)

	2010	2009
Non-capital losses	**17,800**	23,300
Long-term investment	**(48,500)**	(48,100)
Mineral interests	**14,400**	-
Valuation allowance	**-**	-
Net future income tax (liability)	**(16,300)**	(24,800)

The Company has approximately $71,000 of non-capital losses in Canada, which under certain circumstances can be used to reduce the taxable income of future years. These losses expire in 2028.

The Company has approximately $315,000 of Canadian development and exploration expenditures as at December 31, 2010 (2009 - $128,000) which under certain circumstances may be utilized to reduce the taxable income of future years.

11. FINANCIAL INSTRUMENTS

Fair Value

As at December 31, 2010 and 2009, the carrying values of cash, short term investments, sales tax recoverable, accounts payable and accrued liabilities and due to related parties are at fair value due to their immediate or short terms to maturity.

A summary of the Company's risk exposures as it relates to financial instruments is reflected below:

Credit Risk

The Company's cash and short term investments are held with highly-rated financial institutions in Canada and are therefore not considered to be exposed to credit risk.

Market and Interest Rate Risk

The Company does not have any interest bearing debt. The Company invests cash, surplus to its operational needs, in investment-grade short term deposit certificates issued by the bank where it keeps its Canadian Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposit certificates.

Sensitivity analysis

The Company has designated its cash as held for trading, which is measured at fair value; the carrying amount of the financial instruments equals fair market value.

Management believes that, based on their knowledge and experience of financial markets, the following sensitivity analysis is appropriate for its cash and cash equivalents: The Company's funds are held primarily in short term investment grade deposits, the rates of which are fixed for a period not exceeding three months.

As of December 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

(i) The Company's short-term investments are subject to fair value fluctuations. As at December 31, 2010, if the fair value of the short-term investments had decreased/increased by 25% with all other variables held constant, net loss for the year ended December 31, 2010 would have been approximately $104,000 higher/lower. Similarly, as at December 31, 2010, reported shareholders' equity would have been approximately $104,000 lower/higher as a result of a 25% decrease/increase in the fair value of marketable securities.

(ii) The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

11. FINANCIAL INSTRUMENTS (continued)

Business Risk

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether. The success of the operations and activities is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company and its operations and financial performance.

Commodity Price Risk

The price of the common shares in the capital the Company ("Common Shares"), its financial results, exploration and development activities have been, or may in the future be, adversely affected by declines in the price of zinc, gold and/or other metals. Commodity prices can fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from mining and sale of precious and base metals or interests related thereto. The effect of these factors on the price of precious and base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Liquidity Risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had current assets of $706,086 (2009 - $860,007) and current liabilities of $324,758 (2009 - $295,401). All of the Company’s financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital of the Company is of $381,328 compared to $564,606 in 2009.

At December 31, 2010, the Company’s financial instruments that are carried at fair value, consisting of cash and short-term investments, have been classified as Level 2 and Level 1, respectively within the fair value hierarchy.

12. COMMITMENTS AND CONTINGENCIES

The Company’s exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.