# GOLDTRAIN RESOURCES INC.

(An Exploration Stage Enterprise)

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2010 and
thirteen month period ended December 31, 2009

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of GoldTrain Resources Inc. are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Company maintains systems of internal controls that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the financial statements and ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. The Audit Committee consists of directors not involved in the daily operations of the Company. The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements prior to their presentation to the Board of Directors for approval. The Audit Committee is responsible for engaging and reappointing the external auditors. The external auditors conduct an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards in order to express their opinion on these financial statements. Those standards require that the external auditors plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

*"Brian Wright"*, President and CEO
Brian Wright

*"Johnny Oliveira"*, CFO
Johnny Oliveira

**PALMER REED**
CHARTERED ACCOUNTANTS

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# INDEPENDENT AUDITORS' REPORT

**To: The Shareholders and Directors of**
**GoldTrain Resources Inc.**

We have audited the accompanying financial statements of GoldTrain Resources Inc. which comprise the Balance Sheets as at December 31, 2010 and 2009 and the statements of loss, comprehensive loss, deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 GoldTrain Resources Inc. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the year and thirteen month period then ended in accordance with Canadian generally accepted accounting principles.

**Emphasis of Matter**

We draw attention to Note 1 to the financial statements which indicates that the Company incurred a net loss of $27,477 during the year ended December 31, 2010 and, as of that date, had an accumulated deficit of $296,646 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of GoldTrain Resources Inc. to continue as a going concern. Our opinion is not qualified in respect of this matter.

Toronto, Ontario

Palmer Reed

April 29, 2011

Chartered Accountants
Licensed Public Accountants

**GoldTrain Resources Inc.**
(An Exploration Stage Enterprise)
**BALANCE SHEETS**

| AS AT DECEMBER 31, | | 2010 | | 2009 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | **$** | **6,610** | $ | 316,826 |
| Accounts receivable | | **19,225** | | 31,463 |
| Prepaid expense | | **316** | | - |
| | | **26,151** | | 348,289 |
| **Capital assets** (Note 3) | | **6,770** | | 9,468 |
| **Mineral properties and deferred exploration costs** (Note 4) | | **1,160,977** | | 775,114 |
| **Incorporation costs** | | **-** | | 1,672 |
| | **$** | **1,193,898** | $ | 1,134,543 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (Note 6) | **$** | **370,503** | $ | 217,802 |
| Promissory notes payable (Note 4) | | **11,200** | | - |
| Current portion of long-term debt (Note 5) | | **91,634** | | - |
| | | **473,337** | | 217,802 |
| **Long-term debt** (Note 5) | | **100,000** | | 191,634 |
| **Future income tax liabilities** (Note 12) | | **-** | | 98,069 |
| | | **573,337** | | 507,505 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 7 (a)) | | **601,682** | | 637,682 |
| Contributed surplus (Note 8) | | **315,525** | | 258,525 |
| Deficit | | **(296,646)** | | (269,169) |
| | | **620,561** | | 627,038 |
| | **$** | **1,193,898** | $ | 1,134,543 |

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations (Note 14)
Subsequent Event (Note 15)

Approved on behalf of the Board:

*"Brian Wright"* Director

*"Donald A. Sheldon"* Director

*The accompanying notes are an integral part of these audited financial statements*

**GoldTrain Resources Inc.**
(An Exploration Stage Enterprise)
## STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

| | Year Ended December 31, 2010 | Thirteen Month Period Ended December 31, 2009 |
|---|---|---|
| **Expenses** | | |
| Professional and consulting fees | **$ 120,325** | $ 218,740 |
| Stock-based compensation (Note 7 (b)) | **57,000** | - |
| Shareholder Information | **13,383** | - |
| Office, general and administrative | **8,566** | 11,406 |
| Project investigation costs | **3,434** | - |
| Amortization | **2,698** | 2,230 |
| Part XII.6 tax | **2,140** | 871 |
| Bonuses | **-** | 75,000 |
| Gain on debt relief | **-** | (689,503) |
| **Gain (Loss) before taxes** | **(207,546)** | 381,256 |
| Future income tax recovery (Note 12) | **180,069** | - |
| **Net income (loss) and comprehensive income (loss) for the period** | **$ (27,477)** | $ 381,256 |
| Deficit, beginning of year | **(269,169)** | (545,234) |
| Share and warrant issue expense | **-** | (105,191) |
| Deficit, end of year | **$ (296,646)** | $ (269,169) |
| **Income (Loss) per share** | | |
| Basic and fully diluted | **$ (0.002)** | $ 0.019 |
| Weighted average number of common shares outstanding | | |
| Basic and fully diluted | **25,266,488** | 20,029,703 |

*The accompanying notes are an integral part of these audited financial statements*

**GoldTrain Resources Inc.**
(An Exploration Stage Enterprise)
**STATEMENTS OF CASH FLOWS**

| | Year Ended December 31, 2010 | Thirteen Month Period Ended December 31, 2009 |
|---|---|---|
| **Operating activities** | | |
| Net income (loss) for the year | **$ (27,477)** | $ 381,256 |
| Add (deduct) items not affecting cash: | | |
| Amortization | **2,698** | 2,230 |
| Stock-based compensation | **57,000** | - |
| Future income tax recovery | **(180,069)** | - |
| Write-off of incorporation costs | **1,672** | - |
| Shares issued for professional and consulting fees | **30,000** | - |
| Changes in non-cash working capital items (Note 11) | **164,623** | (44,809) |
| Cash flows provided from operating activities | **48,447** | 338,677 |
| **Investing activities** | | |
| Increase in mineral properties and deferred exploration costs | **(358,663)** | (10,020) |
| Cash flows used in investing activities | **(358,663)** | (10,020) |
| **Financing activities** | | |
| Decrease in long-term debt | **-** | 191,634 |
| Decrease in loans payable | **-** | (919,338) |
| Issue of common shares and warrants, net of issue cost | **-** | 709,798 |
| Cash flows used in financing activities | **-** | (11,906) |
| Net increase (decrease) in cash | **(310,216)** | 316,751 |
| Cash, beginning of year | **316,826** | 75 |
| **Cash, end of year** | **$ 6,610** | $ 316,826 |

**SUPPLEMENTAL CASH FLOW INFORMATION** (Note 11)

*The accompanying notes are an integral part of these audited financial statements*

## 1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS

On April 27, 2009, Goldwright Exploration Inc. ("Goldwright") and Hall Train Entertainment Inc. ("Hall Train") amalgamated to form GoldTrain Resources Inc. ("GoldTrain" or the "Company"). The amalgamation is considered to be a reverse takeover for accounting purposes and Goldwright is the accounting acquirer. GoldTrain's principal business is the acquisition and exploration of mineral mining properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at December 31, 2010, the Company had working capital deficiency of $447,186 (December 31, 2009 – working capital of $130,487), had not yet achieved profitable operations, had accumulated losses of $296,646 (December 31, 2009 - $269,169) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage and has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the balance sheet classifications used in the financial statements.

The recoverability of the carrying value of exploration properties and the Company's continued existence are dependent upon the preservation of its interests in the underlying properties, the development 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 of the carrying values.

Although the Company has taken steps to verify title to the properties 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 government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Mineral Properties and Related Deferred Costs**
The Company records its interest in mineral properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs will be amortized and depleted using the straight line method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold or abandoned.

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

The Company reviews its mineral properties and related deferred costs on an annual basis to determine if events or changes in circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on the mineral properties and deferred related costs is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political 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.

**Asset Retirement Obligations**
The Company follows CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

As at December 31, 2010 and 2009, the Company has not incurred or committed any asset retirement obligations.

**Impairment of Long-lived Assets**
GoldTrain reviews mineral properties and deferred costs for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

**Flow-through Shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC 146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares.

**Financial Instruments**

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income.

GoldTrain follows the amendment to CICA Handbook Section 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
iii) Level 3: inputs for the asset or liability that are not based on observable market data.

**Stock-based Compensation**

The Company applies the fair-value based method to all stock options granted and warrants issued. Accordingly, compensation cost is measured at fair value at the date of grant and is expensed on a straight line basis over the vesting period, with the related credit included in contributed surplus. The applicable contributed surplus is transferred to share capital, if and when stock options are exercised. Any consideration paid on the exercise of stock options and warrants are credited to capital stock.

**Other Stock-based Payments**

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions at the measurement date, whichever is the more reliably measured.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue Recognition
Interest income is recognized when earned over the passage of time.

### Loss Per Share
Loss per share and is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

### Capital Assets
Capital assets are recorded at cost less accumulated amortization. Amortization is computed using the declining-balance method at the following annual rates:

| | |
|---|---|
| Vehicles | 30% |
| Core Shack | 20% |

### Use of Estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates. Areas where management uses subjective judgment include, but are not limited to, recoverability of mineral properties and related deferred costs, future income taxes, the valuation of common shares issued for the acquisition of mineral resource properties and debt settlements and the valuation of warrants and options. Management believes that these estimates are reasonable.

### Comparative Amounts
Certain prior year amounts have been reclassified to conform to account presentation in the current year. The net loss stated in prior year has not been affected by these changes.

### Future Accounting Pronouncements

***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.

## 3. CAPITAL ASSETS

| **As at December 31,** | **2010** | | 2009 | |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Core Shack | **$ 1,827** | **$ 687** | $ 1,827 | $ 401 |
| Vehicles | **11,828** | **6,198** | 11,828 | 3,786 |
| | **$ 13,655** | **$ 6,885** | $ 13,655 | $ 4,187 |
| Net Book Value | **$ 6,770** | | $ 9,468 | |

## 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Accumulated mineral property costs have been incurred as follows:

**December 31, 2010**

| | Balance, beginning of year | Additions | Write-Downs | Balance, end of Year |
|---|---|---|---|---|
| Chiniguchi River | $ 445,419 | $ 19,365 | $ - | $ 464,784 |
| Clement Township | 55,294 | 103,925 | - | 159,219 |
| Missinabie Property | 274,401 | 235,440 | - | 509,841 |
| Nudulama Property | - | 27,133 | - | 27,133 |
| | $ 775,114 | $ 385,863 | $ - | $ 1,160,977 |

December 31, 2009

| | Balance, beginning of Year | Additions | Write-Downs | Balance, end of Year |
|---|---|---|---|---|
| Chiniguchi River | $ 445,419 | $ - | $ - | $ 445,419 |
| Clement Township | 55,294 | - | - | 55,294 |
| Missinabie Property | 264,381 | 10,020 | - | 274,401 |
| | $ 765,094 | $ 10,020 | $ - | $ 775,114 |

**Chiniguchi River – Janes Township, Ontario**

The Company has a 75% interest in 8 unpatented mining claims (containing 120 claim units) in the Chiniguchi River area covering approximately 1920 hectares in Janes Township, District of Sudbury. The vendor retains a 2% net smelter royalty which continues until the property is written off. GoldTrain recently staked 4 new claims (49 units covering approximately 748 hectares) adjoining the Janes property to the south.

**Clement Township – Hagar, Ontario**

The Company has a 100% interest in 15 unpatented mining claims (containing 227 claim units) covering approximately 3632 hectares in the Clement Township area, approximately 65 kilometres northeast of Sudbury.

## 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (Continued)

### Missinabie Property – Brackin and LeesonTownship, Ontario

The Company has a 100% interest in 7 unpatented mining claims (containing 92 claim units) covering approximately 1472 hectares in the Brackin Township area, approximately 72 kilometres northeast of the town of Wawa, Ontario. The vendor retains a 2% net smelter royalty which continues until the property is written off.

On January 30, 2010, the Company entered into an agreement to acquire a 100% interest in 2 unpatented mining claims in the Leeson Township area, in the mining district of Sault Ste. Marie. Under the terms of the agreement, the Company acquired a 100% interest in the property by issuing 400,000 common shares (issued) and paid $11,200 in the form of non-interest bearing promissory notes payable as follows: $2,500 within six months of the date of the agreement, $1,200 on December 31, 2010, $2,500 within twelve months of the date of the agreement, and $5,000 within twenty months of the date of the agreement. As at December 31, 2010, $11,200 (2009 - $Nil) in promissory notes payable were outstanding. The vendor retains a 3% net smelter royalty on the property, two-thirds of which can be purchased for $2,000,000.

### Nudulama Property

On or about December 13, 2010, the Company entered into an agreement to purchase a 100% interest in 11 patented and 11 leased claims in Leeson Township (Nudulama Property) approximately 85 kilometers northeast of Wawa, Ontario. The patented claims are adjacent to the Missinabie Property. Under the terms of the agreement, the Company agreed to pay $100,000, issue 300,000 common shares and issue 300,000 warrants on the closing of the agreement. Each warrant will entitle the holder to acquire one common share at an exercise price of $0.10 for 24 months. The vendor will retain a 2% net smelter royalty on the property, one-half of which can be purchased for $1,000,000. This agreement is still subject to completion of closing documents and transfer of consideration by each party.

## 5. LONG-TERM DEBT

The debt is due to a company affiliated with a director of GoldTrain. The loan is without interest or security. The loan is due and payable based on the schedule below provided that the Company has the right to prepay the amount at any time and provided further that the creditor has the right (1) to tender the amount at face value in whole or in part from time to time (i) on the exercise of its Class "B" Warrants or (ii) in any private placement or other financing of non-flow through shares or units being undertaken by GoldTrain or (2) to accelerate the due date in the event of any (i) change of control or (ii) corporate restructuring.

| | |
|---|---|
| June 30, 2011 | $ 91,634 |
| June 30, 2012 | 100,000 |
| | $ 191,634 |
| Current portion of long-term debt | ($91,634) |
| Long-term portion of long-term debt | $ 100,000 |

Management does not believe any of the conditions to accelerate the payment obligation will occur in the current period; accordingly, the outstanding balance due later than one year is recorded as long-term debt.

## 6. RELATED PARTY TRANSACTIONS

Officers, directors and companies controlled by officers and directors of the Company and individuals related to them charged management, professional and consulting fees, bonuses, exploration services and office and general costs in the amount of $76,000 (2009 - $119,000) to the Company during the year ended December 31, 2010.

The Company was charged $100,000 (2009 - $176,000) for legal fees by a law firm of which a director of the Company is an officer, director and shareholder.

Accounts payable at December 31, 2010 includes $294,000 (2009 - $153,000) owing to officers, directors and companies controlled by officers and directors and a law firm which a director of the Company is an officer, director and shareholder.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 7. CAPITAL STOCK

### (a) Common shares

**Authorized – Unlimited number of Common shares**
**Unlimited number of Preference shares issuable in series**

| | Number of Shares | | Amount |
|---|---|---|---|
| Balance, November 30, 2008 and April 27, 2009 | 10,729,766 | $ | 994,556 |
| Issued to shareholders of Hall Train on amalgamation | 2,735,185 | $ | 2,377,447 |
| Issued for debt settlement to Hall Train Creditors | 2,298,344 | | 229,834 |
| Issued for flow-through shares (ii) | 3,300,000 | | 330,000 |
| Issued on rights offering (iii) | 2,450,587 | | 294,070 |
| Issued for finder fees, legal fees and bonuses | 3,309,592 | | 336,545 |
| Value attributed to warrants on private placement | - | | (87,945) |
| Value attributed to warrants on shares issued for finder fees, legal fees and bonuses (i) | - | | (153,090) |
| Adjustment to renounced capital expenditure | - | | 33,343 |
| Hall Train deficit assumed on amalgamation | - | | (3,717,078) |
| **Balance, December 31, 2009** | **24,823,474** | **$** | **637,682** |
| Issued for mineral properties | **400,000** | **$** | **16,000** |
| Issued for professional and consulting fees | **300,000** | | **30,000** |
| Future tax liability pursuant to flow through shares renunciation | **-** | | **(82,000)** |
| **Balance, December 31, 2010** | **25,523,474** | **$** | **601,682** |

## 7. CAPITAL STOCK (Continued)

### (a) Common shares (Continued)

Private Placement - 2009

(i) In connection with legal fees, finder's fees, bonuses and interim loans converted into units comprised of shares and warrants, the Company has issued 3,150,000 Class "B" Warrants, each entitling the holder to acquire one common share at an exercise price of $0.12 per share until December 14, 2011.

The fair value of the warrants included in the units issued was estimated using the Black-Scholes method based on the following assumptions: dividend yield of 0%, volatility of 100%, risk-free interest rate of 1.87% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $153,090 after a pro-rata allocation of the fair value of the units' components.

(ii) On December 30, 2009, the Company completed a private placement totaling 3,300,000 units at $0.10 each for an aggregate amount of $330,000. Each unit is comprised of one flow-through common share and one common share purchase warrant exercisable at a price of $0.12 until June 30, 2010, at $0.15 from July 1, 2010 to December 31, 2010, and thereafter, at $0.20 until December 31, 2011.

(a) The fair value of the purchase warrants included in the units was estimated using the Black-Scholes method based on the following assumptions: dividend yield of 0%, volatility of 100%, risk-free interest rate of 1.87% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $87,945 after a pro-rata allocation of the fair value of the units' components.

(iii) Rights offering expired on September 30, 2009. The rights entitled holders to purchase one common share for $0.12. Of those rights exercised, 1,741,989 rights were exercised by a company owned or controlled by a director of the Company, the proceeds of which were used to settle a portion of outstanding accounts payable.

### (b) Options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant less any discounts permitted by regulatory policies and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares. As at December 31, 2010, the Company had 652,347 (December 31, 2009 – 2,483,347) options available for issuance under the plan. The options outstanding to purchase common shares are as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | Options | Weighted Average Exercise price | Options | Weighted Average Exercise price |
| Outstanding at beginning of year | - | $ - | - | $ - |
| Transaction during the year | | | | |
| Granted | 1,900,000 | 0.12 | - | - |
| Outstanding at end of year | 1,900,000 | $ 0.12 | - | $ - |

## 7. CAPITAL STOCK (Continued)

**(b) Options** (Continued)

The following summarizes information on the stock options outstanding at December 31, 2010.

| Range of Exercise Prices ($) | No. of Options Outstanding | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price ($) |
|---|---|---|---|
| 0.05 | 100,000 | 4.59 | 0.05 |
| 0.12 | 1,800,000 | 4.07 | 0.12 |
| **0.05 - 0.12** | **1,900,000** | **4.09** | **0.12** |

The fair value of each option was estimated on the date of grant. The following are the assumptions used under Black-Scholes at the measurement date for the year ended December 31, 2010:

| | January 19, 2010 | May 26, 2010 | August 5, 2010 | August 5, 2010 | Total |
|---|---|---|---|---|---|
| Options Issued | 1,700,000 | 50,000 | 50,000 | 100,000 | 1,900,000 |
| Risk free interest rate | 2.60% | 2.55% | 2.32% | 2.32% | |
| Expected life | 5 years | 4.67 years | 5 years | 5 years | |
| Exercise Price | $0.12 | $0.12 | $0.12 | $0.05 | |
| Price volatility | 100% | 100% | 100% | 100% | |
| Dividend yield | Nil | nil | nil | nil | |
| Stock-based Compensation | $53,000 | $1,000 | $1,000 | $2,000 | $57,000 |

The weighted average grant-date fair value of options granted during the year ended was $0.03 (Thirteen month period ended December 31, 2009 – $Nil) per option issued.

**(c) Common Share Purchase Warrants**

The exercise price and expiry date of the warrants outstanding at period end are as follows:

| Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 3,150,000 | 0.12 | December 14, 2011 |
| 3,630,000 | 0.20 | December 31, 2011 |
| 330,000 | 0.10 | December 31, 2011 |
| 7,110,000 | | |

## 8. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

| | 2010 | 2009 |
|---|---|---|
| Balance, beginning of the year | **$ 258,525** | $ - |
| Fair value of stock-based compensation cost | **57,000** | - |
| Fair value of warrants issued | **-** | 258,525 |
| Balance, end of year | **$ 315,525** | $ 258,525 |

## 9. FINANCIAL INSTRUMENTS

*Fair value*

The Company's financial instruments as at December 31, 2010 include cash, accounts receivable, accounts payable and accrued liabilities, promissory notes payable and long-term debt. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

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

*Interest rate risk*

The Company has cash and cash equivalent balances bearing fixed interest rates and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consist of bank deposits, which have been invested a Canadian chartered bank, from which management believes the risk of loss is remote. As at December 31, 2010, the Company's receivables primarily consist of amount due from the Canadian government. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to December 31, 2010. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at December 31, 2010 is the carrying value of cash and accounts receivable.

*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 $26,151 (2009 - $348,289) to settle current liabilities of $473,337 (2009 - $217,802). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities (other than long-term debt) have contractual maturities of less than 30 days and are subject to normal trade terms. As at December 31, 2010, the Company had a working capital deficiency of $447,186 (2009 – working capital of $130,487).

## 10. CAPITAL MANAGEMENT

The Company considers its capital to include components of shareholders' equity.

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company considers its capital to be shareholders' equity, which is comprised of Share Capital, contributed surplus, and deficit, which as at December 31, 2010 totaled $620,561 (2009 - $627,038).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest its cash in low-risk, highly liquid, short-term interest-bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

| | **Year Ended December 31, 2010** | Thirteen Month Period Ended December 31, 2009 |
|---|---|---|
| Accounts receivable | **$ 12,238** | $ (30,468) |
| Prepaid expenses and deposits | **(316)** | 10,000 |
| Accounts payable and accrued liabilities | **152,701** | (24,341) |
| Changes in non-cash working capital balances | **$ 164,623** | $ (44,809) |
| Interest paid | **$ -** | $ - |
| Income tax paid | **$ -** | $ - |

Non-cash activities were conducted by the Company as follows:

| | | |
|---|---|---|
| Issuable and issued common shares for property acquisitions | **$ 16,000** | $ - |

## 12. INCOME TAXES

### Future Income Tax Recovery

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the year ended December 31, 2010 and thirteen month period ended December 31, 2009 is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Loss before income taxes | **(207,546)** | (381,256) |
| Combined Statutory rate | **31.00%** | 33.00% |
| Estimated recovery of income taxes | **(64,000)** | (126,000) |
| Difference between current and future tax rates | **(3,069)** | (73,000) |
| Share and warrant issue costs | **-** | 7,000 |
| Stock-based compensation | **18,000** | - |
| Expiry of loss carryforwards | **27,000** | 5,000 |
| Non-taxable portion of capital gain | **-** | 114,000 |
| Change in valuation allowance | **(158,000)** | 73,000 |
| Future income tax recovery | **(180,069)** | - |

The Canadian statutory income tax rate of 31% (2009 – 33.0%) is comprised of the federal income tax rate at approximately 18% (2009 – 19.0%) and the provincial income tax rate of approximately 13% (2009 – 14%).

## 12. INCOME TAXES (Continued)

The primary differences which give rise to the future income tax recoveries at December 31, 2010 and 2009 are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| ***Future income tax assets*** | | |
| Share issuance costs and other | **17,000** | 21,000 |
| Deferred exploration expenses | **-** | 98,000 |
| Non-capital losses carried forward | **179,000** | 164,000 |
| | **196,000** | 283,000 |
| Less : valuation allowance | **(125,000)** | (283,000) |
| Net future tax assets | **71,000** | - |
| ***Future tax liabilities*** | | |
| Deferred exploration expenses | **(71,000)** | - |
| Net future tax liability | **-** | - |

The Company has available for carry forward non-capital losses of $715,000 (2009 - $654,000). As at December 31, 2010, the non-capital losses carry forwards expire as follows:

| | **$** |
|---|---|
| **2014** | **15,000** |
| **2015** | **54,000** |
| **2026** | **21,000** |
| **2027** | **140,000** |
| **2028** | **306,000** |
| **2029** | **12,000** |
| **2030** | **167,000** |
| | **715,000** |

As at December 31, 2010, the Company has cumulative Canadian exploration expenditures ("CCEE"), cumulative Canadian development expenditures ("CCDE) and earned depletion base ("EDB") totaling $881,000 (2009 - $823,000) which are available to reduce taxable income of future years. The CCEE, CCDE and EDB balances can be carried forward indefinitely. In addition, the unamortized balance, for income tax purposes, of share issuance costs amounts to approximately $63,000 (2009 - $84,000) and will be deductible in Canada over the next 3 years.

Future tax benefits which may arise as a result of these losses and expenditures have not been recognized in these financial statements.

## 13. CORPORATE MERGER

On April 27, 2009, Goldwright Explorations Inc. ("Goldwright") completed an amalgamation transaction (the "Transaction") with Hall Train Entertainment Inc. ("Hall Train") whereby Goldwright amalgamated with Hall Train pursuant to the Ontario *Business Corporations Act*. Pursuant to the Transaction, the Company issued one common share in its share capital for each 15 outstanding common shares in the capital of Hall Train prior to the Transaction and the Company issued one common share in its capital for each one outstanding share in the capital of Goldwright prior to the Transaction.

In accordance with CICA EIC-10 Reverse Takeover Accounting, based on the relative ownership percentages of the combined Company by shareholders of the amalgamating companies prior to the transaction, and composition of the Board of Directors of the newly combined Company, from an accounting perspective, Goldwright is considered to be the accounting acquirer and therefore the Transaction has been accounted for as a reverse takeover. For financial reporting purposes, the Company is considered a continuation of Goldwright, except with regard to authorized and issued share capital, which is that of GoldTrain. As the acquirer for accounting purposes, Goldwright's assets and liabilities are included in the consolidated balance sheet at their carrying value.

## 14. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As of December 31, 2010, the Company is committed to spend approximately $Nil (2009 - $330,000) on Canadian exploration costs by December 31, 2010 as part of its 2009 flow-through funding agreements.

## 15. SUBSEQUENT EVENT

On April 19, 2011, the Company completed a private placement totaling 3,240,000 units at $0.05 each for an aggregate amount of $162,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at a price of $0.10 for a period of 24 months.