LORNEX CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For years ended December 31, 2010 and 2009

LORNEX CAPITAL INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2010

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Lornex Capital Inc. (the "Company") should be read in conjunction with the annual audited consolidated financial statements and related notes thereto of the Company for the years ended December 31, 2010 and 2009. The financial information in this MD&A was derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is April 26, 2011.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set above.

General

Lornex Capital Inc. (the "Company") is a natural resource company currently engaged in the acquisition, exploration and development of mineral properties. The Company has a 100% interest in the AMI copper-molybdenum-silver-lead property located in west central Yukon. The Company's property is at the exploration stage. See a detailed discussion of the property under "Results of Operations".

The Company is also evaluating other projects of merit that would be of benefit to the Company.

Selected Annual Information

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Statement of Operations Data Interest Income	$6,774	$1,009	$5,051
Net Loss	$313,516	$628,725	$241,876
Data per Common Share Basic and Diluted Net Loss	$0.03	$0.08	$0.06
Balance Sheet Data Total Assets	$1,041,468	$331,428	$662,329
Long Term Liabilities	Nil	Nil	Nil

Selected Quarterly Information

Three Months Ended	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09
Interest Income	$2,877	$2,560	$1,040	$297	$304	$299	$119	$287
Loss	$85,902	$58,827	$85,449	$83,338	$425,575	$63,129	$81,496	$58,525
Loss per common share	$0.01	$-	$0.01	$0.01	$0.05	$0.01	$0.01	$0.01

The following discussion outlines the reasons for some of the variations in the quarterly numbers but, as with most junior mineral exploration companies, the results of operations (including interest income and net losses) are not the main factors in establishing the financial health of the Company. Of far greater significance are the resource properties in which the Company has, or may earn an interest, its working capital and how many shares it has outstanding. The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current property, none of which are possible to predict with any accuracy.

There are no general trends regarding the Company's quarterly results, and the Company's business of resource exploration is not seasonal, as it can work on its property on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has written down any properties or granted any stock options and these factors which account for material variations in the Company's quarterly net losses are not predictable. The write-down of resource properties can have a material effect on quarterly results as and when they occur (as, for example in the quarter ended December 31, 2009). The other major factor which may cause a material variation in net loss on a quarterly basis is the grant of stock option due to the resulting stock-based compensation charges which may be significant when they arise. This may be seen in the quarters ended June 30, 2009, March 31, 2010 and June 30, 2010. General and administrative costs tend to be quite similar from period to period, except in certain cases when there is an increase in corporate activities. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. As at April 26, 2011, 2010, there were 14,390,739 shares issued and outstanding.

The following stock options were outstanding as at April 26, 2011:

Number of Options	Exercise Price	Expiry Date
362,000	$0.11	September 26, 2013
275,000	$0.11	April 17, 2019
50,000	$0.35	January 12, 2020
185,000	$0.30	June 14, 2020
872,000		

The following warrants were outstanding as at April 26, 2011:

Number of Warrants	Exercise Price	Expiry Date
1,739,992	$0.50	March 5, 2012
1,739,992		

Results of Operations

AMI Copper-Molybdenum-Silver-Lead Property - Yukon

The AMI property is located 60 kilometres west of Dawson City, Yukon Territory and consists of 50 contiguous mineral claims covering approximately 1045 hectares. The Company has a 100% interest in the AMI property which is subject to a 1% net smelter return royalty.

The Company is evaluating potential joint venture opportunities for the AMI claims.

During the year ended December 31, 2009, management wrote-down the property to reflect a realizable value resulting in a write-off of acquisition and exploration costs of $346,187.

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the years ended December 31, 2010 and 2009 should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto as at and for the years ended December 31, 2010 and 2009.

Year ended December 31, 2010 compared with the year ended December 31, 2009

During the year ended December 31, 2010, the Company reported a loss of $313,516 or $0.03 per share compared to a loss of $628,725 or $0.08 per share during the prior fiscal year, representing a decrease in loss by $315,209. The decrease in loss was primarily attributable to a property acquisition cost write-down of $346,187 in fiscal 2009. In addition, interest income increased by $5,765 which was offset by increases in general and administrative expenses of $31,743 and a write-off of reclamation deposits of $5,000.

General and administrative expenses increased by $31,743 from $283,547 during the year ended December 31, 2009 to $315,290 during the year ended December 31, 2010 as a result of increases in amortization of $730, consulting fees of $37,625, office, rent and administration of $22,053, professional fees of $4,586, regulatory fees of $7,312 and travel, promotion and shareholder communication of $23,605 offset by decreases in bank charges and interest of $58, management fees of $34,784, stock-based compensation of $29,154 and transfer agent of $172.

The increases in consulting fees of $37,625, office, rent and administration of $22,053 and travel, promotion and shareholder communication of $23,605 resulted from increased corporate activities related to a private placement financing as well as certain project due diligence carried out during the year.

The increase in regulatory fees by $7,312 was a result of fees paid for listing of the Company's common shares on the Frankfurt Stock Exchange.

The decrease in management fees by $34,784 resulted from a cancellation of $4,500 monthly fees to a former director of the Company effective May 1, 2010.

Stock-based compensation of $39,526 was recorded during the year ended December 31, 2010, as a result of stock options granted to the Company's directors, employees and consultants to purchase 50,000 shares at $0.35 per share for a period of ten years expiring January 12, 2020 and 185,000 shares at $0.30 per share for a period of ten years expiring June 14, 2020. During the year ended December 31, 2009, the Company incurred stock-based compensation of $68,680.

Stock-based compensation expenses were charged against operations as follows:

	Years ended	
	December 31, 2010	December 31, 2009
Consulting fees	8,342	34,043
Management fees	26,035	22,805
Administration	2,398	2,365
Professional fees	2,751	9,467

Liquidity and Capital Resources

As at December 31, 2010, the Company had working capital of $977,911 as compared to a working capital of $279,798 as at December 31, 2009, representing an increase in working capital by $698,113. Financing for the Company's operations was funded primarily from private placements and exercise of share purchase options.

Net cash and short-term investments on hand increased by $634,528, from $294,915 at December 31, 2009 to $929,443 at December 31, 2010. The increase in cash and short-term investments resulted mainly from net proceeds from the issuance of shares of $981,405 offset by cash used for operations of $331,845, purchase of equipment of $4,864 and mineral property related expenses of $10,168.

Current assets excluding cash at December 31, 2010 consisted of short-term investments in guaranteed investment certificate of $900,000, amounts receivable of $13,791 and prepaid expenses and deposits of $58,932 as compared to short-term investments in guaranteed investment certificate of $275,000, amounts receivable of $4,513 and prepaid expenses and deposits of $2,000 at December 31, 2009.

During the year ended December 31, 2010, the Company closed a non-brokered private placement of 3,426,667 units at a price of $0.30 per unit for gross proceeds of $1,028,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder, on exercise, to purchase an additional common share of the Company at a price of $0.50 per common share expiring March 5, 2012. The warrants are subject to an acceleration provision whereby if the trading price of the Company's common shares on the TSX Venture Exchange ("TSXV") over a period of 10 consecutive trading days exceeds $0.75, the Company may, at its option, provide notice to the warrant holders that the warrants will expire on the date which is 30 calendar days after the date of such notice. The Company paid an aggregate of $55,965 and issued an aggregate of 53,317 units of the Company as finders' fees related to this financing. The units issued have the same terms as the private placement.

During the year ended December 31, 2010, 163,255 stock options at $0.11 per share were exercised for total proceeds of $17,958.

During the year ended December 31, 2009, the Company closed a non-brokered private placement of 4,000,000 units at a price of $0.055 per unit for gross proceeds of $220,000. Each unit consisted of one common share and one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder, on exercise, to acquire one additional common share of the Company at an exercise price of $0.10 per share expiring April 17, 2011. The Company paid $1,850 for regulatory expenses related to this private placement.

As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of 362,000 stock options exercisable at a price of $0.11 per share which expire on September 26, 2013, 275,000 stock options exercisable at a price of $0.11 per share which expire on April 17, 2019, 43,750 stock options exercisable at a price of $0.35 per share which expire on January 12, 2020, 115,625 stock options exercisable at a price of $0.30 per share which expire on June 14, 2020 and 1,739,992 warrants exercisable at a price of $0.50 per share which expire on March 5, 2012. However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the TSXV does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company presently has sufficient funds to continue its anticipated ongoing operations through the end of its fiscal 2011. However, if the Company's plans change (as, for example, if it determines to acquire additional properties or accelerate its presently contemplated work programs) or its current assumptions change or prove inaccurate, the Company may be required to seek additional financing through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales).

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international political, social and economical environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict.

Controls and Procedures

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Related Party Transactions

During the year ended December 31, 2010, the Company entered into certain transactions with related parties. These transactions are in the normal course of business operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Transaction	Three Months Ended December 31, 2010	Year Ended December 31, 2010	Year Ended December 31, 2009
Remstar Resources Ltd., a company with common directors and officers	Office, rent and administration (1)	$13,500	$54,500	$60,000
Ultra Lithium Inc., a company with common directors and officers	Rent (2)	$3,000	$11,000	$Nil
Mosam Ventures Inc., a company controlled by a director and an officer of the Company	Management fees	$16,200	$55,800	$52,584
Tony M. Ricci Inc., a company controlled by a former officer of the Company	Management fees	$Nil	$18,000	$56,000
Max Pinsky Personal Law Corp. a company controlled by an officer of the Company	Legal fees	$1,002	$7,225	$3,403

(1) The Company entered into a month-to-month arrangement for the rental of office premises and the provision of accounting, financial reporting and administrative services with Remstar Resources Ltd., a public company related by common directors and officers.

(2) The Company entered into a month-to-month arrangement for the rental of office premises with Ultra Lithium Inc., a public company related by common directors and officers.

Included in prepaid expenses is a rent deposit of $2,000 (December 31, 2009 - $2,000) paid to a company having directors and officers in common.

Included in accounts payable and accrued liabilities is management fees of $6,048 (December 31, 2009 - $8,400) payable to companies controlled by directors and officers of the Company.

Fourth Quarter

During the fourth quarter, the Company reported a loss of $85,902 compared to a loss of $423,725 during the fourth quarter in the prior fiscal year, representing a decrease in loss by $337,823. The decrease in loss was primarily attributable to a property acquisition cost write-down of $346,187 recorded during the fourth quarter of fiscal 2009. In addition, there was an increase in interest income of $2,573 offset by increases in general and administrative expenses of $5,937 and a write-off of reclamation deposits of $5,000.

General and administrative expenses increased by $5,937 from $77,842 during the fourth quarter ended December 31, 2009 to $83,779 during the fourth quarter ended December 31, 2010. The increase in general and administrative expenses resulted from increases in amortization of $499, bank charges and interest of $19, consulting fees of $9,625, office, rent and administration of $3,352, professional fees of $1,238, regulatory fees of $652 and travel, promotion and shareholder communication of $16,775 offset by decreases in management fees of $10,384, stock-based compensation of $14,675 and transfer agent of $1,164.

The increases in consulting fees of $9,625, office, rent and administration of $3,352 and travel, promotion and shareholder communication of $16,775 resulted from increased corporate activities as a result of project due diligence carried out by the Company during the fourth quarter.

The decrease in management fees by $10,384 resulted from a cancellation of monthly management fees of $4,500 to a former director of the Company effective May 1, 2010.

Stock-based compensation of $6,561 was recorded during the fourth quarter ended December 31, 2010, as a result of stock options granted to the Company's directors, employees and consultants to purchase 50,000 shares at $0.35 per share for a period of ten years expiring January 12, 2020 and 185,000 shares at $0.30 per share for a period of ten years expiring June 14, 2020. During the fourth quarter ended December 31, 2009, the Company incurred stock-based compensation of $21,236.

Subsequent Events

On April 11, 2011, the Company announced that at its annual and special meeting of shareholders ("Special Meeting") to be held on Thursday, May 19, 2011, the Company will be seeking shareholder approval of a special resolution to consolidate its share capital on the basis of one (1) new common share for up to every three (3) existing common shares ("Consolidation"). The Consolidation resolution must be passed by not less than two-thirds of the votes cast by shareholders represented in person or by proxy at the Special Meeting and if approved, the directors of the Company will have the sole discretion to select the final Consolidation ratio (up to no greater than 3:1) and to implement the Consolidation, subject to acceptance for filing by the TSX Venture Exchange.

Changes in Accounting Policies including Initial Adoption

Adoption of New Accounting Standards

a) Fair Value Hierarchy

In 2009, the CICA amended 3862, *Financial Instruments – Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosure. This amendment requires a three level hierarchy that reflects the significance of the inputs used in measuring the fair value as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 – Inputs that are not based on observable market data.

The amended section relates to disclosure only and did not have a material impact on the financial results of the Company.

b) Accounting Changes

CICA Handbook Section 1506, *Accounting Changes*, establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retrospectively unless doing so is impracticable.

Future Accounting Pronouncements

a) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS, replacing Canadian GAAP, for fiscal years beginning on or after January 1, 2011 with early adoption permitted.

The Company will prepare its first consolidated financial statements in accordance with IFRS for the year ending December 31, 2011. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company will retrospectively apply IFRS, except for mandatory and elected optional exemptions from full retrospective application of IFRS as provided by IFRS 1.

Preparation of the first consolidated financial statements in accordance with IFRS will require presentation of comparative information in accordance with IFRS. Accordingly, the Company will be required to restate its balance sheet as at January 1, 2010 to comply with IFRS ("transition date").

The execution of the Company's IFRS conversion plan is underway, including the evaluation of the financial impact upon IFRS adoption, development of IFRS accounting policies, and redesign of business processes. The Company anticipates there will be changes in accounting policies and these changes may materially impact our consolidated financial statements but the impact cannot be reasonably estimated at this time. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required. However, the Company has initially determined that its accounting and financial reporting systems will not be significantly impacted.

The Company's transition to IFRS and conversion plan consist of three phases:

1. Planning and Scoping

This phase covered project planning and identification of differences between existing Canadian GAAP and IFRS which have been completed during the first and second quarter of 2010. The areas of accounting differences that have been identified that will potentially be impacted are impairment of assets, property, plant and equipment, share based payments and initial adoption of IFRS under the provisions of IFRS 1.

2. In-depth Analysis

This phase involves detailed evaluation of the financial impacts of various options and alternative methodologies available under IFRS, analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS, compilation of IFRS disclosure requirements and development of required solutions to address identified issues.

3. Implementation and Review

This phase has been completed during the fourth quarter of 2010 and included the preparation and reconciliation of opening balance sheet and collection of financial information required to complete IFRS compliant consolidated interim and annual financial statements.

First time adoption of IFRS

IFRS 1 generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. IFRS 1 provides for certain optional exemptions and other mandatory exceptions to this general principle. The most significant IFRS optional exemptions which the Company is expected to apply are:

IFRS 2, Share-based Payments	The Company has elected not to apply IFRS 2 to equity instruments vested before the transition date. This election exempts the Company from retrospective restatement of share-based payments vested before the transition date.
IAS 16, Property, Plant and Equipment	The Company has decided not to use an optional IFRS 1 election to measure its property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost, or use a previous GAAP revaluation of property, plant and equipment as its deemed cost at the transition date. Instead, the Company will retrospectively apply recognition and measurement requirements of IAS 16, Property, Plant and Equipment. Under IAS 16, the Company made an accounting policy choice to measure its property, plant and equipment after its recognition at its cost less any accumulated depreciation and any accumulated impairment losses.
IAS 39, Financial Instruments: Recognition and	As at transition date, the Company will not make any additional optional designations of financial

Measurement	instruments as available for sale, or financial asset or financial liability at fair value through profit or loss, unless such designation has been made on initial recognition of such instruments in accordance with IAS 39.

IAS 36, Impairment of Assets

Both Canadian GAAP and IFRS require an entity to undertake impairment testing where there is an indication of impairment. Annual impairment tests are required for goodwill and indefinite-lived intangible assets.

Canadian GAAP generally uses a two-step approach to testing a long-lived asset for impairment if an indication of impairment exists. The first step is a test for recoverability whereby the carrying value is compared to the undiscounted cash flows that the asset is expected to generate. If the undiscounted cash flows exceed the carrying amount, then no impairment charge is necessary. If the undiscounted cash flows are lower than the carrying amount of the asset, then the asset is written down to the estimated fair value, determined based on the discounted cash flows.

Under IFRS, if there is an indication of impairment the entity must compare the carrying value of the asset to the recoverable amount. Recoverable amount is defined as the higher of an asset less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if the circumstances leading to the impairment no longer exist.

The Company assessed impairment indicators under IFRS as at the date of transition for the Company's exploration project and determined that there were no such indicators, which was consistent with Canadian GAAP.

IFRS 2, Share-based payments

Canadian GAAP requires that share based payments are measured at fair value and an expense recorded over the vesting period of the instrument. Our accounting policy under IFRS is largely consistent with Canadian GAAP except for the initial inclusion of a forfeiture rate in the fair value estimation, and small changes to the initial valuation of tranches of options that vest over different periods. The Company anticipates that these differences will not have a material impact on the consolidated financial statements.

IFRS 6, Exploration for and Evaluation of Mineral Resources

Under Canadian GAAP, costs incurred in the acquisition, exploration, evaluation and development of mineral resources are capitalized as incurred. IFRS has no explicit guidance on the treatment of these costs. IFRS allows a company to set its accounting policy to expense or capitalize the costs incurred in the acquisition, exploration, evaluation and development of mineral resources. The Company's current accounting policy is likely to be maintained through transition with no differences anticipated.

The discussion above should not be regarded as a complete list of changes that will result from the Company's transition to IFRS. In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS accounting standards at the transition date are known. The Company will continue to review new standards, as well as the impact of the new accounting standards, between now and the transition date to ensure all relevant changes are addressed.

b) Business Combinations

CICA Handbook Section 1582, *Business Combinations*, replaces Section 1581, *Business Combinations* and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, *Business Combinations*. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. Earlier application is permitted. The Company does not expect to adopt this standard prior to January 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

c) Consolidations and Non-controlling Interests

Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), *Consolidated and Separate Financial Statements*. The Sections 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 to adopt this standard prior to January 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short-term investments, amounts receivable, and accounts payable and accrued liabilities.

The fair values of these financial instruments approximate their carrying values due to their short-term nature and/or the existence of market related interest rate on the instruments.

The following table is a classification of fair value measurements recognized using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as at December 31, 2010:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 29,443	$ -	$ -	$ 29,443
Short-term investments	$ 900,000	$ -	$ -	$ 900,000

The Company's risk exposure is summarized as follows:

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any significant credit risk on its financial assets. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The receivables consist primarily of goods and services tax recoverable of $8,231 and interest receivable of $5,560.

b) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at December 31, 2010, the Company had cash and short-term investments of $929,443 to settle current liabilities of $24,255 which mainly consist of accounts payable that are considered short term and settled within 30 days. The Company has sufficient capital to meet its requirements through the end of its fiscal year.

c) Market risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates and have maturities of 90 days or less. The Company's short-term investments are invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The interest on cash and GICs is typical of Canadian banking rates, which are low at present and the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

(ii) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its mineral properties described in note 8 to its consolidated financial statements as at and for the year ended December 31, 2010, of which production is not expected in the near future.