QUIA RESOURCES INC.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

As at December 31, 2010 and 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Quia Resources Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

Management has established processes, which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the year presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition and results of operations of the Company, as of the date of and for the year presented by the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the consolidated financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process. The Audit Committee meets with management as well as with the independent auditors to review the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Signed" ,CEO
Yannis Banks

"Signed" ,CFO
Andres Tinajero

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Quia Resources Inc.

We have audited the accompanying consolidated financial statements of Quia Resources Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss and 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Quia Resources 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.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
April 28, 2011

Quia Resources Inc.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

As at,	December 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	$ 5,515,661	$ 100,436
GST/HST and other receivables	134,813	-
Prepaid expenses	47,349	-
	5,697,823	100,436
Loans Receivable (Note 5)	-	39,166
Capital assets (Note 7)	22,455	9,600
Mineral properties and related deferred costs (Note 8)	2,998,464	1,855,141
	$ 8,718,742	$ 2,004,343
Liabilities		
Current Liabilities		
Accounts payable	$ 308,016	$ 341,914
Accrued liabilities	42,392	71,000
Due to related parties (Note 15)	103,275	294,110
Loans and interest payable (Note 9)	6,286	179,884
Contingent liability (Note 16)	24,346	575,122
	484,315	1,462,030
Shareholders' Equity		
Share capital (Note 10 (b))	10,661,770	3,093,853
Shares to be issued (Note 10 (c))	-	225,661
Warrants and Contributed surplus (Note 13)	3,576,942	1,064,152
Deficit	-6,004,285	(3,841,353)
	8,234,427	542,313
	$ 8,718,742	$ 2,004,343

Nature of Operations (Note 1)
Segmented Information (Note 14)
Contingent Liability (Note 16)

Approved by the Board:

(signed) "Adam Szweras", Director

(signed) "Dan Noone", Director

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

Quia Resources Inc.
Consolidated Statements of Loss, Comprehensive Loss and Deficit
(Expressed in Canadian Dollars)

		Year ended December 31, 2010		Year ended December 31, 2009
Expenses				
Management and consulting	$	**624,494**	$	663,511
Stock-based compensation (Note 11)		**179,000**		-
Other stock-based payments (Note 10)		**448,352**		-
Travel and promotion		**133,322**		109,954
Office and general		**322,567**		163,688
Professional fees		**439,333**		176,473
Amortization		**3,462**		1,988
Write off of receivable		**-**		12,126
Foreign exchange (gain) loss		**143,887**		(12,067)
		2,294,417		1,115,673
Loss before the undernoted		**(2,294,417)**		(1,115,673)
Gain on settlement of debt		**1,985**		-
Gain on settlement of lawsuit (Note 16)		**129,500**		-
Net loss		**(2,162,932)**		(1,115,673)
Deficit, beginning of period		**(3,841,353)**		(2,725,680)
Deficit, end of period		**(6,004,285)**		(3,841,353)
Loss per share-basic and fully diluted	$	**(0.044)**	$	(0.023)
Weighted average number of shares outstanding		**49,297,824**		49,124,629

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

Quia Resources Inc.
Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

	Year ended December 31, 2010	Year ended December 31, 2009
Operating Activities		
Net loss	$ **(2,162,932)**	$ (1,115,673)
Adjustments to reconcile net loss to cash flow from operating activities:		
Stock based compensation (Note 11)	**179,000**	-
Other stock-based payments (Note 10)	**448,352**	-
Amortization	**3,462**	1,988
Accrued interest	**-**	9,885
Gain on settlement of lawsuit (Note 16)	**(129,500)**	-
Write off of receivable	**-**	12,126
Gain on settlement of debt (Note 10 (b))	**(1,985)**	-
Unrealized foreign exchange gain	**-**	(36,009)
Net change in non-cash working capital items:		
GST/HST and other receivables	**(124,618)**	26,023
Prepaid expenses	**(47,349)**	-
Due to related parties	**(190,835)**	-
Accounts payable and accrued liabilities	**(216,179)**	63,713
Cash flow used in operating activities	**(2,242,584)**	(1,037,947)
Financing Activities		
Issue of units, net of issue costs	**7,998,027**	647,280
Loans received	**-**	130,503
Loans paid	**(134,431)**	-
Advances (payments) with related parties	**-**	231,451
Cash flow provided from financing activities	**7,863,596**	1,009,234
Investing Activities		
Acquisitions of capital assets, net of dispositions	**(16,317)**	(2,428)
Acquisitions of mineral properties and related deferred costs	**(1,296,819)**	(524,471)
Cash acquired on corporate merger (Note 6)	**1,107,349**	-
Cash flow used in investing activities	**(205,787)**	(526,899)
Net increase (decrease) in cash	**5,415,225**	(555,612)
Cash and cash equivalents, beginning of period	**100,436**	656,048
Cash and cash equivalents, end of period	$ **5,515,661**	$ 100,436

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

1. NATURE OF OPERATIONS

Quia Resources Inc. (the "Company" or "Quia") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. The Company is engaged in the acquisition, exploration and development of the properties for the mining of precious metals in Colombia. The Company's operations in Colombia are affected by Colombia's political and economic environment. Although the environment has been relatively stable in recent years, there is the risk that this situation could deteriorate and adversely affect the Company's operations.

The Company is in the process of exploring its exploration property for mineral resources and has not determined whether the properties contain economically recoverable reserves. The Company's principal projects are located in Bolivar and Antioquia, Colombia. The underlying value of the resource property and the recoverability of the future exploration costs are entirely dependent on the existence of one or more economic recoverable reserves, confirmation of the Company's interest in the underlying claims, and the Company's ability to obtain the necessary financing to complete the exploration, development and future profitable production.

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 the exploration property and the Company's continued existence is dependent upon the preservation of its interest in the underlying property, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly owned subsidiaries: Bolivar Gold Corp, Colombian Mining Corp, QBC Holdings Corp, Kulta Corp, and San Lucas Gold Corp. The Company has no variable interest entities as defined under Accounting Guideline 15, Consolidation of Variable Interest Entities. All material intercompany transactions and balances have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of the revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, impairment of mineral properties and related deferred costs, valuation of warrants, stock-based compensation, valuation of contingent liability and the ability to continue as a going concern. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis at rates which are expected to amortize the cost of the assets over their useful lives as follows:

Furniture and fixtures	10%
Computer equipment and software	20%
Equipment	10%

Mineral properties and related deferred costs

Quia defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs are amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because of continuation is not economically feasible, the mineral properties and the related deferred exploration costs are written off. Option payments received are applied against the mineral property or deferred exploration costs.

Impairment of long lived assets

The Company reviews and evaluates its long lived assets, including its mineral property interest for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows to be generated by the asset. Measurement of an impairment loss is based on the excess of the estimated fair value of the asset over its carrying value.

At each reporting period, or when events or circumstances indicate that an asset's fair value may not be at least equal to its carrying value, the Company reviews the net carrying value. These reviews involve consideration of the fair value of the property to determine whether a permanent impairment in value has occurred and whether any asset write down is necessary.

Asset retirement obligation

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long lived assets that result from the acquisition, construction, development and/or normal use of assets. The Company also records a corresponding asset amount which is amortized over the remaining service life of the asset being retired. Subsequently to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost). The Company has no material asset retirement obligation as the disturbance at the exploration site to date has been minimal.

2. SUMMARY OF 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 differences between the financial statement carrying values and their respective income tax bases.

Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. Such an allowance would be applied to all potential income tax assets of the Company.

Basic and diluted loss per share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding for the year. Diluted loss per share is similar to basic loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued using the treasury stock method. When the effect of computing diluted loss per share is anti-dilutive, this information is not presented.

Foreign currency transactions

These consolidated financial statements are presented in Canadian dollars, the Company's functional currency. The Company's foreign operations are integrated in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook section 1651 (Foreign Currency Translation). These integrated foreign operations are translated into Canadian dollars using the temporal method. Amounts denominated in other currencies have been translated into Canadian dollars as follows:

(i) monetary assets and liabilities at the rate of exchange prevailing at the balance sheet date;

(ii) non-monetary assets and liabilities at historical exchange rates, unless such items are recorded at fair value, in which case they are translated at the exchange rate in effect at the balance sheet date; and

(iii) revenue and expense transactions at the rate of exchange in effect on the dates they occur.

Exchange gains and losses are recorded in the statement of operations.

Stock based compensation

The Company follows the recommendations of the CICA Handbook section 3870 (Stock-based Compensation and Other Stock-based Payments), in connection with accounting for stock option based compensation. The standard requires that all stock option based awards made to consultants and employees be recognized in these financial statements and measured using a fair value based method.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital. The related contributed surplus originally recognized when the options were granted, is transferred to share capital.

Cash and cash equivalents

Cash and cash equivalents include bank deposits and highly liquid money market investments such as guaranteed investment certificates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share issuance costs

Costs incurred in respect of raising capital are charged to capital stock as a reduction of the equity proceeds.

Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

Financial instruments

Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and derivative financial instruments. This standard requires that all financial assets and liabilities be classified as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale, or other financial liabilities. The subsequent recognition depends on their initial classification.

Held-to-maturity financial assets and loans and receivables, are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.

Held-for-trading financial instruments are carried at fair value with changes in the fair value charged or credited to net earnings in the period in which they arise.

Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses are charged to net earnings in the period in which they arise.

Other financial liabilities are initially measured at cost or at amortized cost depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method.

Following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding as of December 31, 2010:

Cash - Held-for-trading
Loans receivable - Loans and receivables
Accounts payable - Other liabilities
Accrued liabilities - Other liabilities
Due to related parties - Other liabilities
Loans and interest payable - Other liabilities
Contingent liability – Other liabilities

Transaction costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments - Disclosures

The CICA Section 3682 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes.

Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly.
Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Other than increased disclosure, the amendment of Section 3862 did not have any significant impact on the Company's financial statements for the year ended December 31, 2010. As at December 31, 2010, all financial instruments measured at fair value are considered Level 1.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in calendar year 2011. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company has commenced the process to determine the impact of the transition to IFRS on its financial reporting process. Adopting the IFRS may have a material impact on the Company's consolidated balance sheets and consolidated statements of loss, comprehensive loss and deficit, however, it is not expected to have a material impact on the consolidated statements of cash flows.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, shares to be issued and warrants and contributed surplus,. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the 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 team to sustain the 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 spend its existing working capital and raise additional amounts as needed.

3. CAPITAL MANAGEMENT *(continued)*

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

i) minimizing discretionary disbursements;
ii) reducing or eliminating exploration expenditures which are of limited strategic value;
iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient potential and if it has adequate financial resources to do so.

As at December 31, 2010, the Company's capital consist of share capital, shares to be issued and warrants and contributed surplus in the amount of $14,238,712 (December 31, 2009 - $4,383,666).

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.

4. FINANCIAL RISK FACTORS

Fair Value
The carrying amount of cash, accounts payable and accrued liabilities approximate fair value due to the relatively short term maturity of these financial instruments. The fair value of loans receivable, contingent liabilities and due to related parties cannot be determined with sufficient reliability as there are no fixed terms of repayment. The carrying value of loans and interest payable approximate the fair value based on discounted cash flows. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exist.

Credit Risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and loans receivable. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian, United States and Colombian chartered banks which are closely monitored by management. Financial instruments included in loans receivable consist of loans to its President and Director and to the Vice President, Corporate Development. Management believes that the credit risk concentration with respect to financial instruments included in cash and loans receivable is minimal.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2010, the Company had a cash balance of $5,515,661 (December 31, 2009 - $100,436) to settle current liabilities of $484,315 (December 31, 2009 - $1,462,030). All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

4. FINANCIAL RISK FACTORS *(Continued)*

Market Risks

a) Interest Rate Risk
The Company has cash balances and no variable interest bearing debt. The Company has fixed rates on its debt, changes in interest rates could result in fair value risk on the Company's fixed rate debt.

b) Foreign Currency Risk
The Company's functional currency is the Canadian dollar. The Company operates in Canada, Colombia and the United States, giving rise to market risks from changes in foreign exchange rates. The Company believes that the results of the operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its U.S. dollar and Colombian pesos denominated obligations.

Other Risk Factors

a) Property Risk
The Company's significant mineral properties are the San Lucas Gold Corp. and the Federation properties as described in Note 8. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing property interests. If no additional major properties are acquired by the Company, any adverse development affecting the Company's property would have a materially adverse effect on the Company's financial condition and results of operations.

b) Commodity Price Risk
Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. These metal prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of these metals may be produced in the future, a profitable market will exist for them. As of December 31, 2010, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity Analysis

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

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, loans receivable, accounts payable, due to related parties, loans and interest payable and contingent liability that are denominated in US dollars and Colombian pesos. As at December 31, 2010, had the Canadian dollar weakened/strengthened by 10% against the U.S. dollar with all other variables held constant, the Company's income for the year ended December 31, 2010 would have been approximately $1,900 higher/lower respectively as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments. As at December 31, 2010, had the Canadian dollar weakened/strengthened by 10% against the Colombian peso with all other variables held constant, the Company's income for the year ended December 31, 2010 would have been approximately $26,000 higher/lower respectively as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments.

5. LOANS RECEIVABLE

The Company originally granted a non-secured and non-interest bearing loan of $38,852 (December 31, 2009 - $38,852) to its President and Director and the Vice President, Corporate Development. These amounts were settled as of December 31, 2010.

Initially included in loans receivable were $11,483 (December 31, 2009 - $11,483) as advances and loans granted to the Vice President and Director. These transactions were written off as of December 31, 2009 since management had no assurance of its collectibility in the near future.

During 2008, the Company granted a loan of $50,685 to "Alpaca Resources Inc.", a company with common directors, which was written off as of December 31, 2009 since management had no assurance of its collectability in the near future.

6. CORPORATE MERGER

On December 22, 2010, Quia completed a Qualifying Transaction (the "Transaction") with Onsino Capital Corporation ("Onsino"), whereby Onsino acquired all of the issued and outstanding shares of Quia, which was amalgamated with a wholly-owned subsidiary of Onsino. Onsino was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("The Exchange") policy 2.4 and accordingly had no significant assets other than cash and short-term investments and no commercial operations. Pursuant to the Transaction, Onsino issued one common share in its share capital for each of the 49,124,629 outstanding common shares in the capital of Quia prior to the Transaction. In addition, warrants to purchase an aggregate of 22,545,492 Quia common shares immediately prior to the Transaction are now exercisable to purchase an equivalent number of Onsino common shares in lieu thereof, on economically equivalent terms and conditions. Since the Transaction resulted in the former shareholders of Quia owning approximately 90% of the outstanding shares of Onsino, the Transaction has been accounted for in the consolidated financial statements as a reverse takeover.

In accordance with CICA EIC-10 Reverse Takeover accounting, based on the relative ownership percentages of the combined Company by shareholders of Onsino prior to the transaction and former Quia shareholders, and composition of the Board of Directors of the newly combined Company, from an accounting perspective, Quia 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 Quia, the legal subsidiary, except with regard to authorized and issued share capital, which is that of Onsino, the legal parent. Consequently, comparative 2009 amounts in the consolidated financial statements are those of Quia only. The consolidated statement of loss, comprehensive loss and deficit includes the full result of Quia for the full year from January 1, 2010 to December 31, 2010 and the results of operations of Onsino from the closing date, December 22, 2010 to December 31, 2010. Onsino was not considered to be an acquired business under the accounting guidance set out in CICA EIC-124 Definition of a Business, as it was a Capital Pool Company ("CPC"), therefore the Transaction has been accounted for as a capital transaction and not a business combination. As the acquirer for accounting purposes, Quia's net assets are included in the consolidated balance sheet at their carrying value. Since the transaction is accounted for as a capital transaction, in accordance with CICA EIC-10, the net assets of Onsino were recorded at their fair value:

(Expressed in Canadian Dollars)

6. CORPORATE MERGER *(Continued)*

Cash	$ 41,346
Short term investments	1,066,003
GST recoverable	10,195
Deferred transaction costs	98,612
Net assets acquired	$ 1,216,156
Allocated to shares issued on Transaction (Note 10)	$ 1,216,156

As part of the corporate merger, Quia paid cash transaction costs of $298,352.

7. CAPITAL ASSETS

December 31, 2010	Cost	Amortization	Value
Furniture and fixtures	$ 7,224	$ 1,322	$ 5,902
Computer equipment and software	17,102	549	16,553
	$ 24,326	$ 1,871	$ 22,455

December 31, 2009	Cost	Amortization	Value
Furniture and fixtures	$ 4,425	$ 1,192	$ 3,233
Computer equipment and software	5,812	1,768	4,044
Equipment	2,428	105	2,323
	$ 12,665	$ 3,065	$ 9,600

8. INTEREST IN MINERAL PROPERTIES AND RELATED DEFERRED COSTS

	December 31, 2010	December 31, 2009
Opening balance	$ 1,855,141	$ 1,213,740
Option payments	-	199,067
Exploration expenses	1,143,323	442,334
	1,143,323	641,401
Total	$ 2,998,464	$ 1,855,141

8. INTEREST IN MINERAL PROPERTIES AND RELATED DEFERRED COSTS *(Continued)*

On October 26, 2007, the Company acquired 17 mineral properties in Bolivar, Colombia for $500,000. In exchange for this non-monetary transaction, the Company issued 10,000,000 common shares at a market price of $0.05 per share, to the vendor of the claims.

On September 13, 2008, the Company entered into an agreement with the Mining Federation from the Bolivar Department for the exploitation and exploration of the mining sites mentioned in the agreement.

On December 8, 2008, the Company issued 848,248 shares at a market price of $0.20 per share to some of the shareholders for the acquisition of mineral properties for $169,650 plus $6,286 which is outstanding to be paid as at December 31, 2010 (Notes 9).

9. LOANS AND INTEREST PAYABLE

During 2007, the Company received non-secured loans of $27,409 from Foundation Opportunities Inc. at the rate of 12% per annum payable on December 31, 2010. As at December 31, 2010 $nil and $nil (December 31, 2009 - $14,408 and $7,054) are included as loan and interest payable respectively. There are no specified terms of repayment. Foundation Opportunities Inc. is a related party. An officer of Foundation Opportunities Inc. is also a director of the Company.

On January 11, 2008, the Company received a non-secured loan of $8,542 from Foundation Markets Inc. at the rate of 12% per annum payable on December 31, 2010. As at December 31, 2010 $nil and $nil (December 31, 2009 $nil and $1,292) are included as loan and interest payable respectively. On April 8, 2008, the Company received a non-secured loan of $1,000 from Foundation Markets Inc. at the rate of 12% per annum payable on December 31, 2010. As at December 31, 2010 $nil and $nil (December 31, 2009 $nil and $122) are included as loan and interest payable respectively. There are no specified terms of repayment. Foundation Markets Inc. is a related party. An officer of Foundation Markets Inc. is also a director of the Company.

On December 8, 2008, the Company acquired a non-secured and non-bearing loan of $5,000 US ($6,286 CDN) from one of the shareholders. The loan will be payable as follows:

$2,500 upon the completion of a listing of the common shares of the Company
$1,250 on the one year anniversary of the completion of a going public transaction by the Company
$1,250 on the two year anniversary of the completion of a going public transaction by the Company

As at December 31, 2010 $6,286 and $nil (December 31, 2009 $6,286 and $nil) respectively, are included as loan and interest payable respectively.

During 2009, the Company received a non-secured and non-interest bearing loan of $15,833 from the President and Director. As at December 31, 2010 $nil (December 31, 2009 $15,833) is included as loan to this related party. There are no specified terms of repayment.

During 2009, the Company received non-secured loans of $47,800 from the Corporate Secretary and Director at the rate of 12% per annum payable on December 31, 2010. As at December 31, 2010, $nil and $nil (December 31, 2009 $47,800 and $1,657) are included as loan and interest payable respectively. There are no specified terms of repayment.

Also during 2009, the Company received non-secured loans of $95,800 from Foundation Opportunities Inc., a company where a director of Quia is also a director, at the rate of 12% per annum payable on December 31, 2010. As at December 31, 2010 $nil and $nil (December 31, 2009 $80,800 and $4,632) are included as loan and interest payable respectively. There are no specified terms of repayment.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

	Number of Shares		Stated Value
COMMON SHARES			
Balance, December 31, 2008	26,927,193		2,947,062
Private Placement (i) to (xii)	1,636,479		490,941
Cost of issue - cash	-		(9,322)
Value allocated to warrants (i) to (xii)	-		(334,828)
Balance, December 31, 2009	28,563,672		3,093,853
Private placement of units - Jan. 27, 2010 - $0.30 (xiii)	210,380		63,114
Private placement of units - Feb. 3, 2010 - $0.30 (xiv)	364,121		109,236
Private placement of units - Apr. 23, 2010 - $0.30 (xv)	11,781,593		3,534,478
Private placement of units - Apr. 23, 2010 - $0.25 (xvi)	240,000		60,000
Private placement of units - May 4, 2010 - $0.30 and $0.25 (xvii)	78,667		20,500
Private placement of units - November 2, 2010 - $0.40 (xxi)	5,000,000		2,000,000
Issuance of shares on settlement of debt (xiv) to (xv), (xviii), (xx)	935,064		306,184
Issuance of shares for services (xiii), (xv) & (xix)	1,951,131		469,951
Value allocated to warrants (xiii) to (xviii), (xxi)			(1,982,064)
Cost of issuance			
Cash commissions paid	-		(142,706)
Fair market value assigned to broker warrants	-		(204,000)
Balance, December 22, 2010 of Quia	49,124,628	$	7,328,546
Balance, December 22, 2010 of Onsino	5,190,000		1,591,623
Shares issued on corporate merger (Note 6)	49,124,628		1,216,156
Share capital of Quia eliminated on consolidation	(49,124,628)		-
Transaction costs on corporate merger (Note 6)	-		(298,352)
Share capital of Onsino eliminated on consolidation	-		(1,591,623)
Balance, December 22, 2010 post merger	54,314,628		8,246,350
Private placement of units - Dec. 22, 2010 - $0.50 (xxii)	7,024,000		3,510,000
Value allocated to warrants (xxii)	-		(471,803)
Cost of issuance			
Cash commissions paid	-		(547,777)
Fair market value assigned to broker warrants	-		(75,000)
Balance, December 31, 2010	61,338,628		10,661,770

Under the requirement of the TSX Venture exchange, 2,444,944 common shares held by directors and officers are held in escrow. 10% of these shares will be released from escrow on the date of the exchange bulletin, December 22, 2010, and the remainder in allotments of 366,741 in 6, 12, 18, 24, 30 and 36 months following the date of the exchange bulletin.

10. SHARE CAPITAL *(Continued)*

(b) Issued *(Continued)*

(i) On April 1, 2009, the Company issued 132,494 units at $0.30 pursuant to a private placement for gross proceeds of $39,748. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on April 1, 2014 or 2 years from the date a business combination between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, reorganization, joint venture, sale or exchange of assets or similar transaction ("Reverse Takeover" or "RTO"") or IPO.

The amount allocated to the 132,494 share purchase warrants was estimated at $26,932 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.75%; volatility 100% and an expected life of 5 years.

(ii) On April 8, 2009, the Company issued 206,167 units at $0.30 pursuant to a private placement for gross proceeds of $61,850. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on April 8, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 206,167 share purchase warrants was estimated at $41,940 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.82%; volatility 100% and an expected life of 5 years.

(iii) On May 14, 2009, the Company issued 16,667 units at $0.30 pursuant to a private placement for gross proceeds of $5,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on May 14, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 16,667 share purchase warrants was estimated at $3,401 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.11%; volatility 100% and an expected life of 5 years.

(iv) On May 25, 2009, the Company issued 133,333 units at $0.30 pursuant to a private placement for gross proceeds of $40,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on May 25, 2014 or 2 years from the date of listing of the RTO or IPO.

The amount allocated to the 133,333 share purchase warrants was estimated at $27,257 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.28%; volatility 100% and an expected life of 5 years.

(v) On May 28, 2009, the Company issued 148,627 units at $0.30 pursuant to a private placement for gross proceeds of $44,588. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on May 28, 2014 or 2 years from the date of listing of the RTO or IPO.

The amount allocated to the 148,627 share purchase warrants was estimated at $30,458 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.51%; volatility 100% and an expected life of 5 years.

10. SHARE CAPITAL *(Continued)*

(b) Issued *(Continued)*

(vi) On June 11, 2009, the Company issued 128,742 units at $0.30 pursuant to a private placement for gross proceeds of $38,622. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on June 11, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 128,742 share purchase warrants was estimated at $26,448 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.74%; volatility 100% and an expected life of 5 years.

(vii) On July 13, 2009, the Company issued 110,573 units at $0.30 pursuant to a private placement for gross proceeds of $33,172. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on July 13, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 110,573 share purchase warrants was estimated at $22,640 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.43%; volatility 100% and an expected life of 5 years.

(viii) On July 23, 2009, the Company issued 94,600 units at $0.30 pursuant to a private placement for gross proceeds of $28,380. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on July 23, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 94,600 share purchase warrants was estimated at $19,416 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.65%; volatility 100% and an expected life of 5 years.

(ix) On August 5, 2009, the Company issued 33,333 units at $0.30 pursuant to a private placement for gross proceeds of $10,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on August 5, 2014 or 2 years from the date of a RTO or IPO.

The amount allocated to the 33,333 share purchase warrants was estimated at $6,844 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.70%; volatility 100% and an expected life of 5 years.

(x) On September 4, 2009, the Company issued 100,000 units at $0.30 pursuant to a private placement for gross proceeds of $30,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on September 4, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 100,000 share purchase warrants was estimated at $20,515 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.61%; volatility 100% and an expected life of 5 years.

10. SHARE CAPITAL *(Continued)*

(b) Issued *(Continued)*

(xi) On December 8, 2009, the Company issued 481,943 units at $0.30 pursuant to a private placement for gross proceeds of $144,583. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on December 8, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 481,943 share purchase warrants was estimated at $98,710 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.46%; volatility 100% and an expected life of 5 years.

(xii) On December 23, 2009, the Company issued 50,000 units at $0.30 pursuant to a private placement for gross proceeds of $15,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring expiring on December 23, 2014 or 2 years from the date of the RTO or IPO.

The amount allocated to the 50,000 share purchase warrants was estimated at $10,267 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.70%; volatility 100% and an expected life of 5 years.

(xiii) On January 27, 2010, the Company issued 210,380 units at $0.30 pursuant to a private placement for gross proceeds of $63,114. The Company also issued 1,368,133 shares at $0.24 for consulting services, see note 15. Each unit was consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on January 27 2015 or 2 years from the date of the RTO between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets the RTO or IPO.

The amount allocated to the 210,380 share purchase warrants was estimated at $24,946 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.46%; volatility 100% and an expected life of 5 years.

(xiv) On February 3, 2010, the Company issued 364,121 units at $0.30 pursuant to a private placement for gross proceeds of $109,236. The Company also issued 183,336 units at $0.30 for settlement of debt. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on February 3, 2015 or 2 years from the date of the RTO between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or RTO or IPO.

The amount allocated to the 547,457 share purchase warrants was estimated at $64,514 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.50%; volatility 100% and an expected life of 5 years.

10. SHARE CAPITAL *(Continued)*

(b) Issued *(Continued)*

(xv) On April 23, 2010, the Company issued 11,781,593 units at $0.30 pursuant to a private placement for gross proceeds of $3,534,478. The Company also issued 1,063,331 units at $0.30 for settlement of debt and services rendered by related parties (429,998 for services and 633,333 for settlement of debt). Each unit was consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on April 23, 2015 or 2 years from the date of the RTO between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or the RTO or IPO.

The amount allocated to the 12,844,925 share purchase warrants was estimated at $1,524,534 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 3.11%; volatility 100% and an expected life of 5 years.

The Company paid a cash commission equal to 8% of the gross proceeds raised from the Canadian shareholders. In addition, the Company issued 942,959 compensation warrants ("agent warrants") equal to 8% of the number of the securities issued to the Canadian shareholders. Each agent warrant is exercisable for one unit at a price of $0.30 per unit up to the earlier of 24 months from the date on which the Company completes an IPO or April 23, 2015. Each warrant unit consists of one common share of the Company and one-half of one common share warrant, with each whole warrant exercisable into one common share of the Company at $0.50 per share, expiring on April 23, 2012.

The amount allocated to the 942,959 agent warrants was estimated at $165,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 3.11%; volatility 100% and an expected life of 5 years.

(xvi) On April 23, 2010, the Company issued 240,000 units at $0.25 pursuant to a private placement for gross proceeds of $60,000. Each unit consisted of one common share and one half common share purchase warrant. Each one-half common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on April 23, 2015 or 2 years from the date of the RTO between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or RTO or IPO.

The amount allocated to the 120,000 share purchase warrants was estimated at $11,040 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 3.17%; volatility 100% and an expected life of 2 years. These warrants were issued on April 23, 2010.

(xvii) On May 4, 2010, the Company issued 62,000 units at $0.25, and 16,667 at $0.30 pursuant to a private placement for gross proceeds of $20,500. Each of the 62,000 units consisted of one common share and one-half common share purchase warrant. Each one half common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on May 4, 2012. Each of the 16,667 units consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on May 4, 2015 or 2 years from the date of the RTO between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or RTO or IPO.

10. SHARE CAPITAL *(Continued)*

(b) Issued *(Continued)*

The amount allocated to the 47,667 share purchase warrants was estimated at $7,782 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.85%; volatility 100% and an expected life of 2 years .

(xviii) On June 7, 2010, the Company issued 139,667 units at $0.30 for settlement of debt. Each of the 139,667 units consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.50 per share, expiring on June 7, 2012.

The amount allocated to the 139,667 share purchase warrants was estimated at $16,603 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.58%; volatility 100% and an expected life of 5 years.

(xix) On August 6, 2010, the Company issued 90,000 shares at $0.24 for services pursuant to employment agreements with various consultants.

(xx) On August 24, 2010, the Company issued 41,728 shares at $0.24 for settlement of debt.

(xxi) On November 2, 2010, the Company issued 5,000,000 units at $0.40 pursuant to a private placement for gross proceeds of $2,000,000. Each unit consisted of one common share and ¾ common share purchase warrant. Each ¾ common share purchase warrant is exercisable for one common share at a price of $0.70 per share, expiring on November 2, 2012.

The amount allocated to the 3,750,000 share purchase warrants was estimated at $343,685 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.42%; volatility 100% and an expected life of 2 years.

The Company paid a cash commission equal to 8% of the gross proceeds raised from the Canadian shareholders. In addition, the Company issued 400,000 compensation warrants ("agent warrants") equal to 8% of the number of the securities issued to the Canadian shareholders. Each agent warrant is exercisable for one share at a price of $0.40 per share expiring after 24 months.

The amount allocated to the 400,000 agent warrants was estimated at $39,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.42%; volatility 100% and an expected life of 2 years.

(xxii) On December 22, 2010, the Company issued 7,000,000 units at $0.50 pursuant to a private placement held in concurrence with the Company's Qualifying Transaction with Onsino, for gross proceeds of $3,500,000. The Company also issued 4,000 previously unissued units for which consideration had been received during fiscal 2009. Each unit consisted of one common share and one-half common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of $0.80 per share, expiring on December 22, 2012.

The amount allocated to the 3,500,000 share purchase warrants was estimated at $471,803 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.66%; volatility 100% and an expected life of 2 years.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL *(Continued)*

(b) Issued *(Continued)*

The Company paid a cash commission equal to 8% of the gross proceeds raised from the Canadian shareholders. In addition, the Company issued 20,000 shares at $0.50 and issued 560,000 compensation warrants ("agent warrants") equal to 8% of the number of the securities issued to the Canadian shareholders as compensation for the financing. Each agent warrant is exercisable for one share at a price of $0.50 per share expiring after 24 months.

The amount allocated to the 560,000 agent warrants was estimated at $75,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.66%; volatility 100% and an expected life of 2 years.

(c) Shares to be issued

As at December 31, 2010, consideration of $nil (December 31, 2009 - $225,661) had been received pertaining to share subscriptions settled during the year ended December 31, 2010.

11. STOCK OPTIONS

Quia established a stock option to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options vest immediately and expire on the fifth anniversary from the date of issue unless otherwise specified.

A summary of stock options issued and outstanding is 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	$ -	-	$ -	-
Transaction during the year:				
Granted prior to the RTO by Onsino	**0.15**	**519,000**	-	-
Granted	**0.36**	**1,040,000**	-	-
Outstanding at end of year	**0.29**	**1,559,000**	-	-
Exercisable at end of year	$ **0.29**	**1,559,000**	$ -	-

(Expressed in Canadian Dollars)

11. STOCK OPTIONS *(Continued)*

The following table provides additional information about outstanding stock options at December 31, 2010:

	No. of Options Outstanding	Weighted Average Remaining Life (Years)		Weighted Average Exercise Price	No. of Options Currently Exercisable		Weighted Average Exercise Price – Exercisable Options
$ 0.15	**519,000**	**4.19**	**$**	**0.15**	**519,000**	**$**	**0.15**
$ 0.30	**440,000**	**4.02**	**$**	**0.30**	**440,000 ***	**$**	**0.30**
$ 0.40	**600,000**	**4.39**	**$**	**0.40**	**600,000**	**$**	**0.40**
$ 0.15 - $0.40	**1,559,000**	**4.22**	**$**	**0.29**	**1,559,000**	**$**	**0.29**

* Included in this figure are 40,000 options with a life of 1.5 years

Stock-based Compensation

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

Grant date		May 20, 2010		May 20, 2010		May 20, 2010	Total
No. of options		400,000		600,000		40,000	1,040,000
Exercise price	$	0.30	$	0.40	$	0.30	
Expected life in years		5.5		5.5		1.5	
Volatility		100%		100%		100%	
Risk-free interest rate		2.57		2.57		1.44	
Dividend yield		-		-		-	
Vesting		100%		100%		100%	
Fair value of options granted	$	72,000	$	103,000	$	4,000	$ 179,000
Stock-based compensation expense	$	72,000	$	103,000	$	4,000	$ 179,000

The weighted average grant-date fair value of options granted during the period was $0.18 (Year ended December 31, 2009 - $nil) per option issued.

(Expressed in Canadian Dollars)

12. WARRANTS

Month of Expiry	No. of Warrants	Exercise Price
		($)
November 2, 2012	3,750,000	0.70
November 2, 2012 – agent warrants	400,000	0.40
December 22, 2012	15,546,575	0.50
December 22, 2012	203,000	0.10
December 22, 2012	880,000	0.25
December 22, 2012 – warrant for broker unit (1)	942,959	0.30
December 22, 2012	3,502,000	0.80
December 22, 2012 – agent warrants	560,000	0.50
	25,784,534	

(1) Upon exercise, 942,949 broker warrants exercisable at $0.50 will be outstanding.

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2010:

Grant date	January 27, 2010	February 3, 2010	April 23, 2010	April 23, 2010	May 4, 2010	June 7, 2010
No. of warrants	210,380	547,456	12,844,925	942,959	47,667	139,667
Exercise price	$ 0.50	$ 0.50	$ 0.50	$ 0.30	$ 0.50	$ 0.50
Expected life in years	5	5	5	5	5	5
Volatility	100%	100%	100%	100%	100%	100%
Risk-free interest rate	2.46%	2.50%	3.11%	3.11%	2.85%	2.58%
Dividend yield	-	-	-	-	-	-

Grant date	November 2, 2010	November 2, 2010	December 22, 2010	December 22, 2010	Totals
No. of warrants	3,750,000	400,000	3,500,000	560,000	22,943,054
Exercise price	$ 0.70	$ 0.40	$ 0.80	$ 0.50	
Expected life in years	2	2	2	2	
Volatility	100%	100%	100%	100%	
Risk-free interest rate	1.42%	1.42%	1.66%	1.66%	
Dividend yield	-	-	-	-	

(Expressed in Canadian Dollars)

12. WARRANTS *(Continued)*

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

Grant date	April 1, 2009	April 8, 2009	May 14, 2009	May 25, 2009	May 28, 2009	June 11, 2009	July 13, 2009	July 23, 2009
No. of warrants	132,494	206,167	16,667	133,333	148,627	128,742	110,573	94,600
Exercise price	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50
Expected life in years	5	5	5	5	5	5	5	5
Volatility	100%	100%	100%	100%	100%	100%	100%	100%
Risk-free interest rate	1.75%	1.82%	2.11%	2.28%	2.51%	2.74%	2.43%	2.65%
Dividend yield	-	-	-	-	-	-	-	-

Grant date	September 8, 2009	August 5, 2009	December 8, 2009	December 23, 2009	Totals
No. of warrants	100,000	33,333	481,943	50,000	1,636,479
Exercise price	$ 0.50	$ 0.50	$ 0.50	$ 0.50	
Expected life in years	5	5	5	5	
Volatility	100%	100%	100%	100%	
Risk-free interest rate	2.61%	2.70%	2.46%	2.74%	
Dividend yield	-	-	-	-	

(Expressed in Canadian Dollars)

13. WARRANTS AND CONTRIBUTED SURPLUS

Contributed Surplus

As at	**December 31, 2010**	December 31, 2009
Balance at beginning of period/year	**$ 348,710**	$ 181,752
Warrants expired during the year	**380,614**	166,958
Stock-based compensation expense	**179,000**	-
Balance at end of period/year	**$ 908,324**	$ 348,710

Warrants

As at	**December 31, 2010**	December 31, 2009
Balance at beginning of period/year	**$ 715,442**	$ 547,572
Fair market value of warrants issued and expired, net of issue costs	**2,333,790**	334,828
Warrants expired during the year	**(380,614)**	(166,958)
Balance at end of period/year	**$ 2,668,618**	$ 715,442

14. SEGMENTED INFORMATION

The Company has operations in Canada, the US and Colombia, and its entire operating activities are related to the exploration and development of mining properties.

For the period,	**December 31, 2010**	December 31, 2009
	$	$
Net loss		
Canada	**1,881,089**	511,656
U.S.	**15,759**	221,766
Colombia	**266,084**	382,251
	2,162,932	1,115,673
Significant non-cash items		
Stock-based compensation and other stock-based payments		
Canada	**627,352**	-
	627,352	-
Mineral property expenditures		
Colombia	**1,143,323**	641,401
	1,143,323	641,401

As at,	**December 31, 2010**	December 31, 2009
Total assets		
Canada	**5,644,467**	1,301,039
U.S.	**-**	40,551
Colombia	**3,074,275**	662,753
	8,718,742	2,004,343

15. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

During the period ended December 31, 2010, $67,006 (December 31, 2009 - $15,029) was paid as a salary to the Vice President and Director. Included in loans payable is $nil (December 31, 2009 - $15,833) owing to the President and Director as well as $nil (December 31, 2009 - $38,852) which is included in loans receivable owing from the President and Director and Vice President, Corporate Development.

During the year ended December 31, 2010, $417,831 (December 31, 2009 - $168,671) was paid for consulting fees to a companies in which the Secretary and Director of the Company is a director. Included in the amount are 1,368,133 shares at $0.24 issued to Foundation Markets Inc for consulting services (see note 10 (b)(xiii). Included in loans and interest payable are $nil (December 31, 2009 - $108,308). Included in accounts payable is $nil (December 31, 2009 - $108,249 in due to related parties).

During the year ended December 31, 2010, $256,540 (December 31, 2009 - $121,132) was paid for legal fees to a company in which the Secretary and Director of the Company is a partner. Included in accounts payable is $nil (December 31, 2009 - $93,360 in due to related parties) payable to this company.

Included in loans and interest payable are amounts payable to the Secretary and Director of the Company of $nil (December 31, 2009 - $49,457).

During the year ended December 31, 2010 $144,000 (December 31, 2009 - $68,433) was paid to one of the Directors for exploration related costs. In addition, 166,666 shares (2009 – nil) were issued in lieu of compensation of $50,000 (2009 – $nil) for services rendered. As at December 31, 2010, $35,112 is included in due to related parties (December 31, 2009 - $62,010).

During the year ended December 31, 2010, $62,613 (December 31, 2009 - $175,033) was paid to The Vice-President, Business Development and a Director for exploration related costs. 33,333 shares (2009 – nil) were also issued in lieu of compensation of $10,000 (2009 – $nil) for services rendered. As at December 31, 2010, due to related parties included $62,513 (December 31, 2009 - $124,035) .

During the year ended December 31, 2010, $109,550 (December 31, 2009 - $nil) was paid for services to the chief executive officer. 60,000 shares were issued valued at $14,400 for partial payment of the above fees.

During the year ended December 31, 2010, $58,000 (December 31, 2009 - $nil) was paid for services to the chief financial officer. Included in due to related parties is $5,650 (December 31, 2009 - $nil) payable to the CFO.

During the year ended December 31, 2010, the Chairman of the Board, was issued 166,667 shares (2009 – nil) in lieu of compensation of $50,000 (2009 – $nil) for services rendered.

During the year ended December 31, 2010, a former director of the Company, was issued 33,333 shares (2009 – nil) in lieu of compensation of $10,000 (2009 – $nil) for services rendered.

In addition, there were related party loans and interest as disclosed in notes 5 and 9.

All transactions with related parties were in the normal course of operations and are recorded at the exchange amount as agreed to by the parties involved.

(Expressed in Canadian Dollars)

16. CONTINGENT LIABILITY

During the year ended December 31, 2009, San Lucas Gold Corp. entered into a dispute with Federation Agrominera del Sur de Bolivar over the termination of the Joint Venture Agreement between the two parties. As at December 31, 2009 management decided to accrue an estimated amount of $534,503 since the range of possible loss exposure to the Company was between $127,263 and $763,575. In addition, the Company accrued $30,543 as the actual settlement for two contractor's claims; and $10,076 as at December 31, 2009, for a lawsuit with a former employee, since the range of possible loss exposure was between $nil and $17,958.

On September 9, 2010 San Lucas Gold Corp. and Federacion Agromineral del Sur de Bolivar signed a settlement agreement whereby San Lucas Gold Corp. is to be released of all liability through the payment of 800,000,000 COL pesos. This settlement resulted in a gain in the amount of $129,500.

During the year ended December 31, 2010, San Lucas Gold Corp. was put under investigation by Superintendencia de Sociedades (government control organization), regarding the Register of Supplementary Investment which requires Colombian companies to disclose funds received from foreign affiliates. The investigation is evaluating differences between reported values by San Lucas Gold Corp. and the reported value by the Banco de la República (the subsidiary's bank). As at December 31, 2010 management decided to accrue an estimated amount of $24,346 related to the investigation.

17. INCOME TAXES

Provision for Income Taxes

The reported income taxes differ from the amounts obtained by applying statutory rates to the net loss as follows:

		2010		2009
Components of the income tax provision:				
Income taxes at statutory tax rates	**$**	**(671,000)**	$	(368,000)
Difference between Canadian and foreign tax rates		**(5,000)**		(45,000)
Changes in current and future tax rates and other		**337,000**		44,000
Share issue costs		**(368,000)**		-
Stock based compensation, and other non deductible expenses		**56,000**		349,000
Valuation allowance on future tax assets		**651,000**		20,000
Income tax expense	**$**	**-**	$	-

(Expressed in Canadian Dollars)

17. INCOME TAXES *(Continued)*

Future Income Taxes

The Canadian statutory income tax rate of 31% (2009 - 33%) is comprised of the federal income tax rate at approximately 18% (2009 – 19%) and the provincial income tax rate of approximately 13% (2009 – 14%). The Colombian income tax rate is approximately 33% (2009 – 30%). The primary differences which give rise to the future income tax recoveries at December 31, 2010 and December 31, 2009 are as follows:

	2010	2009
	$	$
Future income tax assets		
Share issuance costs	**291,000**	-
Other	-	225,000
Operating losses carried forward	**1,531,000**	946,000
	1,822,000	1,171,000
Less : valuation allowance	**(1,822,000)**	(1,171,000)
Net future tax assets	-	-
Future tax liabilities		
Other	-	-
Net future tax liabilities	-	-
Net future tax liability	-	-

As the criteria for recognizing future income tax assets have not been met due to the uncertainty of realization, a valuation allowance of 100% has been recorded for the current and prior year.

Tax Losses Carried Forward

The Company has accumulated non-capital losses for income tax purposes, which can be carried forward to be applied against future taxable income. The right to use the losses expires as follows:

2027	$	176,060
2028		229,616
2029		222,442
2030		1,924,482
No expiry		1,677,416
	$	4,230,016