NEWTON GOLD CORP.

(formerly New High Ridge Resources Inc.)

FINANCIAL STATEMENTS

For The Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Newton Gold Corp.
(formerly New High Ridge Resources Inc.)

We have audited the accompanying financial statements of Newton Gold Corp. (formerly New High Ridge Resources Inc.) (the "Company") which comprise the balance sheets as at December 31, 2010 and 2009 and the statements of operations, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Newton Gold Corp. (formerly New High Ridge Resources Inc.) as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

NEXIA INTERNATIONAL

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that continuing operations are dependent upon, among other things, the Company's ability to either generate sufficient cash flow in the future or secure additional working capital as required, neither of which is assured. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 18, 2011

Newton Gold Corp.
(formerly New High Ridge Resources Inc.)
Balance Sheets

As at		**December 31, 2010**		December 31, 2009
ASSETS				
Current assets				
Cash	**$**	**2,935**	$	27,462
Receivables		**4,693**		7,025
Prepaid expenses		**2,500**		-
		10,128		34,487
Mineral property interests (note 5)		**45,536**		25,000
	$	**55,664**	$	59,487
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**135,259**	$	333,631
		135,259		333,631
SHAREHOLDERS' DEFICIENCY				
Share capital (note 6)		**8,991,059**		8,391,614
Contributed surplus		**915,704**		775,854
Deficit		**(9,986,358)**		(9,441,612)
		(79,595)		(274,144)
	$	**55,664**	$	59,487

Nature of operations and going concern (note 1)
Contingent liability (note 12)
Subsequent events (note 15)

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

On behalf of the Board:

"Mark McLeary"	*"Ian Foreman"*
Director	Director

Newton Gold Corp.
(formerly New High Ridge Resources Inc.)
Statements of Operations

Years ended	**December 31, 2010**	December 31, 2009
EXPENSES		
Stock-based compensation (note 6(e))	**$ (139,850)**	$ -
Consulting and management	**(84,981)**	(27,000)
Accounting and audit	**(72,201)**	(120,394)
Legal	**(36,455)**	(38,151)
Salaries and benefits	**(33,932)**	(3,152)
Regulatory and transfer agent fees	**(24,834)**	(32,564)
Insurance	**(12,910)**	(9,250)
Office and sundry	**(6,340)**	(22,636)
Travel and business development	**(2,326)**	(9,176)
Investor relations	**(1,071)**	(525)
Property investigations	**-**	(1,657)
Rent	**-**	(18,998)
	(414,900)	(283,503)
OTHER (EXPENSE) INCOME		
Recovery on settlement of accounts payable	**19,563**	19,377
Recovery of reclamation deposit	**20,000**	-
Proposed transaction costs (note 7)	**(169,409)**	-
	(129,846)	19,377
Loss from continuing operations	**(544,746)**	(264,126)
Gain on disposition of subsidiary (note 8)	**-**	624,432
Income from discontinued operations (note 8)	**-**	57,919
Income from discontinued operations	**-**	682,351
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**$ (544,746)**	$ 418,225
Basic & diluted loss per common share from continuing operations	**$ (0.04)**	$ (0.03)
Basic & diluted gain per common share from discontinued operations	**-**	0.07
	$ (0.04)	$ 0.04
Weighted average number of common shares outstanding - basic and diluted	**13,777,419**	9,240,911

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

Newton Gold Corp.
(formerly New High Ridge Resources Inc.)
Statements of Changes in Shareholders' Deficiency

	Number Of Common Shares	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2008	8,219,268	$ 8,051,821	$ 775,854	$ (9,859,837)	$ (1,032,162)
Net income for the year	-	-	-	418,225	418,225
Private placements	2,000,000	385,000	-	-	385,000
Shares issued for property costs	25,000	5,000	-	-	5,000
Share issuance costs	-	(50,207)	-	-	(50,207)
Balance, December 31, 2009	10,244,268	8,391,614	775,854	(9,441,612)	(274,144)
Net loss for the period	-	-	-	(544,746)	(544,746)
Private placement	5,000,000	650,000	-	-	650,000
Shares issued for finder's fee	200,000	26,000	-	-	26,000
Share issuance costs, cash	-	(50,555)	-	-	(50,555)
Share issuance costs, non-cash	-	(26,000)	-	-	(26,000)
Stock-based compensation	-	-	139,850	-	139,850
Balance, December 31, 2010	**15,444,268**	**$ 8,991,059**	**$ 915,704**	**$ (9,986,358)**	**$ (79,595)**

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

Newton Gold Corp.
(formerly New High Ridge Resources Inc.)
Statements of Cash Flows

Years ended	**December 31, 2010**	December 31, 2009
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the year from continuing operations	**$ (544,746)**	$ (264,126)
Items not requiring (providing) cash:		
Recovery on settlement of accounts payable	**19,563**	(19,377)
Stock-based compensation	**139,850**	-
	(385,333)	(283,503)
Net change in non-cash working capital items:		
Receivables	**2,332**	(89)
Prepaid expenses	**(2,500)**	9,250
Accounts payable and accrued liabilities	**(217,935)**	22,139
CASH USED FOR OPERATING ACTIVITIES	**(603,436)**	(252,203)
FINANCING ACTIVITIES		
Issuance of common shares for cash	**650,000**	385,000
Share issuance costs	**(50,555)**	(50,207)
CASH PROVIDED BY FINANCING ACTIVITIES	**599,445**	334,793
INVESTING ACTIVITIES		
Expenditure on mineral property interests	**(30,037)**	(20,000)
Cost recoveries related to mineral properties	**9,501**	-
Proceeds on disposition of subsidiary	**-**	10
Cash transferred with disposition of subsidiary	**-**	(149)
CASH USED FOR INVESTING ACTIVITIES	**(20,536)**	(20,139)
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Net cash used in operating activities	**-**	(39)
Net cash used in investing activities	**-**	(34,950)
CASH FROM DISCONTINUED OPERATIONS	**-**	(34,989)
CHANGE IN CASH	**(24,527)**	27,462
CASH, BEGINNING OF YEAR	**27,462**	-
CASH, END OF YEAR	**$ 2,935**	$ 27,462
INTEREST PAID IN CASH	**$ -**	$ -
INCOME TAXES PAID IN CASH	**$ -**	$ -

Supplemental disclosure with respect to cash flows (note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Newton Gold Corp. ("the Company") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange ("TSX-V"). The Company's primary business is the acquisition and exploration of mineral properties. The Company is considered to be in the exploration stage. On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has not yet determined whether its mineral interests contain economically recoverable resources. The recoverability of amounts shown for mineral interests and their related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves. The Company has primarily incurred losses from inception including a $544,746 loss for the year ended December 31, 2010 (2009 net income - $418,225). As at December 31, 2010 the Company had a working capital deficiency of $125,131 (2009 - $299,144) and an accumulated deficit of $9,986,358 (2009 - $9,441,612).

The Company does not generate cash flow from operations to adequately fund its exploration activities, and has therefore relied principally upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classifications used. These financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as prescribed by The Canadian Institute of Chartered Accountants ("CICA") and reflect consideration of the following significant policies:

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the reporting periods.

The Company's current items involving substantial measurement uncertainty are the carrying values of mineral property interests, the estimate for future site restoration and abandonment costs, the fair value of financial instruments, asset retirement obligation, and the determination of the value of stock-based compensation and future income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received.

Government assistance is recorded as a reduction of the cost of the applicable assets as determined by the terms and conditions of the agreement under which the assistance is provided to the Company.

The amounts shown for mineral property interests do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permitting to complete the development and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

The Company does not have any significant asset retirement obligations as at December 31, 2010.

Stock-based compensation

The Company uses the fair value-based method for stock-based compensation and therefore all awards to employees and non-employees will be recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Basic loss per common share is calculated using the weighted-average number of common shares outstanding during the year.

Foreign currency translation

The Company's former subsidiary was accounted for as an integrated foreign operation. The monetary assets and liabilities of the Company and those of its subsidiary that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those in effect at the time of the transaction. Exchange gains and losses arising on translation are included in the statements of operations.

Financial instruments – presentation and disclosure

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value at initial recognition except for certain financial instruments that arise in related party transactions. Measurement in subsequent periods is dependent upon classification of the financial instruments as held for trading, available for sale, loans and receivables, held to maturity, or other financial liabilities. The held for trading classification is applied when an entity is `trading` in an instrument or alternatively the standard permits that any financial instrument be irrevocably designated as held for trading. For financial instruments classified as other than held for trading, transaction costs are added to the initial fair value of the related financial instrument.

Financial assets and liabilities classified as held for trading are measured at fair value with changes in those fair values recognized in statement of operations. Financial assets classified as available for sale are measured at fair value with changes in those fair values recognized in Other Comprehensive Income. Financial assets classified loans and receivables, held to maturity or other financial liabilities are measured at amortized cost using the effective interest rate method of amortization. Where a financial asset classified as held to maturity or available for sale has a loss in value which is considered to be other temporary, the loss is recognized in the statement of operations. The Company has classified cash as held for trading, receivables as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures requires disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- 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; and
- Level 3 – Inputs that are not based on observable market data.

See Note 9 for relevant disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive income

Comprehensive income (loss) is defined as the change in equity from transactions and other events from non owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss) calculated in accordance with GAAP.

3. RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") of CICA confirmed that Canadian GAAP for publically accountable enterprises will be converged with International IFRS effective in the calendar year 2011, with appropriate comparative data from the prior year. 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. Under IFRS there is significantly more disclosure required. The Company has prepared a draft balance sheet as at January 1, 2010 using IFRS and concluded that there are no significant differences in accumulated deficit at that date, as compared to the accumulated deficit as previously presented under the former Canadian GAAP.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. These sections are applicable for the Company's interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these changes on its financial statements.

4. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company:

a) paid or accrued fees of $48,000 (2009 - $Nil) to a director of the Company for consulting services in his previous capacity as President and Chief Executive Officer of the Company;

b) paid or accrued fees of $36,000 (2009 - $Nil) to a former director of the Company for consulting services in his capacity as Chief Financial Officer ("CFO") of the Company;

c) paid aggregate salaries of $30,000 (2009 - $9,000) to former directors of the Company;

d) entered into a settlement agreement with a company controlled by a director whereby the amount due to the director was reduced by $11,000; and,

e) the Company sold the rights to certain BioExtracts assets to a director of the Company for $9,700 plus applicable taxes (note 7).

4. RELATED PARTY TRANSACTIONS (continued)

As at December 31, 2010, accounts payable included $nil (December 31, 2009 - $128,334) due to directors and companies controlled by directors.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. MINERAL PROPERTY INTERESTS

Chuchi Property

The Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property. The property is subject to a 3% net smelter return royalty ("NSR"). The Company is required to pay annual advance royalties of $20,000.

The NSR can be reduced to 1% by paying $2,000,000 to the optionors. The Company is required to issue an additional 50,000 common shares upon the commencement of commercial production.

In December 2008 the Company wrote down the recorded cost of the property to $Nil. As at December 31, 2010, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

Newton Hill Property

The Company holds a 100% interest in certain mineral claims located in the Clinton Mining Division of British Columbia, referred to as the Newton Hill Property. The property is subject to a 2% NSR. The NSR can be purchased at any time by the Company for $2,000,000. Under the agreement with Amarc Resources Ltd. ("Amarc") outlined below, Amarc can cause the Company to exercise its option to purchase the NSR and the Company will be required to pay its proportionate share of the purchase price, namely $400,000 to retain its 20% residual interest in the royalty.

On December 31, 2008 the Company wrote down the recorded cost of the property to $Nil. As at December 31, 2010, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

On August 12, 2009, the Company entered into an agreement with Amarc, by which Amarc was granted an option to acquire an 80% interest in the Newton property. Under the terms of the agreement Amarc paid $60,000 to the underlying Newton Hill property owners and agreed to expend a total of $4,940,000 on the property in exploration expenditures over seven years. Amarc has also agreed to make advanced royalty payments on behalf of the Company, to the original optionor of the property, commencing January 1, 2011, of $25,000 annually. Additionally, the Company issued 25,000 common shares to Amarc at a value of $5,000, as consideration for Amarc agreeing to issue 100,000 shares in the capital of Amarc to the underlying Newton Hill property owners.

The option agreement between the Company and Amarc also includes an outlying area of interest.

5. MINERAL PROPERTY INTERESTS (continued)

Pacococha Property

The Company held an option to acquire a 100% interest in the Rosicler-El Domo and Pacococha-Germania mining concessions located in Peru, collectively referred to as the Pacococha Property. During the year ended December 31, 2008 the Company issued 11,250 common shares valued at $15,450. On December 31, 2008 the Company wrote down the recorded value of the property to $1. In 2009 the Company paid $34,950 in property filing fees. In 2009, the Company relinquished its interest in the property.

On June 9, 2007, the Company was granted an option to acquire a 100% interest in certain mining concessions located in the Pacococha mine area in Peru referred to as the Bella Rubia concessions. On December 31, 2008 the Company wrote down the recorded cost of the property to $Nil. In 2009, the Company relinquished its interest in the property.

	Chuchi	Newton Hill	Pacococha	Total
Acquisition				
Balance, December 31, 2008	**$ -**	**$ -**	**$ 1**	**$ 1**
Acquisition costs:				
Shares issued	-	5,000	-	5,000
Prepaid royalties	20,000	-	-	20,000
Other	-	-	34,950	34,950
Disposed of during the year (note 8)	-	-	(34,951)	(34,951)
Balance, December 31, 2009	**$ 20,000**	**$ 5,000**	**$ -**	**25,000**
Acquisition costs	1,261	-	-	1,261
Balance, December 31, 2010	**21,261**	**5,000**	**-**	**26,261**
Expenditures				
Balance, December 31, 2008 and 2009	**-**	**-**	**-**	**-**
Assessment fees	27,876	-	-	27,876
Geological	900	-	-	900
Cost recoveries	(9,501)	-	-	(9,501)
	19,275	-	-	19,275
Balance, December 31, 2010	**19,275**	**-**	**-**	**19,275**
Total, December 31, 2010	**$ 40,536**	**$ 5,000**	**$ -**	**$ 45,536**

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued

Effective January 1, 2010, the issued and outstanding share capital of the Company was consolidated on a four old, one new basis. All references to share capital, options and warrants are on a post-consolidated basis.

On April 27, 2010 the Company issued 5,000,000 units at a price of $0.13 per unit pursuant to a private placement for gross proceeds of $650,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share for each warrant held up to April 27, 2011, at a price of $0.20 per share for the first six months and at $0.25 per share for the subsequent six months. The Company incurred cash share issuance costs of $50,555, comprising of finders' fees of $39,058 and legal and regulatory fees of $11,497 and incurred non-cash share issue costs of $26,000 with respect to 200,000 common shares issued to the finder in connection with the offering.

c) Share purchase warrants

A continuity schedule of outstanding common share purchase warrants for the years ended December 31, 2010 and 2009 is as follows:

	December 31, 2010			December 31, 2009		
	Number Outstanding		**Weighted Average Exercise Price**	Number Outstanding		Weighted Average Exercise Price
Outstanding, beginning of year	**3,142,225**	**$**	**0.95**	2,382,125	$	1.59
Issued	**5,000,000**		**0.25**	2,000,000		0.33
Expired	**(1,892,225)**		**1.32**	(1,239,900)		1.74
Outstanding, end of year	**6,250,000**	**$**	**0.28**	3,142,225	$	0.95

As at December 31, 2010, the Company had outstanding common share purchase warrants exercisable to acquire common shares of the Company as follows:

6. SHARE CAPITAL (continued)

	December 31, 2010			December 31, 2009		
Expiry date	Warrants Outstanding	Exercise price	Remaining contractual life (in years)	Warrants Outstanding	Exercise price	Remaining contractual life (in years)
August 05, 2010	-	$ -	-	892,225	$ 2.40	0.59
October 15, 2010	-	-	-	500,000	0.20	0.79
October 22, 2010	-	-	-	250,000	0.20	0.81
October 30, 2010	-	-	-	250,000	0.80	0.83
April 24, 2011	1,250,000	0.40	0.31	1,250,000	0.40	1.31
April 27, 2011**	5,000,000	0.25	0.32	-	-	-
	6,250,000	$ 0.28	0.32	3,142,225	$ 0.95	0.66

** Warrant exercise price was $0.20 for first six months then $0.25 for remainder of term. Warrants are subject to an early exercise acceleration clause whereby in the event that the Company's common shares trade on the TSX-V at a volume weighted average trading price of $0.40 or greater per share for a period of 20 consecutive trading days at any time after August 29, 2010, the Company may accelerate the expiry date of the Warrants by issuing a news release announcing the acceleration and in such case the Warrants will expire on the 30th day after the date of such news release.

d) Stock options

Under the 2009 Incentive Share Option Plan, the Company may grant options to directors, officers, employees and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of five years and vesting is determined by the Board of Directors.

A summary of the status of the options granted during the year ended December 31, 2010 and 2009 is as follows:

	December 31, 2010		December 31, 2009	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning of year	**173,750**	**$ 1.35**	273,750	$ 1.43
Granted	1,050,000	0.18	-	-
Cancelled/Expired	(563,750)	0.54	(100,000)	1.58
Outstanding, end of year	**660,000**	**$ 0.17**	173,750	$ 1.35

6. SHARE CAPITAL (continued)

d) Stock options (continued

The following summarizes information about stock options outstanding and exercisable as at December 31, 2010:

Expiry date	Options Outstanding	Options Exercisable	Exercise Price	Average Remaining Contractual Life (years)
January 20, 2015	515,000	515,000	$ 0.18	4.06
November 17, 2015	145,000	145,000	0.15	4.88
	660,000	660,000	0.17	4.24

e) Stock based compensation

During the year ended December 31, 2010, the Company granted stock options to directors and officers to purchase 1,050,000 (2009 – Nil) common shares. All options vested at the grant date and the Company recorded $139,850 (2009 - $Nil), or $0.13 (2009 - $Nil) per option, as stock-based compensation expense.

The fair value of stock options was calculated using the Black-Scholes option pricing model with the following average parameters: risk-free interest rate – 2.24%, expected life – 5 years, expected stock volatility – 122%, and expected dividend rate – 0%.

7. Proposed transaction costs

The Company entered into a letter of intent (the "LOI"), dated July 5, 2010 and amended August 25, 2010, with BGL, LLC ("BGL"), a company incorporated in Wisconsin, U.S.A., whereby BGL would license certain intellectual property owned by BGL and grant the non-exclusive right to the Company to market certain products derived from biomass, including certain products derived from cranberries (the "Transaction"). The Company would have had the option to purchase (or lease on terms to be settled) for US$3,000,000 (i) equipment owned by BGL for the processing of biomass and (ii) a royalty free license of certain intellectual property for a period of three years from the date of the LOI.

The Company entered into a consulting agreement with BGL, effective July 1, 2010, for an initial term of four months at the rate of US$20,833 per month whereby BGL assisted in the development of the equipment and intellectual property necessary to execute the Company's BioExtracts business plan.

During the year ended December 31, 2010, the Company elected to terminate the Transaction due to unforeseen delays in progressing the transaction and uncertainty regarding the availability of funding for the transaction. Identifiable direct costs of $169,409 relating to the Transaction were recognized as an expense on the Statement of Operations.

The board approved the sale of the rights to certain BioExtracts assets to a director of the Company in consideration for payment of the sum of $9,700 plus applicable taxes. Of this amount $1,797 was outstanding at December 31, 2010 and was subsequently paid.

8. DISCONTINUED OPERATIONS

On June 18, 2009, the Company sold all of its shares in Minera High Ridge Del Peru S.A.C., its Peruvian subsidiary for proceeds of $10.

The net income from the Peruvian subsidiary for the years ended December 31, 2010 and 2009 is as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2009
ADMINISTRATIVE EXPENSES		
Foreign exchange	$ -	$ (57,919)
Income from discontinued operations	$ -	$ 57,919

Gain on the sale of the Peruvian subsidiary at the date of sale was calculated as follows:

Net liabilities	$ -	$ 624,422
Proceeds received	-	10
Gain from discontinued operations	$ -	$ 624,432

9. FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company has classified its cash as held-for-trading; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying value of cash, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables. As at December 31, 2010, the Company has minimal amounts receivable from a related party and is not exposed to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to do its best to ensure that it will have sufficient liquidity to meet liabilities when due. As of December 31, 2010, the Company had a cash balance of $2,935 to settle current liabilities of $135,259. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

9. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

The Company has minimal cash balances and no interest-bearing debt and is not exposed to significant interest rate risk.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors mineral commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash. Although the Company has been successful at raising funds in the past through issuance of common shares, it is uncertain whether it will continue this financing. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid investments which are readily convertible into cash with maturities of three months or less from the original date of acquisition or when it is needed, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that its current capital resources will not be sufficient to carry out its exploration plans and operations through its current operating period.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31, 2010, the Company's non-cash transactions consisted of $26,000 (2009 - $Nil) representing the value of shares issued as share issue costs and the issuance of nil (2009 - 100,000) common shares valued at $nil (2009 - $5,000) related to the mineral property option agreements.

12. CONTINGENT LIABILITY

The Company has been made aware of a potential claim pursuant to a contract with a European investor relations firm. The contract was for a six month term effective from April 1, 2008. The Company paid Euro 24,500 (3 month prepaid) upon signing of the contract. An additional sum of Euro 24,500 (C$31,865) has been invoiced by the vendor. The Company believes the services were terminated, and were not completed, and has made no accrual for this potential claim.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Income (loss) before income taxes:	(544,746)	418,225
Expected income tax (recovery)	(155,253)	125,468
Items not deductible (assessable) for income tax purposes	45,809	(204,208)
Items deducted for income tax purposes	(45,606)	(71,212)
Recognized benefit of non-capital losses and change in tax rates	155,050	149,952
Future income tax recovery	$ -	$ -

The significant components of the Company's future income tax assets (liabilities) are as follows:

	2010	2009
Future income tax assets (liabilities):		
Non-capital losses	1,069,809	899,000
Mineral properties	577,178	577,000
Capital losses	371,705	371,000
Financing costs	54,843	82,000
	2,073,535	1,929,000
Valuation Allowance	(2,073,535)	(1,929,000)
Net Future Income tax assets	$ -	$ -

The Company has non-capital losses of approximately $4,300,000 available for deductions against future taxable income. These losses, if not utilized, will expire through to 2030. The Company has resource expenditures of approximately $2,300,000 available for deduction against future taxable income. These losses, if not utilized, will carry forward indefinitely. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements and have been offset by a valuation allowance.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the Company:

a) Granted to certain directors and officers incentive stock options to purchase up to an aggregate of 800,000 common shares exercisable on or before January 4, 2016 at a price of $0.175 per share.

b) Issued, for gross proceeds of $650,000, 5,000,000 units at a price of $0.13 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one additional common share over a two-year period at a price of $0.20 the first year and $0.30 in the second year, expiring January 18, 2013. The Company paid a total of $19,240 and issued a total of 148,000 warrants as finder's fees. The terms of these warrants are the same as those issued under the private placement.

c) Granted to certain directors, officers and consultants incentive stock options to purchase up to an aggregate of 540,000 common shares exercisable on or before January 28, 2016 at a price of $0.30 per share.

d) Issued 175,000 common shares on the exercise of warrants at an average exercise price of $0.25, for proceeds of $43,750.