Trueclaim Exploration Inc.
Consolidated Financial Statements
December 31, 2010 and 2009

PRICEWATERHOUSECOOPERS

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April 28, 2011

Independent Auditor's Report

To the Shareholders of
Trueclaim Exploration Inc.

We have audited the accompanying consolidated financial statements of Trueclaim Exploration Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the statements of operations, deficit and comprehensive loss and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated 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 consolidated 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.

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

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Trueclaim Exploration Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Trueclaim Exploration Inc.
Consolidated Balance Sheets
As at December 31, 2010 and 2009

	2010 $	2009 $
Assets		
Current assets		
Cash and cash equivalents	989,047	1,009,154
Receivables	103,738	46,004
Income tax receivable	8,663	-
Prepaid expenses	53,497	25,766
	1,154,945	1,080,924
Mining properties (note 5 and 8)	3,012,392	1,829,701
Fixed assets (note 3)	2,886	3,322
	4,170,223	2,913,947
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	293,735	202,424
Shareholders' Equity		
Capital stock		
Common shares (note 6)	5,465,338	2,747,862
Contributed surplus (note 7c)	563,989	535,351
Warrants (note 6)	529,331	634,983
	6,558,658	3,918,196
Deficit	(2,682,170)	(1,206,673)
	3,876,488	2,711,523
	4,170,223	2,913,947

Nature of operations and going concern (note 1)
Commitments (note 9)

Approved by the Board of Directors

"Eric Plexman", Director

" Enzo Martone", Director

Trueclaim Exploration Inc.

Consolidated Statements of Operations, Deficit and Comprehensive Loss

For the years ended December 31, 2010 and 2009

	2010 $	2009 $
Revenue	-	-
Operating expenses		
Administrative expenses	450,960	284,078
Management fees (note 8)	385,267	187,187
Professional fees (note 8)	208,497	323,956
Stock compensation expense	87,254	173,525
Travel	116,105	18,256
Amortization	1,236	740
	1,249,319	987,742
Loss from operations	(1,249,319)	(987,742)
Impairment of mining properties (note 5)	(696,450)	-
Loss and comprehensive loss before taxes	(1,945,769)	(987,742)
Future income tax recovery (expense) (note 4)	470,272	(6,286)
Net loss and comprehensive loss for the year	(1,475,497)	(994,028)
Deficit - Beginning of year	(1,206,673)	(212,645)
Deficit - End of year	(2,682,170)	(1,206,673)
Net loss per share for the year - basic and diluted (note 10)	($0.03)	($0.04)
Weighted average number of common shares	52,268,935	25,386,773

Trueclaim Exploration Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

	2010 $	2009 $
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	(1,475,497)	(994,028)
Items not affecting cash		
Amortization	1,236	740
Stock compensation expense	87,254	173,525
Stock based professional fees	-	25,073
Future income tax (recovery) expense	(470,272)	6,286
Impairment of mining properties (note 5)	696,450	-
	(1,160,829)	(788,404)
Changes in non-cash working capital items		
Receivables	(57,734)	(11,022)
Income tax receivable	(8,663)	-
Prepaid expenses	(27,731)	(24,789)
Due from directors	-	6,237
Accounts payable and accrued liabilities	91,311	52,435
	(1,163,646)	(765,543)
Investing activities		
Mining properties	(1,664,141)	(842,377)
Purchase of fixed assets	(800)	(2,759)
	(1,664,941)	(845,136)
Financing activities		
Issuance of common shares (net of costs)	2,652,717	1,686,266
Issuance of warrants (net of costs)	155,763	598,781
	2,808,480	2,285,047
(Decrease) increase in cash and cash equivalents	(20,107)	674,368
Cash and cash equivalents - Beginning of year	1,009,154	334,786
Cash and cash equivalents - End of year	989,047	1,009,154
Interest paid	-	-
Income taxes paid	-	-

1 Nature of operations and going concern

Trueclaim Exploration Inc. (the "Company") is a Canadian company engaged in the acquisition, exploration and development of resource properties. The Company has not yet determined whether its mining properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mining properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to fund costs to complete the exploration and development of its properties, future profitable production or proceeds from the disposal of properties.

The consolidated financial statements of the Company have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. During the year the Company had a net loss of $1,475,497 and as at December 31, 2010, reported a deficit of $2,682,170. These circumstances may lend significant doubt as to the ability of the Company to continue operations into the foreseeable future as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. Management has obtained financing through the issuance of new equity instruments from third parties for the Company to continue its operations and, while it has been successful in raising funds in the past, there can be no assurance that the Company will be able to do so in the future should additional funding be needed. Without such additional funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

Although management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenue and expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2 Summary of significant accounting policies

Principles of consolidation

These consolidated financial statements include the accounts of Trueclaim Exploration Inc., a British Columbia corporation, and its wholly owned subsidiary, Trueclaim Resources Inc., a Canadian corporation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the consolidated financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Mining properties

The Company records its interests in mining properties and areas of geological interest at cost. Exploration and development costs relating to these interests and projects are capitalized until the properties to which they relate are placed into production, sold or allowed to lapse. During the year, $1,879,141 (2009 - $830,631) of costs were incurred for exploration, development and acquisitions of additional mining properties. Management reviews the carrying values of mining properties on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production, or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

The Company follows EIC-174, Mining Exploration Costs of the CICA Handbook. The EIC provides guidance on the accounting for capitalization of exploration costs and when an impairment test of these costs is required.

Income taxes

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced and transferred to investors in accordance with tax legislation. Under the asset and liability method to account for income taxes, future income taxes related to temporary differences arising at the renunciation date are recorded at that time with a corresponding charge to share issuance costs.

Amortization

Amortization is provided using the declining balance method at the annual rates of 30% for computer hardware.

Share capital

Non-monetary consideration
Shares issued as purchase consideration in non-monetary transactions are recorded at the fair value of the shares as determined by the trading price of those shares on the TSX Venture Exchange on the date of the agreement.

Flow-through shares
The shares issued pursuant to flow-through share financing agreements are recorded at their fair value. Upon the acquisition of mining properties, the carrying value may exceed the tax basis since the Company renounces the deductions in favour of the investors concerned. Share issuance costs have been applied against share capital.

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company provides for the future effect on income taxes related to flow-through shares as a reduction of share capital and an increase in future income tax liability on the date that the Company files the renouncement document with the tax authorities to renounce the tax credits associated with the expenditures, provided there is reasonable assurance that the expenditures will be made.

Stock-based compensation
The Company measures the cost for stock options granted to consultants, employees and directors based on an estimate of fair value at the date of the grant. The Company uses a Black-Scholes option pricing model to estimate the fair value. The fair value of stock options is recognized over the vesting period as compensation expense and contributed surplus. On exercise of a stock option, the consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.

Share issuance costs
Costs directly identifiable with the raising of share capital financing are charged against share capital.

Financial instruments

Section 3855 of the CICA Handbook requires financial instruments to be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are recorded in the consolidated balance sheet at fair value at the date of acquisition. Subsequent measurement and accounting for changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer held or impaired, at which time the amounts would be recorded in net income; and loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost.

The Company has designated its cash and cash equivalents and receivables as loans and receivables all of which are classified as level one financial instruments measured at cost or amortized cost. Accounts payable and accrued liabilities amounts are classified as other financial liabilities which are measured at cost or amortized cost. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended December 31, 2010 or 2009.

EIC-173 discusses the conclusion reached by the Emerging Issues Committee ("EIC") that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This accounting policy was adopted by the Company on January 1, 2010 with no significant impact to these financial statements.

Future accounting changes

The Company will cease to prepare its consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook - Accounting ("Canadian GAAP") for the periods beginning on January 1, 2011 when it will start to apply International Financial Reporting Standards as published by the International Accounting Standards Board. Consequently, future accounting changes to Canadian GAAP are not discussed in these consolidated financial statements as they will never be applied by the Company.

3 Fixed assets

			December 31, 2010
	Cost $	Accumulated amortization $	Net $
Computer hardware	5,006	2,120	2,886

			December 31, 2009
	Cost $	Accumulated amortization $	Net $
Computer hardware	4,206	884	3,322

4 Income taxes

A reconciliation of income tax expense (recovery) for the years ended December 31, 2010 and 2009 at statutory rates with reported taxes follows:

	2010 **$**	**%**	**2009** **$**	**%**
Loss before income taxes	1,945,769		987,742	
Expected income tax recovery	(602,994)	30.99	(325,955)	33.00
Non deductible expenses	36,469	(1.87)	13,112	(1.33)
Change in valuation allowance	72,858	(3.74)	248,827	(25.19)
Change in tax rates	19,815	(1.02)	71,224	(7.22)
Book to filing	3,289	(0.17)	-	-
Loss expiry	291	(0.02)	-	-
Other	-	-	(922)	0.10
Income tax (recovery) expense	(470,272)	24.17	6,286	(0.64)
Represented by:				
Future income tax recovery	(470,272)		6,286	

The tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities as at December 31, 2010 and 2009 are as follows:

	2010 **$**	**2009** **$**
Future income tax assets:		
Share issuance costs	75,797	64,852
Eligible capital	21,711	-
Non-capital losses carried forward	653,233	376,450
Net capital losses carried forward	-	625
	750,741	441,927
Valuation allowance	(321,685)	(248,827)
Net future income tax assets	429,056	193,100
Future income tax liabilities:		
Mining properties	(429,056)	(193,100)
Net future income tax liabilities	-	-

Future tax assets have been recognized to the extent of the future taxable amounts related to taxable temporary differences for which a future tax liability is recognized and can be offset. A valuation allowance has been provided against future income tax assets where it is not more likely than not that the Company will realize those benefits.

As at December 31, 2010, the Company has operating losses of approximately $2,612,933 available to reduce taxable income of future years. Unless utilized, these losses will expire beginning 2011 through 2030.

During the year, the Company renounced certain deductions for Canadian exploration expenditures incurred and to be incurred on the Company's resource properties in connection with the flow-through shares issued in August 2009, and renounced certain deductions for Canadian exploration and expenditures incurred and to be incurred on the Company's resource properties in connection with the flow-through shares issued in December 2009, resulting in an increase in future income tax liability of $505,162 and a charge against share capital of $505,162. As at December 31, 2010, the Company has incurred all of the $1,630,081 flow-through expenditures agreed to be incurred by December 31, 2010.

5 Mining properties

	2010 **$**	**2009** **$**
Sandeb mining property	-	658,635
Scadding area mining properties	2,902,924	1,171,066
Black Diamond mining property	109,468	-
	3,012,392	1,829,701

Sandeb mining property

There has been no active exploration performed on Sandeb in over two years. Management believes that it is not feasible to explore this property in the near future and has assessed an impairment charge of $658,635 during the year.

Scadding area mining properties

The Company has an interest in leases and mineral property options which are contiguous in the area of Scadding, Ontario. These leases/claims were acquired for gold exploration purposes.

The leased property consists of an option to earn a 51% interest in certain provincial mining leases and mineral claims located in the district of Sudbury in the Province of Ontario. The Scadding claims were acquired by management for gold exploration purposes, and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an aggregate of 2,000,000 common shares in instalments of 500,000 shares every six months over a period of two years with the first issuance due February 13, 2010. The first two instalments of these shares were issued during the year.

2. The Company must issue an aggregate of 300,000 common shares in instalments of 150,000 shares over a period of three years with the first issuance due May 5, 2010 and the second issuance on or before May 5, 2012. The first instalment of these shares was issued during the year.

3. The Company must incur an aggregate of $2,000,000 in cash exploration costs; $500,000 of which must be incurred by May 5, 2010, and an additional $1,500,000 must be incurred on or before May 5, 2012. During the year, all spending requirements have been met.

The Company can increase its interest in the Scadding claims from 51% to 100% by paying $2,000,000 in cash on or before commencement of commercial production on the Scadding area mining properties. The Scadding claims are subject to a $1.00 per ton royalty covering ore removed from the property and a 3% net smelter return royalty. Included in the Scadding area mining properties are several staked properties that have been registered with the Ontario Ministry of Natural Resources.

The Company issued 50,000 common shares and paid $12,500 for an option on approximately 4,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 300,000 common shares in the following instalments; 100,000 common shares at or before January 16, 2011 (which have been issued subsequent to year end) and 200,000 common shares at or before January 16, 2012.

The Company issued 100,000 common shares for an option on approximately 17,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 700,000 common shares in the following instalments; 200,000 common shares at or before June 15, 2011, 200,000 common shares at or before June 15, 2012 and 300,000 common shares at or before June 15, 2013.

2. The Company must make cash payments of $100,000 in the following instalments: $20,000 on or before June 15, 2011, $30,000 on or before June 15, 2012 and $50,000 on or before June 15, 2013.

The Company determined that an optioned parcel of the Scadding area mining properties would not be pursued and assessed an impairment charge of $37,815 in respect of costs incurred.

Black Diamond mining property

The Company has an interest in a mineral property option in the area of Gila County, Arizona. These claims were acquired for silver exploration purposes.

The Black Diamond property is subject to a 10% net smelter return royalty, which can be reduced to 1% subject to the Company meeting a series of payments to the claim holder. The Company issued 200,000 common shares and paid $25,000 for the option and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 600,000 common shares in the following instalments; 200,000 on or before May 19, 2011, 200,000 on or before May 19, 2012, and 200,000 on or before May 19, 2013.

2. The Company must make additional cash payments of $825,000 USD in the following instalments; $125,000 USD is due on or before May 19, 2011, $200,000 USD on or before May 19, 2012, and $500,000 USD on or before May 19, 2013.

3. The Company must incur an aggregate of $1,500,000 USD in cash exploration costs; $500,000 USD of which must be incurred on or before May 19, 2011, an additional $500,000 USD must be incurred on or before May 19, 2012 and a further $500,000 USD must be incurred on or before May 19, 2013.

6 Capital stock

Authorized

Unlimited number of common shares

Issued

	Note	2010 Number	2010 Amount $	2009 Number	2009 Amount $
Common shares (note 6d)					
Beginning of year		43,704,604	2,747,862	16,689,454	956,874
Private placement shares issued	6a	-	-	10,810,429	434,586
Options and warrants exercised	6h	16,206,815	2,040,859	1,740,150	229,412
Flow-through units issued	6g	4,807,692	1,090,626	13,189,571	1,199,100
Share issuance costs	6b	-	(629,009)	-	(276,860)
Shares issued as consideration	6f	1,500,000	215,000	1,275,000	204,750
End of year		66,219,111	5,465,338	43,704,604	2,747,862

	Note	2010 Number	2010 Amount $	2009 Number	2009 Amount $
Warrants					
Beginning of year		24,866,727	634,983	3,806,877	59,605
Private placement warrants issued	6a	-	-	10,810,429	214,040
Warrants issued as consideration	6i	-	-	750,000	58,500
Warrants expired	6e	(1,103,987)	(18,697)	(250,000)	-
Flow-through units issued	6g	2,403,846	159,373	11,189,571	444,170
Finder's options exercised	6h	802,492	54,739	-	-
Warrant issuance costs	6c	-	(18,952)	-	(118,735)
Exercised warrants	6h	(15,354,323)	(282,115)	(1,440,150)	(22,597)
End of year		11,614,755	529,331	24,866,727	634,983

a) Brokered private placement units issued

In August 2009, the Company issued 10,810,429 units at $0.06 per unit. Each unit issued consists of one common share and one warrant. Each warrant with a fair value of $0.02 is exercisable into one common share at a price of $0.10 per share until August 11, 2010 and thereafter at an exercise price of $0.15 per share until August 11, 2011. All of the securities issued in connection with the private placement were subject to a four month hold period which expired on December 12, 2009 under applicable securities laws and the rules of the TSX Venture Exchange ("the Exchange").

b) Share issuance costs

Share issuance costs comprise the costs of issuing private placements ($123,847 (2009 - $276,860)) and the tax cost of renounced flow through expenditures ($505,162 (2009 - $Nil)) as detailed below:

In 2009, share issuance costs in conjunction with the August 11 2009 private placement amounted to $152,768 net of tax of $20,173 and included 1,013,642 finder's options with a fair value of $106,050 (note 7b) Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.06 per unit until August 11, 2011. Each Finder's Unit will consist of one common share of the Issuer a one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.10 per share until August 11, 2010 and thereafter at an exercise price of $0.15 per share until August 11, 2011. During the year, 802,492 of these finder's options were exercised (note 6h).

In 2009, share issuance costs in conjunction with the December 2, 2009 private placement amounted to $124,092 net of tax of $20,155 and included 370,000 finder's options with a fair value of $70,184 (note 7b) Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.25 per unit until December 2, 2011. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise of $0.30 per share until December 2, 2010 and thereafter at an exercise price of $0.35 per share until December 2, 2011.

In 2010, share issuance costs in conjunction with the December 30, 2010 private placement amounted to $123,847 net of tax of $30,442 and included 385,913 finder's options with a fair value of $45,569 Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.26 per unit until December 30, 2012. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.40 per share until June 30, 2012.

During the year, the Company renounced to each subscriber of the flow-through shares issued in August and December 2009, Canadian exploration expenses in the amount of $1,630,081. The Company has recorded a decrease in share capital in the amount of $505,162 which represents the tax cost of the renounced expenditures.

c) Warrant issuance costs

In 2009, warrant issuance costs in conjunction with the August 11, 2009 private placement amounted to $75,036 net of tax of $11,203 and included finder's options with a fair value of $52,883 (note 7b). Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.06 per unit until August 11, 2011. Each Finder's Unit will consist of one common share of the Issuer and one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.10 per share until August 11, 2010 and thereafter at an exercise price of $0.15 per share until August 11, 2011.

In 2009, warrant issuance costs in conjunction with the December 2, 2009 private placement amounted to $43,699 net of tax of $7,082 and included finder's options with a fair value of $24,708 (note 7b). Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.25 per unit until December 2, 2011. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise of $0.30 per share until December 2, 2010 and thereafter at an exercise price of $0.35 per share until December 2, 2011.

In 2010 warrant issuance costs issued in conjunction with the December 30, 2010 private placement amounted to $18,952 net of tax of $4,448 and included 56,394 finder's options with a fair value of $7,514. Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.26 per unit until December 30, 2012. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise of $0.40 per share until June 30, 2012.

d) Escrow shares

There are 2,020,000 shares held in escrow with the Exchange which will be released on the following schedule:

Release Date	**# of Shares**
June 23, 2011	697,500
December 23, 2011	1,322,500

e) Expired warrants

During the year, 1,103,987 warrants expired (2009 - 250,000). The value of these warrants has been transferred to contributed surplus (note 7c).

f) Shares issued for consideration of property

On August 13, 2009, the Company issued 1,150,000 common shares as partial consideration for the Scadding area mining properties. These shares were valued at $0.15 per share on the date the transaction occurred.

On October 15, 2009, the Company issued 50,000 common shares as partial consideration for additional property in the Scadding area mining properties, and 1.5% net smelter royalty (NSR) on projects developed within the acquired area. These shares were valued at $0.24 per share on the date the transaction occurred.

On October 23, 2009, the Company issued 75,000 common shares as partial consideration for additional property in the Scadding area mining properties, and a 2% NSR on projects developed within the acquired area. These shares were valued at $0.27 per share on the date the transaction occurred.

On February 10, 2010, the Company issued 50,000 common shares as partial consideration for additional property in the Scadding area mining properties, and a 2% NSR on projects developed within the acquired area. These shares were valued at $0.15 per share on the date the transaction occurred.

On February 15, 2010, the Company issued 500,000 common shares as part of the original contract signed August 6, 2009 to obtain mining rights to the Scadding area mining properties. These shares were valued at $0.165, on the date the transaction occurred. An additional 500,000 common shares were issued on August 13, 2010, valued at $0.14 per share on the date of issuance.

On May 5, 2010, the Company issued 150,000 common shares as part of the original contract signed August 13, 2009 to obtain a 51% interest in the Scadding area mining properties. These shares were valued at $0.14 per share, on the date of issuance.

On July 7, 2010, the Company issued 100,000 common shares as partial consideration for additional property in the Scadding area mining properties, and a 2% NSR on projects developed within the area. These shares were valued at $0.12 per share on the date of issuance.

On July 15, 2010, the Company issued 200,000 common shares as part of the original contract signed July 8, 2010, to obtain mining rights to the Black Diamond property. These shares were valued at $0.11 per share on the date the transaction occurred.

g) Flow-through units issued

In August 2009, 9,189,571 units were issued at $0.07 per unit on a flow-through basis whereby the Company will renounce $634,081 of Canadian exploration expenditures (“CEE”) to the shareholders. The Company intends to apply the look-back rule whereby the expenses are renounced to the shareholders in the year the shares are issued and prior to the expenditures being incurred. Each unit issued consists of one common share and one warrant. Each warrant is exercisable into one common share at a price of $0.10 per share until August 11, 2010 and thereafter at an exercise price of $0.15 per share until August 11, 2011.

In December 2009, 4,000,000 units were issued at $0.25 per unit on a flow-through basis whereby the Company will renounce $996,000 of CEE to the shareholders. The Company intends to apply the look-back rule whereby the expenses are renounced to the shareholders in the year the shares are issued and prior to the expenditures being incurred. Each unit issued consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable into one non-flow through common share at a price of $0.30 per warrant until December 2, 2010 and thereafter at an exercise price of $0.35 per warrant until December 2, 2011.

In December 2010, 4,807,692 units were issued at $0.26 per unit on a flow-through basis whereby the Company will renounce $1,245,192 of Canadian exploration expenditures to the shareholders. The Company intends to apply the look-back rule whereby the expenses are renounced to the shareholders in the year the shares are issued and prior to the expenditures being incurred. Each unit issued consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable into one non-flow through common share at a price of $0.40 per warrant until June 30, 2012.

The fair value of the warrants issued during the year was estimated at $214,112 (2009 - $716,710) using the Black-Scholes pricing model.

The following assumptions were used in the Black-Scholes pricing model:

	2010	**2009**
Risk-free interest rate	0.5%	0.5%
Expected dividend yield	0%	0%
Expected price volatility	100-150%	100%-230%
Expected life	1.5 - 2 years	1 year

h) Options and warrants exercised

In 2009, 1,440,150 warrants were exercised for a total cash consideration of $166,535. This amount, plus the previously estimated fair value of $22,597 has been recorded as an increase to share capital.

In 2009, 300,000 share purchase options were exercised for total cash consideration of $27,000. This amount, plus the previously estimated fair value of $13,280 has been recorded as an increase to share capital.

During the year, 15,354,323 warrants were exercised for a total cash consideration of $1,631,906. This amount plus the previously estimated fair value of $282,115 has been recorded as an increase to share capital.

During the year, 802,492 finder’s options were exercised for a total cash consideration of $45,180. $30,120 of this amount, plus the previously estimated fair value of $86,147 has been recorded as an increase to share capital, and $15,060 of the cash consideration and $39,679 of the previously estimated fair value has been recorded as an increase to warrants.

During the year, 50,000 share purchase options were exercised for total cash consideration of $6,000. This amount plus the previously estimated fair value of $4,571 has been recorded as an increase to share capital.

i) Warrants issued for consideration of property

On August 13, 2009, 750,000 share purchase warrants were issued as a finder's fee related to the acquisition of the Scadding area mining properties. These warrants were valued at $58,500 on the date the transaction occurred. Each warrant entitles the holder to purchase one common share in the capital of the Company at a purchase price of $0.10 per share at any time until August 13, 2011.

7 Stock options

a) Stock option plan

The Company has a stock option plan, which allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the plan shall not exceed 10% of shares issued and outstanding at the time of granting of the options. Options granted under the plan may have a maximum term of five years. The exercise price of options granted under the plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date), less the applicable discount permitted by the rules of the TSX Venture Exchange. Stock options granted under the plan vest immediately. However at the discretion of the directors vesting terms may be imposed in certain circumstances.

Stock option transactions during the year were as follows:

	2010		**2009**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Balance, beginning of year	3,297,000	0.15	401,500	0.15
Issued	1,300,000	0.15	3,487,500	0.14
Exercised	(50,000)	0.12	(300,000)	0.09
Expired	(1,062,500)	0.18	(292,000)	0.15
Balance, end of year	3,484,500	0.14	3,297,000	0.15

As at December 31, 2010, the following share purchase options were outstanding:

Grant Date	Number of Options	Value $	Weighted Average Exercise Price	Expiry Date
January 18, 2007	73,000	-	$0.15	March 30, 2012
March 28, 2007	36,500	-	$0.15	March 28, 2012
February 20, 2009	975,000	43,153	$0.09	February 20, 2014
July 17, 2009	300,000	22,500	$0.10	July 17, 2014
August 27, 2009	1,150,000	121,900	$0.18	August 27, 2014
September 1, 2010	400,000	27,548	$0.12	September 1, 2015
October 4, 2010*	300,000	30,249	$0.16	October 4, 2015
December 6, 2010*	250,000	26,224	$0.21	December 6, 2015
Outstanding, December 31, 2010	3,484,500	271,574	$0.14	

No expense relating to the stock options granted prior to 2009 has been recorded in these consolidated financial statements as the options were granted by the Company prior to the reverse takeover transaction on December 18, 2008 and the amounts were not significant.

During the year, 300,000 stock options were granted with an estimated fair value of $25,722, all of which were subsequently cancelled as agreed between the holder of the options and the Company. During the year, 762,500 options granted in 2009 were cancelled as agreed between the holder of the options and the Company.

The following assumptions were used in the Black- Scholes pricing model for the options granted:

	2010	2009
Risk-free interest rate	0.50%	0.50%
Expected dividend yield	0%	0%
Expected price volatility	100%-150%	100% - 230%
Expected life	1.5 - 2.5 years	2.5 years

*These options vest equally over four quarters beginning in the last quarter of 2010. The total compensation cost recognized in the current year related to these options was $29,413.

b) Finder's options

Finder's option transactions during the year were as follows:

	2010		2009	
	Number of finder's options	**Weighted average exercise price $**	**Number of finder's options**	**Weighted average exercise price $**
Balance, beginning of year	1,383,642	0.11	-	-
Issued	442,307	0.26	1,383,642	0.11
Exercised	(802,492)	0.06	-	-
Expired	-	-	-	-
Balance, end of year	1,023,457	0.22	1,383,642	0.11

Grant Date	**Number of finder's options**	**Value $**	**Weighted Average Exercise Price**	**Expiry Date**
August 11, 2009	211,150	33,107	$0.06	August 11, 2011
December 2, 2009	370,000	94,892	$0.25	December 2, 2011
December 30, 2010	442,307	53,082	$0.26	June 30, 2012
Outstanding, December 31, 2010	1,023,457	181,081	$0.22	

c) Contributed surplus

The fair value of stock options is recognized over the vesting period as compensation expense and contributed surplus. On exercise of a stock option, the fair value previously recorded in contributed surplus is transferred to common shares.

The following is the change in contributed surplus for the year:

	2010 $	**2009 $**
Opening balance	535,351	-
Stock options granted	87,254	294,806
Finder's options granted	53,082	253,825
Exercise of stock options	(4,571)	(13,280)
Expired warrants	18,697	-
Exercise of finder's options	(125,824)	-
	563,989	535,351

8 Related party transactions

During the year, the Company paid management and professional fees to directors and officers in the amount of $412,820 (2009 - $91,000). Of this amount, $48,000 (2009 - $42,000) represents costs incurred for mining exploration expenditures which were capitalized as mining properties during the period. The Company paid fees of $52,116 to an organization owned by a director of the Company for services received.

9 Commitments

Issuance of flow-through units

The Company is partially financed through the issuance of flow-through units, requiring that the Company spend the proceeds for qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the year, the Company received $1,249,990 following an issuance of flow-through units. Subsequent to year-end, but effective December 31, 2010, the Company renounced $1,245,192 of its tax deductions relating to flow-through expenditures. The Company has until December 31, 2011 to make qualified mining exploration expenses totalling $1,245,192.

10 Net loss per share

The net loss per share was computed by dividing the net loss by the weighted average number of common shares outstanding for each period presented. Shares issuable upon exercise of outstanding warrants and options have been excluded from the computation as their effect on net loss per share would be anti-dilutive.

11 Financial instruments

Fair value

The carrying value of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate fair value, due to their short-term nature.

Foreign exchange risk

The Company had no revenue, operating expenses, monetary assets or liabilities that were denominated in a foreign currency. Certain expenditures in respect of the Black Diamond mining property are incurred in US dollars.

Credit risk

The Company did not have any commercial customers during the years presented.

Interest rate risk

The Company is exposed to market interest rate fluctuations with respect to its cash and cash equivalents on hand at December 31, 2010 and 2009.

12 Capital Management

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

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

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.

13 Comparative figures

Certain prior year comparative figures have been re-stated to conform to financial statement presentation adopted in the current year.

14 Subsequent events

Subsequent to year end, the Company arranged a non-brokered private placement to raise up to $800,000 through the issuance of 5,000,000 units at a purchase price of $0.16 per unit. Each unit will consist of one common share and one common share purchase warrant of the Company. Each warrant has a term of 18 months from the date of closing of the private placement and entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.25 per share.