Financial Statements of

MAINSTREAM MINERALS CORPORATION

Years ended November 30, 2010 and 2009

AUDITORS' REPORT

To the Shareholders of
Mainstream Minerals Corporation

We have audited the balance sheets of Mainstream Minerals Corporation as at November 30, 2010 and November 30, 2009 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2010 and November 30, 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS LLP

February 7, 2011
Winnipeg, Manitoba

MAINSTREAM MINERALS CORPORATION

Balance Sheets

As at November 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and restricted cash (Note 6(d))	$ 254,435	$ 455,205
Accounts receivable	17,920	35,814
Share subscriptions receivable (Note 7(b)(ix))	207,000	-
	479,355	491,019
Machinery and equipment (Note 3)	478	16,729
Mineral properties (Note 4)	3,502,272	2,588,506
	$ 3,982,105	$ 3,096,254
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 168,094	$ 73,281
Advance on share issuance from treasury (Note 8 (a))	15,000	-
Advance payable (Note 5)	-	138,096
	183,094	211,377
Future income taxes	1,046,000	752,000
	1,229,094	963,377
Shareholders' equity:		
Capital stock (Note 7)	5,241,406	4,093,291
Contributed surplus (Note 7(f))	350,349	318,309
	5,591,755	4,411,600
(Deficit)	(2,838,744)	(2,278,723)
	2,753,011	2,132,877
Basis of presentation (Note 1(a))		
Commitments (Note 8 and Note 6(d))		
Subsequent events (Note 10, Note 7(b)(ix) and Note 8(a))		
	$ 3,982,105	$ 3,096,254

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Director ____________________

Director ____________________

MAINSTREAM MINERALS CORPORATION

Statements of Operations and Deficit and Comprehensive Loss

Years ended November 30, 2010 and 2009

	2010	2009
Expenses:		
Advertising	$ 5,000	$ 39,503
Amortization	1,573	16,810
Consulting fees	293,100	400,490
General meeting	12,135	1,491
Insurance	11,011	17,302
Interest and bank charges	4,684	8,070
Meals and entertainment	2,017	997
Office	18,911	18,502
Part XII.6 tax	10,964	-
Professional fees	106,104	124,860
Regulatory filings	40,445	41,812
Stock based compensation (Note 7(c)(i))	5,040	9,538
Travel	4,917	4,217
Utilities	-	7,844
Vehicle expenses	62	-
	515,963	691,436
(Loss) from operations	(515,963)	(691,436)
Interest income	1,297	722
Mineral properties write-down	(13,676)	(42,681)
Gain (loss) on sale of machinery and equipment	1,321	(5,417)
	(11,058)	(47,376)
(Loss) before income taxes	(527,021)	(738,812)
Future income tax (expense) recovery	(33,000)	59,000
Net (loss) and comprehensive (loss) for the year	(560,021)	(679,812)
(Deficit), beginning of year	(2,278,723)	(1,598,911)
(Deficit), end of year	$(2,838,744)	$(2,278,723)
Basic and diluted loss per share (Note 7(e))	$ (0.02)	$ (0.03)

See accompanying notes to financial statements.

MAINSTREAM MINERALS CORPORATION

Statement of Cash Flows

Years ended November 30, 2010 and 2009

	2010	2009
Operating activities:		
Cash paid to suppliers	$ (391,961)	$ (664,809)
Interest received	1,297	722
Interest and bank charges	(1,207)	(8,070)
	(391,871)	(672,157)
Financing activities:		
(Repayment) on advance payable	-	(184,073)
Proceeds from issuance of common shares, net of share issue costs	891,365	767,485
	891,365	583,412
Investing activities:		
Proceeds on disposal of machinery and equipment	-	50,085
Mineral exploration charges and acquisition costs incurred	(700,264)	(21,439)
	(700,264)	28,646
Change in cash	(200,770)	(60,099)
Cash, beginning of year	455,205	515,304
Cash, end of year	$ 254,435	$ 455,205

Supplementary information:

The company did not pay any income taxes during the above reporting periods.

See accompanying notes to financial statements.

General

Mainstream Minerals Corporation was incorporated pursuant to the Canada Business Corporation Act on July 19, 2006. The company is a mineral resource company in the development stage that is engaged in the acquisition of interests in, and in the exploration of, mineral resource properties. The company's shares are traded on the TSX Venture Exchange.

1. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. There is doubt about the appropriateness of the use of the going concern assumption given that the company has experienced significant losses and has experienced negative cash flow from operations over a number of years.

The ability of the company to continue as a going concern and to be able to realize on its assets and discharge its liabilities is dependent upon the company's ability to obtain sufficient funding for its operations and is ultimately dependant on the recoverability of the amounts capitalized to mineral properties. The company has not yet determined whether its mineral properties contain reserves that are economically recoverable, and accordingly, the success of any further exploration or development prospects cannot be assured. If the company's exploration and development programs are successful, additional funds may be required, and the company may not have sufficient funds to conduct the mineral exploration required. The primary source of future funds available to the company is through the sale of additional equity capital, which may dilute the interests of existing shareholders. There is no assurance that the company will be successful in raising sufficient funds to meet its obligations. In the event where it cannot meet its obligations, it may lose its properties.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities and the reported amounts of revenues and expenses.

(b) Machinery and equipment

Machinery and equipment are recorded at cost. Amortization is provided using the following method and annual rates:

	Rate	Method
Mining equipment	20%	Declining balance
Vehicles	30%	Declining balance
Computer equipment	30%	Declining balance

(c) Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Amounts reflected for mineral exploration properties not in commercial production represent costs incurred to date, net of write-downs and are not intended to reflect present or future values. The recoverability of the costs is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interests in the underlying mineral claims, the ability to obtain necessary financing to complete development and the development of future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

Mineral properties will be amortized once commercial production begins.

1. Significant accounting policies (continued)

(d) Impairment of long-lived asset

On an annual basis the company reviews whether there are any indicators of impairment of its long-lived assets, primarily being its mineral exploration properties. If such indicators are present, the company assesses the recoverability of the long-lived assets or group of assets by determining whether the carrying value of such assets can be recovered through undiscounted future cash flows. If the sum of undiscounted future cash flows is less than the carrying amount or if long-lived assets are abandoned, the excess of the carrying amount over the estimated fair value, based on discounted future cash flows, is recorded as a charge to net income. The current year's review concluded that a write-down in the amount of $13,676 (2009 - $42,681) was necessary for abandoned properties.

(e) Asset retirement obligations

The company measures the expected costs required to retire its long-lived assets at a fair value which approximates the cost a third party would incur in performing the tasks necessary to abandon the machinery, equipment and fields and restore the sites. The fair value is recognized in the financial statements at the present value of expected future cash outflows to satisfy the obligation.

The asset retirement costs, if any, are subsequently allocated in a rational and systematic method over the underlying asset's useful life, and are included in amortization expense. The initial fair value of the present value liability is accreted, by charges to operations, to its estimated nominal future value. The liability is also adjusted due to revisions in either the timing or amount of the estimated costs.

(f) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The portion of the share issue price related to the tax benefit renounced is charged to share capital in the period of renunciation.

(g) Joint ventures

A portion of the company's exploration activities is conducted jointly with others wherein the company enters into agreements that provide for specified percentage interest in mineral properties. The company accounts for its investment in joint ventures using the proportionate consolidation method.

(h) Loss per share

Diluted loss per share is calculated using the treasury stock method which assumes all common share equivalents, such as options and warrants had been exercised at the beginning of the reporting period of issue and that the funds obtained thereby were used to purchase common shares of the company at the estimated average trading price of the common shares during the year.

(i) Revenue recognition

Revenue from sales of precious metals will be recognized when title passes to the buyer, which will generally coincide with the delivery and acceptance of goods, and the collectibility is reasonably assured.

Interest income is recognized as accrued.

1. Significant accounting policies (continued)

(j) Future income taxes

The company uses the asset and liability method of accounting for income taxes. Under this method, future income 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 income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

(k) Stock-based payments to non-employees

Stock-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument.

(l) Stock-based compensation

The company has implemented a stock option plan to allow the company to grant options to directors, officers, employees and service providers. The maximum number of common shares which may be issued pursuant to those granted under the stock option plan are limited to 10% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis.

The company uses the fair value-based approach to account for stock-based compensation. Compensation expense is recognized for these stock options over their vesting period based on their estimated fair values on the date of grant as determined by using the Black-Scholes option-pricing model.

The fair values of the options issued, if any, are credited to contributed surplus in the period they vest. When these options are exercised, the consideration paid by the subscribers and the fair value of the options previously credited to contributed surplus are credited to share capital.

(m) Financial instruments - recognition and measurement

Transaction costs are expensed as incurred for financial instruments designated as held-for-trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost.

Loans and Receivables, Held-to-maturity Investments and Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Gains or losses resulting from revaluation, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period. The company does not have any financial instruments designated as Loans and Receivables, Held-to-maturity Investments or Other financial liabilities.

Available-for-sale Financial Assets are initially and subsequently recorded at fair value, except for equity instruments that do not have a quoted market price in an active market as they are recorded at cost. Gains and losses resulting from revaluation are included in Other Comprehensive Income and are transferred to net earnings when the asset is derecognized. Impairment write-downs are included in net earnings for the year. The company does not have any financial instruments designated as Available-for-sale Financial Assets.

Held-for-trading financial instruments include cash and restricted cash, accounts receivable, share subscriptions receivable, accounts payable and accrued liabilities and advance on share issuance from treasury and are initially and subsequently recorded at fair value. Gains or losses on revaluation are included in net earnings for the year.

1. Significant accounting policies (continued)

(n) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from these estimates.

2. Future accounting change

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA formally adopted the strategy of replacing Canadian GAAP with international financial reporting standards ("IFRS") for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for fiscal years commencing on or after January 1, 2011. The use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises.

The company is currently assessing the impact of these new accounting standards on its financial statements.

3. Machinery and equipment

2010	Cost	Accumulated amortization	Net book value
Computer equipment	$ 1,428	$ 950	$ 478

2009	Cost	Accumulated amortization	Net book value
Mining equipment	$ 9,630	$ 3,775	$ 5,855
Vehicles	17,227	7,865	9,362
Computer equipment	2,955	1,443	1,512
	$ 29,812	$ 13,083	$ 16,729

4. Mineral properties

	2010	2009
Acquisition, exploration and development costs:		
Bobjo Mine	$ 2,852,200	$ 2,566,830
Raleigh Lake	-	13,676
Hazard Lake	33,355	8,000
West Keefer Claims	161,810	-
Price Claims	272,536	-
Slate Lake	17,875	-
Casa Berardi Claims	118,676	-
Hudson - Patricia Claims	6,944	-
Fly Lake Claims	4,418	-
Rowan Lake Claims	34,458	-
	$ 3,502,272	$ 2,588,506

5. Advance payable

The advance payable was to King's Bay Gold Corporation, a company formerly with two directors in common, was due on demand and was subject to interest at 5%.

6. Income taxes

(a) Canadian development and exploration expenditures:

As at November 30, 2010, the company had $124,161 (2009 - $239,397) of unused Canadian exploration and development expenses available to offset future taxable income of the company. The tax benefit of these expenses carry forward indefinitely.

(b) Losses

The company has non-capital losses for carry forward available to reduce future years' taxable income of $2,803,000 which expire as follows:

2026	$ 15,000
2027	655,000
2028	716,000
2029	752,000
2030	665,000
Total loss carry forwards	$ 2,803,000

The company has not recorded in its accounts the potential income tax benefit that may be derived from the tax losses due to the uncertainty that the benefits will be realized.

(c) Income tax recovery differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 31% (2009 - 32%). The reasons for the differences are as follows:

	2010	2009
Income tax recovery computed at statutory rates	$ 163,000	$ 236,000
Permanent differences	(2,000)	(3,000)
Adjustment to future tax assets and liabilities due to change in combined federal and provincial tax rates	1,000	(15,000)
	162,000	218,000
Valuation allowance	(195,000)	(159,000)
	$ (33,000)	$ 59,000

6. Income taxes (continued)

(c) The components of the company's net future income tax liability at November 30, 2010 and 2009 are as follows:

	2010	2009
Future income tax assets (liabilities)		
Property and equipment	$ 1,000	$ 17,000
Operating loss carry-forwards	869,000	684,000
Share issue costs	64,000	70,000
Mineral exploration properties	(1,047,000)	(752,000)
Future income tax assets (liabilities)	(113,000)	19,000
Valuation allowance	(933,000)	(771,000)
Net future income tax liability	$(1,046,000)	$ (752,000)

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

(d) Flow-through shares

During the year the company issued flow-through shares in the amount of $450,000, excluding share issue costs, to finance eligible Canadian exploration expenditures. The resource expenditure deductions for income tax purposes related to exploration activities are renounced to investors in accordance with income tax legislation and, as a result, tax deductibility of these costs is not available to the company.

During the year, in documents filed with the tax authorities, the company renounced $815,500 of resource expenditures to investors relating to flow-through share issuances in October and December 2009. This resulted in a reduction in share capital of $261,000 and a corresponding increase in the future tax liability. The subscription value of flow-through shares not yet renounced to the investors at year end was $nil (2009 - $nil).

As at November 30, 2010 $179,043 (2009 - $357,307) of eligible renounced Canadian exploration expenditures had not yet been expended by the company. The company is committed to spend this amount on qualifying expenditures by December 31, 2010.

7. Capital stock

(a) Authorized

Authorized share capital consists of an unlimited number of common shares.

(b) Changes in issued common shares are summarized below:

Year ended November 30, 2010	Number of common shares	Amount
Balance, November 30, 2009	27,101,087	$ 4,093,291
Private placement of shares (i)	4,336,362	395,000
Shares issued for land options (ii)	900,000	99,000
Shares issued for land options (iii)	1,750,000	183,750
Shares issued for land options (iv)	100,000	10,000
Private placement of shares (v)	3,313,572	215,878
Private placement of shares (vi)	700,000	45,080
Shares issued for land options (vii)	500,000	45,000
Private placement of shares (viii)	2,400,000	215,100
Private placement of shares (ix)	2,600,000	200,307
Future income taxes on renouncement of flow-through shares	-	(261,000)
Balance, November 30, 2010	43,701,021	$ 5,241,406

The weighted average number of common shares outstanding during fiscal 2010 was 35,289,112.

Year ended November 30, 2009	Number of common shares	Amount
Balance, November 30, 2008	18,176,087	$ 3,318,427
Private placement of shares (x)	1,000,000	50,000
Exercise of stock options (xi)	195,000	21,879
Private placement of shares (xii)	7,500,000	679,985
Shares issued under option agreement (xiii)	50,000	5,000
Exercise of warrants (xiv)	180,000	18,000
Balance, November 30, 2009	27,101,087	$ 4,093,291

The weighted average number of common shares outstanding during fiscal 2009 was 19,995,925.

(i) On December 31, 2009 4,090,908 Class A units were issued through a private placement at a price of $0.11 per unit. Each unit consisted of one flow-through common share and one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.15 per share in year 1 and $0.20 per share in year 2 expiring December 30, 2011. The amount recorded to share capital in the amount of $395,000 represents gross proceeds of $450,000 less share issue costs of $55,000. Share issue costs include the value of certain share issue costs that were settled by the issuance of 245,454 non-flow through common shares and 409,090 finder's options. Each finder's option entitles the holder to purchase one finder's unit for $0.11 per unit. Each finder's unit is comprised of one non-flow through common share and one non-flow-through common share purchase warrant. Each finder's warrant entitles the holder to purchase one non-flow-through common share of the company at a price of $0.15 in year 1 and $0.20 in year 2 expiring December 30, 2011. The recorded value of these units is $27,000. The value of warrants is based on the estimated fair value of the warrants using the Black-Scholes option pricing model. The company also paid cash share issue costs in the amount of $28,000.

7. Capital stock (continued)

(b) (ii) On March 9, 2010 the company issued 900,000 common shares under a land option agreement relating to the West Keefer claims. Based on the estimated fair value of the land options, the shares were valued at $99,000.

(iii) On March 9, 2010 the company issued 1,750,000 common shares under a land option agreement relating to the Price claims. Based on the estimated fair value of the land options, the shares were valued at $183,750.

(iv) On March 9, 2010 the company issued 100,000 common shares under a land option agreement relating to the Hazard Lake property. Based on the estimated fair value of the land options, the shares were valued at $10,000.

(v) On May 31, 2010 3,313,572 units were issued through a private placement at a price of $0.07 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.10 per share expiring May 30, 2011. The amount recorded to share capital in the amount of $215,878 represents gross proceeds of $231,950 less share issue costs of $16,072.

(vi) On June 4, 2010 700,000 units were issued through a private placement at a price of $0.07 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each whole non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.10 per share expiring June 3, 2011. The amount recorded to share capital in the amount of $45,080 represents gross proceeds of $49,000 less share issue costs of $3,920.

(vii) On October 20, 2010 the company issued 500,000 common shares under a land option agreement relating to the Casa Berardi claims. Based on the estimated fair value of the land options, the shares were valued at $45,000.

(viii) On November 3, 2010 2,400,000 units were issued through a private placement at a price of $0.09 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.12 per share expiring November 2, 2011. The amount recorded to share capital in the amount of $215,100 represents gross proceeds of $216,000 less share issue costs of $900.

(ix) On November 12, 2010 2,600,000 units were issued through a private placement at a price of $0.09 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.12 per share expiring November 11, 2011. The amount recorded to share capital in the amount of $200,307 represents gross proceeds of $234,000 less share issue costs of $33,693. Of this amount, $207,000 is classified as share subscriptions receivable on the balance sheet as at November 30, 2010. This amount was received in December 2010.

(x) On June 2, 2009 1,000,000 units were issued through private placement at a price of $0.05 per unit. Each unit consisted of one non-flow-through common share and one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.10 per share expiring June 2, 2010.

(xi) On September 30, 2009, 195,000 Directors' options were exercised at a price of $0.10 per option resulting in total cash received $19,500, the reduction of contributed surplus in the amount of $2,379 and an increase in share capital of $21,879.

7. Capital stock (continued)

(xii) On October 1, 2009 the company issued 3,665,000 Class A units and 3,835,000 Class B units through a non-brokered private placement at a price of $0.10 per Class A unit and $0.10 per Class B unit. Each Class A unit consisted of one flow-through common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one Class A common share at a price of $0.15 per share expiring October 1, 2011. Each Class B unit consisted of one non-flow-through Class A common share and one Class B common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one Class A common share at a price of $0.12 per share expiring October 1, 2011. The amount recorded to share capital of $679,985 represents gross proceeds of $750,000 less share issue costs of $70,015.

(xiii) On October 7, 2009, the company issued 50,000 common shares under a land option agreement relating to the Raleigh Lake property. Based on the estimated fair value of the land options, the shares were valued at $5,000.

(xiv) On October 7, 2009, 180,000 Series F warrants were exercised at a price of $0.10 per warrant resulting in an increase to share capital in the amount of $18,000.

(c) Options

(i) On June 30, 2010, the company issued 1,800,000 incentive stock options to directors and officers of the company. The exercise price is $0.10 per common share and the options expire on June 29, 2015. These options vested on the grant date. The estimated fair value of all new stock options granted in the amount of $5,040 has been recorded as an expense in the period.

The estimated fair value of stock options granted was estimated using the Black-Scholes option pricing model on the date of grant with the following assumptions:

Expected stock price volatility	27%
Expected option life	5 years
Risk free interest rate	0.28%
Expected dividend yield	-
Stock price at grant	$0.05
Exercise price	$0.10

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. Therefore, the existing models do not necessarily provide a reliable single measure of the value of the company's stock options.

(ii) The following table summarizes the 3,215,000 outstanding options as at November 30, 2010:

	Number outstanding	Exercise price	Expiry date
Directors' options	180,000	$0.27	February 19, 2012 (a)
Directors' options	940,000	$0.36	December 3, 2012 (b)
Directors' options	195,000	$0.10	February 18, 2014
Directors' options	100,000	$0.10	September 2, 2014
Directors' options	1,800,000	$0.10	June 29, 2015

(a) Due to the resignation of a director on October 28, 2009, in accordance with the company's stock option plan, 100,000 of these options expired on January 28, 2010.

(b) Due to the resignation of a director on October 28, 2009, in accordance with the company's stock option plan, 200,000 of these options expired on January 28, 2010.

7. Capital stock (continued)

(c) (iii) A summary of the stock option activity for the years ended November 30, 2010 and 2009 is as follows:

	2010	2009
Outstanding at beginning of year	1,715,000	1,420,000
Granted	1,800,000	490,000
Exercised	-	(195,000)
Expired	(300,000)	-
Outstanding at end of year	3,215,000	1,715,000

(d) Warrants

(i) The following table summarizes the 15,083,374 outstanding warrants as at November 30, 2010:

	Number outstanding	Exercise price	Expiry date
Series G Warrants	1,832,500	$0.15	October 1, 2011
Series H Warrants	3,835,000	$0.12	October 1, 2011
Series I warrants	4,090,908	$0.15 (i)	December 30, 2011
Series J Warrants	1,656,786	$0.10	May 30, 2011
Series K Warrants	350,000	$0.10	June 3, 2011
Series L Warrants	1,200,000	$0.12	November 2, 2011
Series M Warrants	1,300,000	$0.12	November 11, 2011
Finders warrants	409,090	$0.11	December 30, 2011
Finder warrants - imbedded	409,090	$0.15 (i)	December 30, 2011

(i) After December 30, 2010, the exercise price becomes $0.20 per share.

(ii) A summary of the warrant activity for the years ended November 30, 2010 and 2009 are as follows:

	2010	2009
Outstanding at beginning of year	9,344,638	10,131,349
Granted	9,415,874	6,667,500
Exercised	-	(180,000)
Expired	(3,677,138)	(7,274,211)
Outstanding at end of year	15,083,374	9,344,638

(e) Loss per share

Loss per share is computed using the weighted average number of common shares outstanding during the year (Note 7(b)). The dilution created by the options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

7. Capital stock (continued)

(f) Contributed surplus

A summary of the contributed surplus activity for the years ended November 30, 2010 and 2009 is as follows:

	2010	2009
Balance, beginning of year	$ 318,309	$ 311,150
Stock-based payments	27,000	-
Stock-based compensation	5,040	9,538
Options exercised	-	(2,379)
Balance, end of year	$ 350,349	$ 318,309

8. Joint venture operations, land option agreements and commitments

The company is involved in jointly controlled operations. These joint operations have no liabilities or revenues and the assets are limited to mineral exploration properties. Expenditures are limited to exploration activities which are deferred in the accounts of the company (Note 4). The cash flows of the joint operations are limited to the expenditures on exploration activity and are equal to the amounts of these expenditures. The joint operations are subject to certain commitments relating to net smelter rights and these commitments, where applicable, are disclosed below.

(a) Bobjo Mine property

The company entered into an agreement to acquire an option for the nine patented claims identified as Bobjo Mine. During the year the company paid $25,000 under this agreement. The vendor has retained a 2% production royalty in the property of which the company has the right to purchase 50% of the production royalty for $1,000,000 at any time.

The company then entered into a joint venture agreement with King's Bay Gold Corporation. Both companies had two directors in common at that time. King's Bay Gold Corporation has earned a 50% interest related to nine patented claim units of the property after funding earn-in expenditures in the amount of $125,000.

On June 14, 2010, the company entered into a Property Interests Exchange Agreement with King's Bay Gold Corporation whereby King's Bay Gold Corporation has sold its remaining interests in the Bobjo Mine project to the company. King's Bay Gold Corporation further agreed to cancel the advance receivable related to the project in the amount of $141,572 from the company. In consideration for the Property Interests Exchange Agreement the company agreed to assign to King's Bay Gold Corporation its 100% interest in the Raleigh Lake Property, grant 250,000 common shares to King's Bay Gold Corporation valued at $15,000 and transfer title and ownership on various pieces of equipment valued at approximately $16,000. As at November 30, 2010 the company had not issued the 250,000 common shares to King's Bay Gold Corporation and has classified the proceeds of $15,000 as advances on share issuance from treasury on the balance sheet.

On September 23, 2010, the company entered into an option agreement to acquire a 100% interest in 28 mineral claims adjacent to and included with the Bobjo Mine Claims. Upon signing of the agreement the company paid $10,000 and was required to issue 100,000 common shares. As at November 30, 2010 the company had not issued the 100,000 common shares.

The vendor has retained a 2.0% Net Smelter Return (the "NSR") interest in the properties. The company can buy back 1.0% of the NSR for $1,000,000 at any time.

8. Joint venture operations, land option agreements and commitments (continued)

On October 6, 2010, the company entered into a non-binding letter of intent with Premier Gold Mines Limited ("Premier") with respect to the Bobjo Mine Project regarding the possible acquisition by Premier of up to a 70% interest in the property. The non-binding letter of intent contemplates the following:

(i) Premier will operate a due diligence drill program, in the amount of $350,000, that will be funded by the company.

(ii) Premier can earn a 60% interest in the property by making a cash payment of $50,000 upon signing the agreement, making a cash payment of $50,000 and issuing the equivalent of $50,000 in common shares prior to the first anniversary of the agreement and making a cash payment of $50,000 and issuing the equivalent of $50,000 in common shares prior to the second anniversary of the agreement.

(iii) Premier has agreed to expend $2,250,000 for exploration and/or property acquisition expenditures within the first three years after signing with a minimum of $500,000 expended prior to the first anniversary of the agreement.

(iv) If Premier exercises its option to acquire the 60% interest as outlined above, they will have a one-time option to increase its ownership interest by an additional 10% by making either a cash payment of $250,000 or issuing the equivalent of $250,000 in common shares in addition to funding an additional $2,000,000 in exploration and/or property acquisition expenditures prior to the fifth anniversary of the agreement.

Subsequent to year end, on February 11, 2011, the company entered into an option agreement with Premier with the terms outlined above.

(b) Raleigh Lake land option agreement

The company has entered into an agreement to acquire an option for a number of claim units in a rare earth property identified as Raleigh Lake. Upon signing of the agreement the company paid $8,000 and issued 50,000 common shares. During the year, the company paid $12,000 and issued 50,000 common shares. The company has agreed to pay additional consideration for these options as follows:

2011	$16,000 and 50,000 common shares
2012	$25,000
2013	$35,000

The vendor has retained a 1.5% production royalty in the property.

As part of the Property Interests Exchange Agreement with King's Bay Gold Corporation dated June 14, 2010, the company assigned its 100% interest in this property to King's Bay Gold Corporation. (Note 8(a))

(c) Hazard Lake land option agreement

The company has entered into an agreement to acquire an option for twenty four claim units in a gold property identified as Hazard Lake. Upon signing of the agreement the company paid $8,000 and is required to issue 100,000 common shares. During the year, the company paid $12,000 and was required to issue 50,000 common shares. As at November 30, 2010 the company had not issued the 50,000 common shares. The company has agreed to pay additional consideration for these options as follows:

2011	$16,000 and 50,000 common shares
2012	$25,000
2013	$35,000

The vendor has retained a 1.5% production royalty in the property of which one half (0.75%) can be purchased back by the company for a one time payment of $750,000 at any time.

8. Joint venture operations, land option agreements and commitments (continued)

(d) West Keefer claims land option agreement

On January 5, 2010, the company entered into an option agreement to acquire a 100% interest in properties consisting of three claims totaling thirty four mineral claim units commonly known as the West Keefer claims located in Keefer township of the Porcupine Mining District of Ontario.

Under the terms of the option agreement, the company can earn a 100% interest in the properties by issuing 900,000 common shares of the company to the vendors. This obligation was met on March 9, 2010. (Note 7(b)(ii))

The vendors will retain a 2.0% NSR interest in the properties. The company can buy back 1.0% of the NSR for both properties for $1,000,000 at any time.

(e) Price claims land option agreement

On December 30, 2009, the company entered into an option agreement to acquire a 100% interest in properties consisting of eleven claims totaling one hundred and thirty four mineral claim units known as the Price Claims located in the Price and Adams townships of the Porcupine Mining District of Ontario.

Under the terms of the option agreement, the company can earn a 100% interest in the properties by issuing 1,750,000 common shares of the company to the vendor. This obligation was met on March 9, 2010. (Note 7(b)(iii))

In addition to the issuance of common shares as outlined immediately above, the company agreed to a $225,000 work commitment. $75,000 of the work commitment is to be completed by December 30, 2010 and the remaining $150,000 of the work commitment is to be completed by December 30, 2011.

The vendor will retain a 2.0% NSR interest in the Properties. The company can buy back 1.0% of the NSR for $1,000,000 at any time.

(f) Casa Berardi claims land option agreement

On August 12, 2010, the company entered into an option agreement to acquire a 100% interest in properties consisting of sixty two mineral claim units known as Casa Berardi located in the Casa Berardi area of the Province of Quebec.

Upon signing the agreement the company paid $15,000 and issued 500,000 common shares on October 20, 2010. (Note 7(b)(vii)) The company is required to pay an additional $15,000 and issue 500,000 common shares of the company by August 12, 2011.

In addition to the cash payments and the issuance of common shares as outlined immediately above, the company agreed to a $30,000 work commitment to be completed in the fall of 2010. This obligation was met in September 2010.

The vendor will retain a 2.0% NSR interest in the Properties. The company can buy back 1.0% of the NSR for $1,000,000 at any time.

8. Joint venture operations, land option agreements and commitments (continued)

(g) Slate Lake land option agreement

On October 10, 2010, the company entered into an agreement to acquire a 100% interest in properties consisting of one hundred and seven mineral claim units known as Slate Lake in the Township of Slate Lake in the District of Red Lake in the Province of Ontario.

Upon signing the agreement the company paid $10,000 and was required to issue 100,000 common shares. As at November 30, 2010 the company had not issued the 100,000 common shares. The company has agreed to pay additional consideration for these options as follows:

2011	$10,000 and 100,000 common shares
2012	$15,000
2013	$20,000
2014	$25,000

The vendor has retained a 2.0% production royalty in the property of which one half (1.0%) can be purchased back by the company for $1,000,000 at any time.

(h) Rowan Lake land option agreement

On November 24, 2010, the company entered into an agreement to acquire a 100% interest in properties consisting of three hundred and twenty three mineral claim units known as Rowan Lake in the Township of Rowan Lake and Brooks Lake area in the District of Kenora in the Province of Ontario.

Upon signing the agreement the company paid $32,300 for the reimbursement of staking costs incurred by the optionor and was required to issue 100,000 common shares. As at November 30, 2010 the company had not issued the 100,000 common shares. The company has agreed to pay additional consideration for these options as follows:

2011	$12,000 and 100,000 common shares
2012	$16,000
2013	$25,000
2014	$35,000

The vendor has retained a 2.0% production royalty in the property of which one half (1.0%) can be purchased back by the company for $1,000,000 at any time.

9. Related party transactions

In addition to those otherwise disclosed, in these financial statements are the following related party transactions, which are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Certain expenditures relating to exploration have been capitalized to mineral properties.

	2010	2009
Verenex Capital Corporation, a company owned by a director for consulting services related to a position of office for the company	$ 90,000	$ 22,500
5276854 Manitoba Ltd., a company owned by a former director for consulting services relating to a position of office for the company	-	135,000
MJR Contracting and Exploration, a company owned by an individual related to former directors and former officers for services relating to exploration	-	11,500
Great Canadian Adventure Inc., a company owned by a former director for consulting services relating to a position of office for the company	-	25,000
Raymond Préfontaine Advisory Services, a business owned by an officer for consulting services relating to a position of office for the company	97,000	105,000
A former director for consulting services relating to a position of office for the company	-	19,800
A director for consulting services relating to a position of office for the company	28,600	16,000
An individual related to former directors and former officers for consulting services relating to accounting and administrative services for the company	-	115,000
An individual related to former directors and former officers for services relating to exploration	-	45,000
An individual related to former directors and former officers for services relating to exploration	-	34,340
5283753 Manitoba Inc., a company owned by an individual related to former directors and former officers for services relating to exploration	-	2,500
An individual related to former directors and former officers for services relating to administrative services for the company	-	600

10. Subsequent events

On January 10, 2011, the company entered into two option agreements relating to seventy two mineral claim units known as the Hudson Patricia Mine in the Township of Dent area in the District of Red Lake in the Province of Ontario. Under the first option agreement the company can earn a 100% interest in the mineral claim units by paying $8,000 and issuing 100,000 common shares upon signing the agreement. The company has agreed to pay additional consideration for these options as follows:

2012	$12,000 and 100,000 common shares
2013	$16,000
2014	$25,000
2015	$30,000

The vendor has retained a 2.0% production royalty in the property of which one half (1.0%) can be purchased back by the company for $1,000,000 at any time.

Under the second option agreement, the company can earn a 100% interest in the mining lease by paying $50,000 and issuing 100,000 common shares upon signing the agreement. The company has agreed to pay additional consideration for these options as follows:

2012	$25,000 and 100,000 common shares
2013	$25,000 and 100,000 common shares
2014	$25,000 and 100,000 common shares
2015	$35,000

The vendor acquired the property rights to the Hudson Patricia Mine mining lease from a third party, who retains an original NSR of 1.5%. Under the terms of the agreement, there will be two NSR royalties with the original third party retaining 1.5% and the vendor retaining 1.5% creating a total NSR of 3.0%. The company can purchase half of either or both of the NSRs for a one time payment of $1,000,000 for each NSR.

11. Financial instruments

(i) Risk management, sensitivity analysis and hedging activities

In the normal course of operations the company is exposed to various financial risks. Management’s close involvement in the operations allows for the identification of risks and variances from expectations. The company does not meaningfully participate in the use of financial instruments to control these risks. The company has no designated hedging transactions. The financial risks and management’s risk management objectives and policies are as follows:

(a) Currency risk
The company does not hold any assets or liabilities denominated in a foreign currency.

(b) Price risk
The company is exposed to price risk with respect to commodity prices. As the company is not a producing entity, this risk does not currently affect earnings; however, the risk could affect the completion of future equity transactions. The company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.

(c) Credit risk
The company is exposed to credit risk on cash and accounts receivable. Cash is held with a reputable Canadian bank and the company's accounts receivable are from Canadian government entities, from which management believes the risk of loss to be remote. The company does not have any derivatives or similar instruments that mitigate the maximum exposure to credit risk.

11. Financial instruments

(i) (d) Liquidity risk

Management monitors the company’s liquidity and is of the opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

(e) Interest rate risk

The company is not exposed to any meaningful interest rate risk.

(ii) Fair values, carrying amounts and changes in fair value

The fair values of the company’s financial instruments approximate their carrying value. The net carrying value of the company's Held-for-trading financial instruments is $296,261 (2009 - $279,642). The company has no other classes of financial instruments. There were no gains or losses arising from changes in the fair value of financial instruments during the reporting periods.

(iii) Collateral

The carrying value of financial assets the company has pledged as collateral is $nil (2009 - $nil)

12. Capital management

As the company is in the exploration stage, its principal source of capital is from the issuance of common shares. The company's capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet the objectives, management monitors the company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The company is not subject to externally imposed capital requirements. Management is of the opinion that the amounts and changes in the company's capital is readily determinable in these financial statements.

13. Insurance

Commencing on December 1, 2007, the corporation obtained insurance coverage with Lloyd's (Commercial General Liability Insurance) and with the Chartis Insurance Company of Canada - formerly known as AIG Commercial Insurance Company of Canada - (Directors' & Officers' Insurance). Originally the respective liability limits for both policies were $5,000,000 but were subsequently reduced effective December 1, 2008. Both policies now have respective liability limits of $2,000,000 and $1,000,000. The deductible for the Directors' & Officers' Insurance is $25,000 per event. The deductibles for the Commercial General Liability Insurance range from $500 to $5,000 per event and are dependent on the nature of the event. The policies are underwritten by JLT Northern Underwriting Services of Toronto, ON.