BLUE COVE CAPITAL CORP.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
NOVEMBER 30, 2010 AND 2009

AUDITORS' REPORT

To the Shareholders of
Blue Cove Capital Corp.

We have audited the balance sheet of Blue Cove Capital Corp. as at November 30, 2010 and the statements of loss, comprehensive loss and deficit and cash flows for the year 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 audit 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 the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited financial statements at November 30, 2009 and for the year then ended were examined by another auditor who expressed an opinion without reservation on those statements in their report dated February 19, 2010.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 18, 2011

BLUE COVE CAPITAL CORP.

BALANCE SHEETS

AS AT NOVEMBER 30

	2010 $	2009 $
A S S E T S		
CURRENT ASSETS		
Cash	801,923	57,669
Amounts receivable	29,769	-
Prepaids	3,019	
	834,711	57,669
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	270,483	106,378
S H A R E H O L D E R S' E Q U I T Y (D E F I C I T)		
SHARE CAPITAL (Note 3)	971,271	231,644
CONTRIBUTED SURPLUS (Note 5)	574,429	26,261
DEFICIT	(981,472)	(306,614)
	564,228	(48,709)
	834,711	57,669

NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 11)

APPROVED BY THE DIRECTORS

"Nick DeMare", Director

"Robert Sedgemore", Director

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

BLUE COVE CAPITAL CORP.

STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED NOVEMBER 30

	2010 $	2009 $
EXPENSES		
Accounting and administration	1,690	-
Audit fees	11,700	11,907
Due diligence	57,428	-
General and office expenses	3,699	1,986
Listing fees	8,849	14,910
Legal fees	19,407	-
Qualifying transaction expenses (Note 1)	67,633	198,563
Shareholder communications	1,670	-
Stock-based compensation (Note 4)	485,302	15,006
Telephone	6,899	-
Transfer agent	5,377	-
Travel	5,204	-
	674,858	242,372
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(674,858)	(242,372)
DEFICIT - BEGINNING OF YEAR	(306,614)	(64,242)
DEFICIT - END OF YEAR	(981,472)	(306,614)
LOSS PER COMMON SHARE - BASIC AND DILUTED	(0.12)	(0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	5,709,925	4,200,000

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

BLUE COVE CAPITAL CORP.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30

	2010 $	2009 $
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Loss for the year	(674,858)	(242,372)
Adjustment for item not involving cash		
Stock-based compensation	485,302	15,006
Increase in amounts receivable	(29,769)	-
Increase in prepaids	(3,019)	-
Increase in accounts payable and accrued liabilities	164,105	91,139
	(58,239)	(136,227)
FINANCING ACTIVITIES		
Issuance of common shares	831,966	-
Share issue costs	(29,473)	-
	802,493	-
INCREASE (DECREASE) IN CASH	744,254	(136,227)
CASH - BEGINNING OF YEAR	57,669	193,896
CASH - END OF YEAR	801,923	57,669

SUPPLEMENTAL CASH FLOW INFORMATION - Note 10

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Blue Cove Capital Corp. (the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the B.C. Business Company Act on October 23, 2007. The Company became a publicly listed company pursuant to an initial public offering of its shares on March 31, 2008 and was listed on the TSX Venture Exchange ("TSXV") on April 1, 2008 as a Capital Pool Company ("CPC"). The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

In October 2009 the Company entered into a mineral property purchase agreement (the "Purchase Agreement") to acquire an interest in certain mineral exploration properties located in the Battle Mountain and Cortez Trends of North Central Nevada. Closing of the Purchase Agreement was to occur on or before February 19, 2010. The Company was unable to obtain the necessary financing to complete the transaction by February 19, 2010 and, in March 2010, the vendor terminated the Purchase Agreement. All costs relating to the transaction have been recorded as qualifying transaction expenses. The Company had also incorporated a wholly-owned subsidiary, BM Nevada Mining Corp. ("BM Nevada"), in anticipation of completion of the Purchase Agreement. BM Nevada has been inactive since its incorporation and the Company has determined to proceed with dissolution of BM Nevada.

On April 7, 2010 trading of the Company's common shares on the TSXV were suspended for failure to complete a Qualifying Transaction within the prescribed time. Effective July 6, 2010 the Company's common shares resumed trading on the NEX Board of the TSXV.

Subsequent to November 30, 2010 the Company entered into agreements to acquire 100% interests in mineral projects located in Colombia and proposes to conduct equity financings, as described in Note 11. The Company believes that the transactions contemplated in the option agreement on the Santa Elena Project and the equity financings will constitute the Company's Qualifying Transaction. There is no assurance that the Company will be able to obtain TSXV approval to complete the transactions.

These financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company's ability to continue as a going concern is dependent upon its ability to complete a Qualifying Transaction and attain additional financing from its shareholders sufficient to meet current and future obligations. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian GAAP which which necessarily involves the use of estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses reported during the period. Actual results may differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of stock-based compensation and the application of valuation allowances to future tax assets. The financial statements have, in management's opinion, been properly prepared using careful judgement within the framework of the significant accounting policies summarized in this note.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair values of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

Income Taxes

Future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is included in the period that includes the enactment date. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

Income (Loss) Per Share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated in accordance with the treasury stock method which assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the prevailing market rate. Under the treasury stock method, the basic and diluted loss per share are the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

Currency

The functional currency of the Company is Canadian dollars and these financial statements are presented in Canadian dollars. Transactions of the Company that are denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses, if any, arising from the translation of foreign currency denominated monetary assets and liabilities are included in income (loss) for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Under Section 3855, *Financial Instruments - Recognition and Measurement*, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing will be expensed in the period incurred.

The Company has designated its cash as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Future Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not expect the adoption of these accounting standards to have an impact on its financial statements.

3. SHARE CAPITAL

Authorized: unlimited common shares without par value

Issued common shares:

	2010		2009	
	Shares	Amount $	Shares	Amount $
Balance, beginning of year	4,200,000	231,644	4,200,000	231,644
For cash				
Private placements	8,639,324	831,966	-	-
For finder's fees	63,835	15,959	-	-
Cancellation of common shares	(1,100,000)	(55,000)	-	-
	7,603,159	792,925	-	-
Less share issue costs	-	(53,298)	-	-
	7,603,159	739,627	-	-
Balance, end of year	11,803,159	971,271	4,200,000	231,644

(a) During fiscal 2010 the Company completed private placements as follows:

(i) 6,639,324 common shares, at a price of $0.05 per common share, for total gross proceeds of $331,966. Directors and or officers of the Company purchased 575,000 common shares of this private placement.

(ii) 2,000,000 common shares, at a price of $0.25 per common share, for total gross proceeds of $500,000.

The Company paid a finder's fee by issuing 63,835 common shares at a price of $0.25 per share and issuing finder's warrants entitling the holder to purchase 63,835 common shares at an exercise price of $0.25 per share for a period of two years. The fair value of the finder's warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 92.26%; risk-free interest rate of 1.38%; and expected life of two years. The value assigned to the finder's warrants was $7,866.

The Company incurred a total of $29,473 for legal and other expenses related to these private placements.

3. SHARE CAPITAL (continued)

(b) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at November 30, 2010 and 2009 and the changes for the fiscal years ended on those dates is as follows:

	2010		2009	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	200,000	0.10	200,000	0.10
Issued	63,835	0.25	-	-
Expired	(200,000)	0.10	-	-
Balance, end of year	63,835	0.25	200,000	0.10

As at November 30, 2010 warrants are outstanding to purchase 63,835 common shares at an exercise price of $0.25 expiring November 17, 2012.

(c) During fiscal 2010, in conjunction with the change in the Company's listing status and in accordance with stipulated policies and procedures, seed shareholders agreed to the cancellation of 1,100,000 common shares held in escrow. Accordingly, the original $55,000 assigned value attributable to these common shares have been transferred from share capital to contributed surplus. As at November 30, 2010, 1,100,000 common shares remain held in escrow.

See also Note 11.

4. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. The vesting provisions are determined by the Board of Directors and, unless otherwise stated, fully vest when granted.

During fiscal 2010 the Company granted stock options to directors, employees and consultants to purchase 1,171,752 (2009 - nil) common shares and recorded compensation expense of $481,550. The fair value of the stock options is estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 1.57 %; estimated volatility of 92.38%; expected life of three years; and expected dividend yield of 0%.

The weighted average fair value of all stock options granted during fiscal 2010 to the Company's directors, employees and consultants was $0.41 per share.

During fiscal 2010 the Company also recorded stock-based compensation of $3,752 (2009 - $15,006) on the vesting of stock options which were granted in fiscal 2008.

4. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the Company's stock options at November 30, 2010 and 2009 and the changes for the fiscal years ended on those dates is presented below:

	2010		2009	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	462,000	0.10	462,000	0.10
Granted	1,171,752	0.52	-	-
Expired	(420,000)	0.10	-	-
Balance, end of year	1,213,752	0.51	462,000	0.10

The following table summarizes information about the stock options outstanding and exercisable at November 30, 2010:

Number Outstanding and Exercisable	Exercise Price $	Expiry Date
42,000	0.10	March 28, 2018
1,171,752	0.52	November 16, 2013
1,213,752		

5. CONTRIBUTED SURPLUS

The Company's contributed surplus at November 30, 2010 and 2009 and the changes for the fiscal years ended on those dates is presented below:

	2010 $	2009 $
Balance, beginning of year	26,261	11,255
Finder's fee warrants issued (Note 3(a))	7,866	-
Cancellation of common shares (Note 3(c))	55,000	-
Stock-based compensation on stock options (Note 4)	485,302	15,006
Balance, end of year	574,429	26,261

6. RELATED PARTY TRANSACTIONS

During fiscal 2010:

(i) the Company incurred $43,860 (2009 - $148,938) for legal services provided by a law firm of which a former officer of the Company is a partner. As at November 30, 2009, $114,217 was owing and included in accounts payable and accrued liabilities. During fiscal 2010 the law firm assigned the remaining unpaid balance of $166,052 to a party at arm's length to the Company. This balance remained outstanding at November 30, 2010 and was included in accounts payable and accrued liabilities; and

(ii) the Company incurred $1,690 for accounting and administrative services provided by a private company owned by a director of the Company. As at November 30, 2010, $1,690 remained outstanding and was included in accounts payable and accrued liabilities.

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

7. INCOME TAXES

Future income tax assets and liabilities of the Company as at November 30, 2010 and 2009 are as follows:

	2010 $	2009 $
Future income tax assets		
Loss carry forwards	126,800	74,200
Other	17,200	15,000
	144,000	89,200
Valuation allowance	(144,000)	(89,200)
Net future income tax assets	-	-
Future income tax liabilities	-	-

The recovery of income taxes shown in the statements of loss, comprehensive loss and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes as follows:

	2010 $	2009 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	28.71%	29.94%
Expected income tax recovery	193,800	72,600
Share issuance cost	6,000	4,500
Non-deductible stock-based compensation	(139,300)	(4,500)
Unrecognized benefit of income tax losses	(60,500)	(72,600)
Actual income tax recovery	-	-

As of November 30, 2010 the Company has non-capital losses of approximately $507,000 and accumulated tax pools of approximately $69,000 carried forward for Canadian tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2027 through 2030.

7. INCOME TAXES (continued)

As it is more likely than not that the Company will not realize the benefit of the income tax losses and temporary timing differences, no current or future income tax recovery has been recorded by the Company.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Cash is measured at fair value using the fair value hierarchal classification as at November 30, 2010 as follows:

Level 1 $	Level 2 $	Level 3 $
801,923	-	-

The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to its financial instruments is remote as its cash is held at large financial institutions. Amounts receivable are primarily due from the Government of Canada.

Liquidity Risk

All of the Company's liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Market Risk

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

(a) Interest Rate Risk

The Company has cash and no interest bearing debt and is not subject to significant interest rate risk.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. There is low foreign exchange risk to the Company as it currently operates in Canada.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the identification and review of asset or business acquisitions. 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 Company defines capital that it manages as shareholders equity. The Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new opportunities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities were conducted by the Company during fiscal 2010 and 2009 as follows:

	2010 $	2009 $
Financing activities		
Issuance of common shares for finders' fees	15,959	-
Common share issue costs	(23,825)	-
Contributed surplus - finder's fee warrants	7,866	-
	-	-

Other supplemental cash flow information:

	2010 $	2009 $
Interest paid in cash	-	-
Income taxes paid in cash	-	-

11. SUBSEQUENT EVENTS

(a) On December 9, 2010, as amended December 23, 2010, the Company entered into a letter of intent (the "Barannco de Loba LOI") whereby it was granted an option to acquire a 100% interest in three mineral concessions (the "Barannco de Loba Project") located in the Department of Sur de Bolivar, Colombia. To earn the interest in the Barannco de Loba Project the Company paid US $25,000 on signing and is required to pay a further US $575,000 and issue 1,000,000 common shares of the Company as follows:

Date	Cash Payments US $	Share Issuances
Upon closing	100,000	1,000,000
90 days after closing	225,000	-
6 months after closing	250,000	-
	575,000	1,000,000

The Company will also be required to pay US $53,000 for outstanding concession payments upon closing.

11. SUBSEQUENT EVENTS (continued)

The Company will also pay the vendors an additional payment of US $500,000 and issue 500,000 common shares if the Barranco de Loba Project contains a measured resource of greater than 500,000 ounces of gold but less that 1,000,000 ounces of gold. In the event the measured gold resource is 1,000,000 ounces or greater, then the Company will pay US $1,000,000 and issue 1,000,000 common shares for every 1,000,000 ounces of gold, up to a maximum of US $10,000,000 and 10,000,000 common shares.

Closing of the terms of the Barannco de Loba LOI is conditional upon completion of due diligence, execution of a definitive agreement and receipt of TSXV approval. The Barannco de Loba LOI will not form part of the Company's Qualifying Transaction.

(b) By agreements dated December 22, 2010 and February 14, 2011 the Company was granted an option (the "Santa Elena Option") to acquire a 100% undivided interest in two mining concessions (the "Santa Elena Project") located in the Antioquia District, Colombia. To earn the interest in the Santa Elena Project the Company paid US $25,000 on signing and is required to pay a further US $3,000,000 and conduct US $3,000,000 exploration expenditures, as follows:

Date	**Cash Payments US $**	**Work Expenditures US $**
Upon closing	250,000	-
3 months after closing	250,000	-
12 months after closing	-	500,000
14 months after closing	500,000	-
24 months after closing	-	1,000,000
26 months after closing	1,000,000	-
36 months after closing	-	1,500,000
38 months after closing	1,000,000	-
	3,000,000	3,000,000

The Company will also pay US $1,000,000 if the Santa Elena Project contains a measured resource of at least 300,000 tonnes of copper. The vendor will also retain a net smelter return royalty of between 2.0% - 3.0%.

Closing of the terms of the Santa Elena Option is conditional upon receipt of TSXV approval. The Santa Elena Project will form part of the Company's Qualifying Transaction.

(c) On January 6, 2011 the Company entered into a sponsorship agreement with Canaccord Genuity Corp. ("Canaccord") under which the Company paid Canaccord $25,000 and will pay a further $25,000 upon the delivery of the preliminary sponsorship report by Canaccord. The Company also paid an advance retainer of $10,000 for expenses to be incurred by Canaccord.

(d) On February 1, 2011, as amended, the Company entered into an agreement with Canaccord whereby Canaccord has agreed to act as agent for an equity financing comprising of a short form offering of up to 2,000,000 common shares of the Company at a price of $1.00 per share and a brokered private placement of up to 3,500,000 units, at a price of $1.00 per unit. Each unit will comprise one common share of the Company and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share at a price of $1.30 for a period of two years.

11. SUBSEQUENT EVENTS (continued)

Canaccord will receive a commission of 7% of the gross proceeds raised under the short form offering and brokered private placement, in cash or units at the option of Canaccord. In addition the Company will issue to Canaccord that number of warrants ("Agent's Warrants") equal to 7% of the shares and units raised and a further 125,000 units ("Corporate Finance Units") as a corporate finance fee. Each Agent's Warrant will be exercisable to purchase an additional common share at a price of $1.00 for a period of two years. The Corporate Finance Units will have the same terms as the units issued under the private placement.

The Company also intends to conduct a non-brokered private placement of 4,500,000 units at $1.00 per unit with the same terms as the brokered private placement.

The equity financings will form part of the Company's Qualifying Transaction.