VIPER GOLD LTD.

(formerly LeBoldus Capital Inc.)
(A Development Stage Company)

FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates and judgement.

The Company maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee meets periodically with management and the external auditors to review the financial statements and the results of audit examinations.

McGovern, Hurley, Cunningham, LLP, Chartered Accountants, have audited the financial statements and their report outlines the scope of their examination and gives their opinion on the financial statements.

Paul C. Davis
President and Chief Executive Officer

Joseph Del Campo
Interim Chief Financial Officer

April 14, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Viper Gold Ltd.

We have audited the accompanying financial statements of Viper Gold Ltd. which comprise the balance sheet as at December 31, 2010, and the statement of operations, statement of comprehensive loss, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Viper Gold Ltd**.** as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters
The financial statements of Viper Gold Ltd. for the year ended December 31, 2009, were audited by other auditors who expressed an unmodified opinion on those statements on April 20, 2010.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes that the Company is in the development stage and will require additional financing to fund the development of its property. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 14, 2011

VIPER GOLD LTD.
(A Development Stage Company)

BALANCE SHEETS
(Expressed in Canadian Dollars)

As at December 31,	2010	2009
Current assets		
Cash	**$ 1,323,599**	$ 155,466
Amounts receivable	**18,609**	2,579
Prepaid expenses and deposit *(note 4)*	**9,076**	25,000
	1,351,284	183,045
Equipment *(note 5)*	**1,051**	-
Mineral exploration properties *(note 6)*	**330,982**	-
	$ 1,683,317	$ 183,045
Current liabilities		
Accounts payable and accrued liabilities *(note 10)*	**$ 83,886**	$ 21,646
Shareholders' Equity		
Share capital *(note 7)*	**1,375,051**	231,926
Warrants *(note 7)*	**422,583**	-
Contributed surplus *(note 8)*	**44,582**	20,255
Deficit	**(242,785)**	(90,782)
	1,599,431	161,399
	$ 1,683,317	$ 183,045

Going concern *(note 2)*
Commitments and contingencies *(notes 6 and 13)*
Subsequent events *(note 15)*

Approved on Behalf of the Board:

Joseph Del Campo	*Paul C. Davis*
Director	Director

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

VIPER GOLD LTD.
(A Development Stage Company)

STATEMENTS OF OPERATIONS

(Expressed in Canadian Dollars)

For the years ended December 31,	**2010**	2009
Revenue		
Interest income	**$ 173**	$ 409
Administrative expenses		
Stock-based compensation *(note 7(d))*	**24,327**	–
Professional and consulting fees	**50,719**	48,992
General and administrative expenses	**76,922**	12,488
Amortization	**208**	-
	152,176	61,480
Net loss for the year	**$ (152,003)**	$ (61,071)
Net loss per share - basic and diluted	**$ (0.03)**	$ (0.06)
Weighted average number of common shares outstanding – basic and diluted	5,154,712	1,000,000

STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the years ended December 31,	**2010**	2009
Net loss for the year	**$ (152,003)**	$ (61,071)
Other comprehensive loss	**–**	–
Comprehensive loss for the year	**$ (152,003)**	$ (61,071)

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

VIPER GOLD LTD.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended December 31,	**2010**	2009
Operating Activities		
Net loss for the year	**$ (152,003)**	$ (61,071)
Items not affecting cash:		
Stock-based compensation	**24,327**	-
Amortization	**208**	-
	(127,468)	(61,071)
Net changes in non-cash working capital balances		
Amounts receivables	**(16,030)**	(2,122)
Prepaid expenses	**(9,076)**	-
Accounts payable and accrued liabilities	**21,453**	1,031
Net cash used by operating activities	**(131,121)**	(62,162)
Investing Activities		
Mineral exploration properties	**(285,982)**	-
Acquisition of equipment	**(1,259)**	-
Refund of (deposit) on Kinetex purchase agreement *(note 4)*	**25,000**	(25,000)
Net cash used by investing activities	**(262,241)**	(25,000)
Financing Activities		
Private placement proceeds – gross	**1,838,750**	-
Share issue costs	**(277,255)**	3,602
Net cash provided by financing activities	**1,561,495**	3,602
Increase (decrease) in cash	**1,168,133**	(83,560)
Cash , beginning of year	**155,466**	239,026
Cash , end of year	**$ 1,323,599**	$ 155,466
Supplemental Information		
Interest paid	$ -	$ -
Common shares issued for interest in exploration property *(notes 6 and 7(b))*	$ 45,000	$ -
Finders' warrants issued for services (note 7(c))	$ 25,845	$ -
Change in accrued share issue costs	$ 40,787	$ -

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

1. NATURE OF OPERATIONS

Viper Gold Ltd. (formerly LeBoldus Capital Inc.) (the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on January 29, 2008. Until August 19, 2010, the Company was classified as a capital pool company as defined by TSX Venture Exchange (the "TSXV") Policy 2.4. During the year ended December 31, 2010, the Company completed its Qualifying Transaction, namely, the optioning of the Corongo Property as described in note 6. The Company is a public corporation whose shares are listed and posted for trading on the TSXV under the symbol "VPR" (formerly "LEB"). The Company is a development stage company, as defined by the Canadian Institute of Chartered Accountants Accounting Guideline 11, and is in the business of acquiring and exploring mineral properties with a view to developing mineable deposits of precious and base metals.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. The Company's mineral property interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, and political uncertainties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory and environmental requirements.

2. GOING CONCERN

The Company is in the development stage and has entered into an option agreement providing for the right to acquire a 50% interest in certain mineral claims in Peru, from which no revenue has yet been generated. These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in these financial statements. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet ongoing administration expenses and related liabilities as they fall due.

3. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the basis of application is consistent with that of the previous year except where disclosed below. The significant accounting policies are summarized as follows:

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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of management provisions, future income taxes, warrants and stock based compensation. The effect of changes in such estimates on the financial statements in future periods could be significant.

The Black-Scholes option-pricing model used by the Company to determine the fair value of the warrants and options, was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's warrants and options granted during the year.

Cash

Cash consists of balances with financial institutions.

Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization using the straight line method at a rate of 33% which is designed to amortize the cost of the equipment over its estimated useful life. One half of the year's amortization is recorded in the year of acquisition.

Translation of Foreign Currencies

The functional and reporting currency of the Company is the Canadian dollar. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

Mineral Exploration Properties and Deferred Exploration Costs

Mineral exploration properties are recorded at the direct cost of acquisition. Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral exploration properties. Deferred exploration costs represent the costs incurred in conducting exploration work for unknown or unproven ore deposits. These costs are deferred until the commencement of commercial mining operations or until such time that the interests in the associated properties are disposed of. Deferred exploration costs associated with projects which prove to be economically unviable are written off. Proceeds derived from the full or partial disposal of interests in properties are credited against the carrying cost of the related property.

The amounts shown for mineral exploration properties and deferred exploration costs represent costs incurred to date and do not necessarily reflect present or future values.

The Company reviews its mineral exploration properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. An impairment loss is recognized when the carrying amount of the mineral properties is not recoverable and exceeds its fair value. It is reasonably possible, based on existing knowledge that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Asset Retirement Obligations

The Company will record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral exploration properties and is amortized over the useful life of the properties. The Company does not believe that it currently has any legal obligations relating to the reclamation of its exploration properties as at December 31, 2010.

Stock-Based Compensation

The Company has a stock-based compensation plan, which is described in note 7(d). The Company follows the fair value method of accounting for all stock-based compensation arrangements. The fair value of each option granted during the period is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model, with the related increase to contributed surplus. When options are exercised, the proceeds received, together with any amount in contributed surplus, will be credited to share capital.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. 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 derecognized or impaired.

The Company has classified its cash and amounts receivable as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the enacted or substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized. To the extent that it is not more likely than not that a future asset will be realized, a valuation allowance is provided.

Loss Per Share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. The treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. See notes 7(c) and (d) for potentially dilutive securities for the years ended December 31, 2010 and 2009. The outstanding options and warrants to purchase common shares were not included in the computation of the diluted loss per share because the effect would be anti-dilutive.

For the year ended December 31, 2010, the Company had 1,858,500 common shares held in escrow which are to be released over a period of 36 months upon closing of the Company's Qualifying Transaction. Of these shares, 1,500,000 were excluded from the weighted average number of shares outstanding for the year ended December 31, 2009 because they were contingently returnable.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue

Interest income is recognized when earned.

Future Accounting Changes:

Adoption of International Financial Accounting Standards

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for its fiscal year ending December 31, 2011 and apply them to its opening January 1, 2010 balance sheet. The adoption of these standards is not expected to have a significant impact on the financial statements.

In January 2009, the CICA issued the new Handbook Section 1582, "Business Combinations". This pronouncement further aligns Canadian GAAP with IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquire, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Concurrently, the CICA issued Handbook Sections 1601 "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which replace the existing standards. These sections establish the standards for the preparation of, and accounting for a non-controlling interest in a subsidiary in, consolidated financial statements. Each of these three sections is effective for fiscal years beginning on or after January 1, 2011. The Company does not believe that adoption of these standards will have a significant effect on its financial statements.

4. DEPOSIT

On February 18, 2009, the Company entered into a purchase and sale agreement with Kinetex Multi-Component Services Inc., an arm's length vendor, providing for the acquisition of a 100% undivided interest in two mineral claims, subject to a 2.5% net returns royalty, which was amended. On December 4, 2009, the Company announced the termination of the agreement, previously intended to constitute its Qualifying Transaction, pursuant to the applicable policies of the TSXV. In connection with the terms of the agreement, the deposit in the amount of $25,000 previously paid by the Company was refunded by Kinetex on February 22, 2010.

5. EQUIPMENT

	2010		**2009**	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Equipment	$ 1,259	$ 208	$ -	$ -
Net	**$ 1,051**		**$ -**	

6. MINERAL EXPLORATION PROPERTIES

	Year ended December 31, 2010		
	Opening Balance	Expenditures	Closing Balance
Corongo Property	$ -	$ 330,982	$ 330,982
	$ -	**$ 330,982**	**$ 330,982**

On March 17, 2010, the Company entered into an option agreement ("Option Agreement") with Duran Ventures Inc. ("Duran"), an arm's length resources company, and its subsidiary Minera Aguila de Oro S.A.C. ("Minera"), providing for the right to acquire a 50% interest in certain mineral claims comprising a prospective gold property known as the Corongo Property in Peru. The Option Agreement was subsequently amended June 22, 2010 and again on August 5, 2010. The Option Agreement, as amended, provides for the acquisition of a 50% interest in certain mineral claims comprising the Corongo Property in consideration for: (i) the payment of US$25,000 in cash upon execution of the Agreement ($25,457 paid), (ii) the Company incurring not less than US$1,000,000 in exploration expenditures on the Corongo Property (US$250,000 or $260,525 incurred) prior to March 10, 2012; and (iii) the issuance of 1,000,000 common shares in the capital of the Company as to: (a) 300,000 common shares on or prior to the closing of the Qualifying Transaction (issued and valued at $45,000); (b) 300,000 common shares on or prior to March 10, 2011 (issued); and (c) 400,000 common shares on or prior to March 10, 2012. The Company will be the operator of the project.

The right of the Company to acquire a 50% interest in the Corongo Property is an option only. The Company is not required to complete any cash payments, exploration expenditures or share issuances under the Option Agreement and may terminate its option at any time without further obligation to Duran under the Option Agreement.

7. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares issuable in series

Issued
11,705,000 common shares

	Number	Amount
Balance December 31, 2008	2,500,000	$ 228,324
Reduction in share issuance costs	-	3,602
Balance December 31, 2009	2,500,000	231,926
Shares issued for cash consideration in private placements (note 7(a))	8,905,000	1,838,750
Share issuance costs	-	(289,443)
Value attributed to warrants on private placements (note 7(c))	-	(451,182)
Shares issued for interest in mineral exploration property (note 7(b))	300,000	45,000
Balance December 31, 2010	11,705,000	$ 1,375,051

a) Private Placements

On February 25, 2010, the Company issued 2,000,000 common shares at a price of $0.10 per share for gross aggregate proceeds of $200,000.

On August 17, 2010, the Company issued a total of 1,750,000 units at a price of $0.20 per unit for gross proceeds of $350,000. Each unit consisted of one common share and one common share purchase warrant of the Company with each warrant entitling the holder to purchase one additional common share of the Company at a price of $0.40 per share for a period of 24 months from the closing of the offering, subject to acceleration in certain circumstances. Directors and officers of the Company subscribed for an aggregate of 300,000 units for gross proceeds of $60,000 pursuant to this financing.

On December 17, 2010, the Company issued a total of 5,155,000 units at a price of $0.25 per unit for gross proceeds of $1,288,750. Each unit consisted of one common share and one common share purchase warrant of the Company with each warrant entitling the holder to purchase one additional common share of the Company at a price of $0.30 per share for a period of 24 months from the closing of the offering, subject to acceleration in certain circumstances.

b) Shares Issued for Mineral Exploration Properties

On August 17, 2010, the Company issued 300,000 common shares valued at $0.15 per share based on the price of the financing that closed August 17, 2010, to Duran under the Option Agreement described in note 6.

7. ***SHARE CAPITAL (Continued)***

c) ***Warrants***

A summary of the Company's outstanding warrants and changes during the years indicated is as follows:

	December 31, 2010			**December 31, 2009**		
	Number of warrants	Weighted Average Exercise Price	Value	Number of warrants	Weighted Average Exercise Price	Value
Balance, beginning of year	-	$ -	$ -	-	$ -	$ -
Finders' warrants issued	104,000	0.20	4,919	-	-	-
Finders' warrants issued	409,200	0.25	20,926	-	-	-
Share purchase warrants issued	5,155,000	0.30	321,603	-	-	-
Share purchase warrants issued	1,750,000	0.40	75,135	-	-	-
Balance, end of year	7,418,200	$ 0.32	$ 422,583	-	$ -	$ -

The fair value of the 1,750,000 warrants and 104,000 finders' warrants (classified as contributed surplus) issued in connection with the private placement that closed on August 17, 2010 have been estimated at $81,094 and $4,919 respectively, using the Black-Scholes option pricing model. The following weighted average assumptions were used: Risk-free interest rate – 1.39%; Expected volatility – 100%; Expected dividend yield – nil; Expected life – 2 years and 1 year, respectively.

The fair value of the 5,155,000 warrants and 409,200 finders' warrants (classified as contributed surplus) issued in connection with the private placement that closed on December 17, 2010 have been estimated at $370,088 and $20,926 respectively, using the Black-Scholes option pricing model. The following weighted average assumptions were used: Risk-free interest rate – 1.63%; Expected volatility – 100%; Expected dividend yield – nil; Expected life – 2 years and 1 year, respectively.

The weighted average remaining contractual life of the issued and outstanding warrants as at December 31, 2010 was 1.81 years.

d) ***Stock options***

A summary of the changes in outstanding stock options is shown below:

	December 31, 2010		**December 31, 2009**	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning of year	350,000	$ 0.20	350,000	$ 0.20
Stock options issued	250,000	0.20	-	-
Agent's options expired	(100,000)	0.20	-	-
Balance, end of year	500,000	$ 0.20	350,000	$ 0.20
Exercisable	462,500	$ 0.20	350,000	$ 0.20

7. ***SHARE CAPITAL (Continued)***

d) ***Stock options (continued)***

The Company has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, and consultants of the Company with common shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares with no one individual being granted more than 5% of the issued and outstanding common shares.

On August 17, 2010, the Company granted options to two directors of the Company to acquire an aggregate of 200,000 options, exercisable at a price of $0.20 per common share for a period of five years from the date of grant. The options vested immediately upon grant.

On October 1, 2010, the Company granted options to a consultant to acquire an aggregate of 50,000 options, exercisable at a price of $0.20 per share for a period of five years from the date of grant. The options vest in four equal tranches every quarter with the first tranche having vested on December 31, 2010.

December 31, 2010			**December 31, 2009**		
Number of common shares under option	Weighted average exercise price per option	Expiry	Number of common shares under option	Weighted average exercise price per option	Expiry
250,000	$ 0.20	July 10, 2013	250,000	$ 0.20	July 10, 2013
-			100,000	0.20	July 10, 2010
200,000	0.20	Aug 17, 2015	-		
50,000	0.20	Oct 1, 2015	-		
500,000	$ 0.20		350,000	$ 0.20	

The weighted average grant date fair value of the 250,000 options issued in fiscal 2010 of $0.13 per option, was estimated using the Black-Scholes option pricing model. The following weighted average assumptions were used: Risk-free interest rate – 2.03% - 2.18%; Expected volatility – 100%; Expected dividend yield – nil; Expected life – 5 years. The weighted average remaining contractual life of the issued and outstanding options as at December 31, 2010 was 4.10 years.

8. CONTRIBUTED SURPLUS

		December 31 2010		**December 31 2009**
Balance, beginning of the year	$	20,255	$	20,255
Stock based compensation – Employee (note 7(d))		21,370		-
Stock based compensation – Non-Employee (note 7(d))		2,957		-
Balance, end of year	$	44,582	$	20,255

9. FUTURE INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of approximately 31% (2009 – 32%) were as follows:

Years ended December 31,		**December 31, 2010**		December 31, 2009
Loss before income taxes:	**$**	**(152,003)**	$	(61,071)
Expected income tax (recovery)		**(47,100)**		(19,500)
Increase (decrease) resulting from:				
Stock-based compensation		**7,500**		-
Share issue costs		**(79,510)**		1,879
Non-tax portion of capital loss carry forward		**-**		2,139
Change in tax rates		**7,722**		10,341
Change in valuation allowance		**111,388**		5,141
	$	**-**	$	-

b) Future Income Tax Balances

The components of future income tax balances are as follows:

		December 31, 2010		December 31, 2009
Future income tax asset				
Non-capital loss carry-forwards	$	79,100	$	25,535
Capital loss carry-forward		2,100		2,139
Share issue costs		75,200		17,338
Valuation allowance		(156,400)		(45,012)
	$	-	$	-

9. FUTURE INCOME TAXES *(Continued)*

The Company has approximately $331,000 (2009 – $Nil) of foreign exploration expenditures as at December 31, 2010 which, under certain circumstances, may be utilized to reduce taxable income of future years. As at December 31, 2010, the Company had available for deduction against future taxable income, non-capital losses in Canada of approximately $316,034 (2009 – $102,139) which expire as follows:

Year of Expiry	Amount
2028	$ 35,060
2029	67,079
2030	213,895
	$ 316,034

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company incurred fees in the amount of $135,552 (2009 - $34,357) from a law firm of which a director is a partner for legal fees related to share issuance costs (note 7) and the Qualifying Transaction (note 6), of which $62,662 (2009 - $8,036) is included in accounts payable.

During the year ended December 30, 2010, a director and an officer of the Company was paid a total of $17,225 for services rendered, of which $6,356 (2009 - $Nil) is included in accounts payable.

These amounts are unsecured, non-interest bearing with no fixed terms of repayment. The above related party transactions have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties.

See also note 7(a) for a description of related party share subscriptions.

11. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous year.

Credit Risk

Credit risk is the risk of loss associated with counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and amounts receivables. Cash is held with a reputable Canadian financial institution, from which management believes the risk of loss is remote. Financial instruments included in amounts receivable consists of harmonized sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in sundry receivables is minimal.

Liquidity Risk

As at December 31, 2010, the Company had working capital of $1,267,398. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company has a sufficient cash balance to settle current liabilities.

Market Risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company’s viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Company is involved will be influenced by precious and/or base meal prices and by the relationship of such prices to productions cots. Such prices can fluctuate widely and are affected by numerous factors beyond the Company’s control.

Interest Rate Risk

The Company has cash balances and currently does not carry interest-bearing debt. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. As at December 31, 2010, the Company’s exposure to interest rate risk is minimal.

11. FINANCIAL RISK MANAGEMENT *(Continued)*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is required to make all exploration expenditures required under the Option Agreement in US dollars (note 6) but does not use derivative instruments to manage its exposure to foreign currency. The Company did not have any significant balances denominated in US dollars as at December 31, 2010 and 2009.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

Fair Value

Financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities, the fair value of which are considered to approximate their carrying value due to their short-term maturities.

12. CAPITAL MANAGEMENT

The Company considers the items included in shareholders' equity as capital. The shareholders' equity at December 31, 2010 was $1,599,431 (2009 - $161,399).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to maintain the Company in good standing with the various regulatory authorities. 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 Company. The Company has no debt and is not subject to externally imposed capital requirements. There were no changes in the Company's management of capital during the years ended December 31, 2010 and 2009.

13. COMMITMENTS AND CONTINGENCIES

Consulting Agreement

On October 1, 2010, the Company engaged Advanture Capital Partners Inc. ("Advanture") to provide investor relations, corporate communications and marketing services. The agreement with Advanture is for an initial term of six months beginning October 1, 2010 and may be extended for a further six months. The Company is committed to monthly cash payments of $6,500. A grant of 50,000 stock options in the capital of the Company at an exercise price of $0.20 per share was made effective October 1, 2010 (see note 7(d)).

On October 27, 2010 (effective August 17, 2010), the Company entered into a consulting agreement with Paul C. Davis, the Company's President and Chief Executive Officer, to provide management services to the Company. The Company will pay Mr. Davis a per diem rate of $650 to a maximum of $4,000 monthly, along with a vehicle allowance of $55 per day to a maximum of $330 per month. The agreement is for a one year term, expiring August 17, 2011.

Environmental Matters

The Company currently has an exploration property interest in Peru. The enforcement of environmental regulation in Peru is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations.

The Company's exploration activities are subject to various federal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

See also note 15.

14. SEGMENTED INFORMATION

The Company's only activity is mineral exploration and development. The Company's sole exploration property interest is located in Peru (see note 6). Substantially all of the Company's operating expenditures are incurred in Canada.

15. SUBSEQUENT EVENTS

On January 26, 2011, the Company granted a total of 481,000 stock options to directors, officers and a consultant of the Company, exercisable at a price of $0.40 per common share for a period of five years from the date of grant. The 456,000 options granted to directors and officers vested immediately. The 25,000 options granted to the consultant vest as to ¼ on each of the 3rd, 6th, 9th, and 12th month anniversaries of the date of grant.

On February 14, 2011, the Company entered into a lease for office space commencing May 1, 2011 and ending April 30, 2013. Future minimum rental payments under this lease are as follows:

	Amount
2011	$ 9,250
2012	9,404
2013	9,481
	$ 28,135

On March 10, 2011, the Company issued 300,000 common shares valued at $72,000 to Duran pursuant to the Option Agreement described in note 6.

On March 29, 2011, Mr. Ram Ramachandran was appointed to the Company's board of directors. Mr. Ramachandran was granted 100,000 stock options in connection with his appointment, exercisable at a price of $0.26 per common share for a period of five years from the date of grant, all of which vested immediately.

On April 1, 2011, the Agreement with Advanture Capital Partners Inc. was extended a further six months by mutual consent of both parties.