

KOKANEE MINERALS INC.

(A Development Stage Company)

FINANCIAL STATEMENTS

(Expressed in Canadian dollars)
September 30, 2010 AND 2009


AUDITORS' REPORT**To the Shareholders of
Kokanee Minerals Inc.**

We have audited the consolidated balance sheet of Kokanee Minerals Inc. as at September 30, 2010 and 2009 and the consolidated statements of earnings 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Burnaby, B.C.
March 15, 2011



KANESTER JOHAL
Chartered Accountants

KOKANEE MINERALS INC.
(A Development Stage Company)
BALANCE SHEET

As at September 30, 2010 and 2009
(Expressed in Canadian dollars)

	September 30, 2010	September 30, 2009
ASSETS		
Current Assets		
Cash	\$ 55,946	\$ 118
Prepaid expenses and deposits	45	45
Prepaid exploration costs (note 4)	200,961	-
	<u>256,952</u>	<u>163</u>
Deferred financing costs	-	53,572
Resource property interests (note 5)	428,565	490,533
Reclamation deposit	11,635	-
	<u>\$ 697,152</u>	<u>\$ 544,268</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 312,682	\$ 264,252
Advances from related parties (note 6)	444,865	-
	<u>757,547</u>	<u>264,252</u>
Advances from related parties (note 6)	-	318,618
	<u>757,547</u>	<u>582,870</u>
Shareholders' Equity		
Share capital (note 7)	1,449,018	510,003
Contributed surplus (note 7 (g))	268,069	-
Deficit	(1,777,482)	(548,605)
	<u>(60,395)</u>	<u>(38,602)</u>
	<u>\$ 697,152</u>	<u>\$ 544,268</u>

Going concern (note 2)
Commitments and contingencies (note 12)

The accompanying notes are an integral part of the financial statements

Approved on behalf of the board:

"Souhail (Abby) Farrage"
Souhail (Abby) Farrage,
Director, President & CEO

"Patricia Wilson"
Patricia Wilson
Chief Financial Officer

KOKANEE MINERALS INC.

(A Development Stage Company)

Statement of Operations and Comprehensive Loss and Deficit

For the years ended September 30, 2010 and 2009

(Expressed in Canadian dollars)

	2010	2009	Accumulated During the Development Stage 1-May-06 to 30-Sep-10
Operating Expenses			
Accounting and legal	\$ 74,314	\$ 37,024	\$ 375,653
Automotive	-	-	266
Bank charges	169	107	1,021
Consultant fees	2,750	1,200	51,387
Investor relations	35,901	-	35,901
Management fees	19,215	18,900	185,267
Meals and entertainment	-	-	314
Office expenses	905	150	1,733
Postage and courier	-	-	237
Securities filing	18,938	5,711	57,939
Stock based compensation	181,523	-	181,523
Travel	19,419	-	19,419
	353,134	63,092	910,660
Loss From Operations	353,134	63,092	910,660
Other (Income) expenses			
Interest expense	15,809	23,044	45,997
Gain on forgiveness of debt (note 6(a))	-	(39,109)	(39,109)
Resource property written-off (note 5(a))	859,934	-	859,934
Net comprehensive loss for the year	1,228,877	47,027	1,777,482
Deficit, beginning of the year	548,605	501,578	-
Deficit, end of the year	\$ 1,777,482	\$ 548,605	\$ 1,777,482
Loss Per Share - Basic and Diluted	\$ (0.075)	\$ (0.004)	
Weighted Average Shares Outstanding	16,410,473	10,470,588	

The accompanying notes are an integral part of the financial statements

KOKANEE MINERALS INC.
(A Development Stage Company)

Statement of Cash Flows

For the years ended September 30, 2010 and 2009
(Expressed in Canadian dollars)

	2010	2009	Accumulated During the Development Stage 1-May-06 to 30-Sep-10
OPERATING ACTIVITIES			
Net comprehensive loss for the year	\$ (1,228,877)	\$ (47,027)	\$ (1,777,482)
Non-cash items:			
Gain on forgiveness of debt	-	(39,109)	(39,109)
Resource property written-off	859,934	-	859,934
Stock based compensation	181,523	-	181,523
	(187,420)	(86,136)	(775,134)
Change in non-cash working capital items:			
Prepaid expenses and deposits	-	-	(45)
Prepaid exploration costs	(200,961)	-	(200,961)
Deferred financing costs	53,572	(53,572)	-
Accounts payable and accrued liabilities	48,430	87,028	405,108
Net cash used in operating activities	(286,379)	(52,680)	(571,032)
FINANCING ACTIVITIES			
Issuance of common shares	1,200,000	-	1,710,001
Share issue costs	(219,439)	-	(219,439)
Related party advances	126,247	67,895	439,245
Net cash provided by financing activities	1,106,808	67,895	1,929,807
INVESTING ACTIVITIES			
Deferred exploration expenditures	(752,966)	(15,226)	(1,291,194)
Reclamation deposit	(11,635)	-	(11,635)
Net cash used in investing activities	(764,601)	(15,226)	(1,302,829)
Increase (decrease) in cash	55,828	(11)	55,946
Cash, beginning of year	118	129	-
Cash, end of year	\$ 55,946	\$ 118	\$ 55,946
Supplemental cash flow information			
Cash paid for interest	\$ 18,636	\$ 23,044	\$ 47,766
Shares issued for resource property interests	\$ 45,000	\$ -	\$ 45,000
Shares issued for debt settlement	\$ -	\$ -	\$ 45,000
Shares issued for underwriter commission	\$ 15,499	\$ -	\$ 15,499
Warrants issued to agent	\$ 86,546	\$ -	\$ 86,546

The accompanying notes are an integral part of the financial statements

KOKANEE MINERALS INC.

(A Development Stage Company)

Notes to the Financial Statements

For the years ended September 30, 2010 and 2009
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Kokanee Minerals Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on August 25, 2005. The Company began its operations on May 1, 2006. The company is in the business of exploring mineral properties and has not yet generated revenues from operations. Accordingly, the Company is considered to be an enterprise in the development stage. On January 19, 2010, the Company's common shares were listed for trading on the TSX Venture Exchange ("TSX-V") (trading symbol KOK).

2. GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at September 30, 2010 and 2009, the Company had a working capital deficiency of \$500,595 (2009: \$264,089) and a deficit of \$1,777,482 (2009: \$548,605). Management is aware of material uncertainties present that cast doubt upon the company's ability to continue as a going concern, the most significant of these being the company's ability to obtain additional long-term financing and the continued financial support of the Company's shareholders. Other uncertainties include the fact that the company is currently at the exploration stage for its interests in mineral properties for which the economic viability has not been assessed. The Company is in the process of exploring and evaluating its mineral property interest. The Company presently has no proven or probable reserves identified and on the basis of information to date, has not yet determined whether its mineral property interest contains economically recoverable resources. The recoverability of the amounts shown for resource property interests is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of the mineral properties. The outcome of these matters cannot be predicted at this time. The Company is considering a number of alternatives to secure additional capital including additional funding facilities or equity raisings. Although management intends to secure additional financing there is no assurance that management can secure additional financing or that it will establish future profitable operations. These factors together raise substantial doubt about the Company's ability to continue as a going concern.

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used and such amounts would be material.

KOKANEE MINERALS INC.

(A Development Stage Company)

Notes to the Financial Statements

For the years ended September 30, 2010 and 2009
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3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements.

The financial statements have, in managements' opinion been prepared in accordance with Canadian generally audited accounting principles, the most significant being as follows:

Financial instruments

During the year, the Company adopted the amendments made by the Canadian Institute of Chartered Accountants to handbook sections 3862 - Financial Instruments - Disclosures and 3855 - Financial Instruments Recognition and Measurement and EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, none of which made a significant effect on the Company's disclosure on financial assets and liabilities.

The Company classifies each of its financial instruments into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value as at the balance sheet date except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. The Company classifies its financial instruments as follow:

- Cash and cash equivalents and reclamation deposit are classified as "held-for-trading" and are measured at fair value with any changes in fair value recognized in earnings of the period.
- Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities and are measured at amortized cost. Management has determined that this approximates their fair value due to their short-term nature.

The CICA Handbook section 3862 requires disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

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

The Company's cash is valued at fair value and is classified as Level 1. The Company's accounts payable are considered Level 3 as the fair value estimates are primarily based on management's judgement of fair value without an observable market or with related parties where arm's length comparables are not available.

Transaction costs related to financial instruments other than those held-for-trading are capitalized as part of the cost of the financial instrument and are amortized to operations using the effective interest rate method.

KOKANEE MINERALS INC.

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Notes to the Financial Statements

For the years ended September 30, 2010 and 2009
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3. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

Comprehensive income (loss)

The Company follows CICA Handbook Section 1530, Comprehensive Income. Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. The Section establishes standards for reporting and presenting certain gains and losses not normally included in net income or loss, such as unrealized gains and losses related to available for sale securities and gains and losses resulting from the translation of self-sustaining foreign operations, in a statement of comprehensive income.

This standard requires the presentation of comprehensive income and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. The presentation of "accumulated other comprehensive income" in the shareholders' equity section of the balance sheet is not required as the Company has had no other comprehensive income or loss transactions from inception.

Translations of foreign currency

The accounts of the Company are measured using the Canadian dollar as the functional currency. Foreign currency transactions are translated into Canadian dollars at the rates prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the balance sheet date and non-monetary items are translated using historical exchange rates. Exchange gains or losses arising on the transaction or settlement of foreign currency denominated monetary items are included in the determination of net loss.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less on the date of purchase to be cash equivalents. Cash equivalents are carried at cost, plus accrued interest, which approximates fair market value

Resource property interests

The Company records its interest in resource properties at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, the cost of resource properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual or future values. Recovery of carrying values is dependent upon future commercial success or proceeds from disposition of the mineral interests.

Management evaluates each resource interest for impairment on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding, whether impairment is indicated.

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3. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

Resource property interest (Cont'd.)

Resource property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General investigation and exploration costs not related to specific properties are charged to operations in the period in which they are incurred.

Stock-based compensation

The Company follows the Canadian Institute of Chartered Accountants "CICA" Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards be measured using a fair value method. Under the standard all awards are measured and expensed or allocated to specific asset accounts, as applicable, in the period of grant or modification. Awards granted with vesting provisions are recognized over the expected vesting period. The fair value of options and other stock-based awards issued or altered in the period, are determined using an option pricing model. Upon the exercise of stock options or warrants, the fair value of the share based award is allocated from contributed surplus to share capital.

Asset retirement obligations

The Company follows the CICA Handbook Section 3110 "Asset Retirement Obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standard applies to potential statutory, regulatory, or civil obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standard requires that a liability for an asset retirement obligation be recognized in the period in which it is reasonably estimable and a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost would be recognized over the expected life of the asset. Management has reviewed the Company's long-lived assets for known or expected obligations. These financial statements do not include any adjustments related to asset retirement obligations. Any future retirement costs will be recognized on a systematic basis when determinable and quantifiable.

Impairment of long-lived assets

The Company reviews the carrying value of long-lived assets whenever events or changes in circumstances occur that would indicate impairment. Carrying value is assessed by management with reference to the estimated recoverable value based on factors including, estimated undiscounted and discounted future cash flows, financial operating conditions, obsolescence and value in use. Should management determine that the carrying value of an asset or group of assets is determined to be impaired in value, an impairment charge is recorded in the period so determined.

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Notes to the Financial Statements

For the years ended September 30, 2010 and 2009
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

Share issue costs

Costs associated with the issuance of shares are charged directly to share capital.

Administrative costs

Administrative costs not directly related to resource properties are recognized as period costs and are expensed in the period incurred.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income assets and liabilities are determined based on differences between the financial statements carrying amounts of existing assets and liabilities and their respective income tax bases (temporary difference) and are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. Future tax benefits, such as non-capital loss carry forwards, are recognized if realization of such benefits is considered more likely than not and the Company provides a valuation allowance against the excess.

Loss per share

Basic loss per share is computed by dividing the income (loss) for the year by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the income (losses) incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

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 mineral interests assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates are the determination of impairment of resource property interests, future income taxes, fair value determinations of financial instruments, stock-based transactions and non-monetary transactions. Actual results could differ from those estimates.

Capital Disclosures

The Company has established standards as required for disclosing information about the Company's objectives, policies and processes for managing its capital, compliance with any capital requirements and the consequences of any non-compliance, if applicable. The disclosures are included in Note 11.

KOKANEE MINERALS INC.

(A Development Stage Company)

Notes to the Financial Statements

For the years ended September 30, 2010 and 2009
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

New Accounting Standards issued, but not yet adopted

i) International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The conversion date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of October 1, 2011 will require a reconciliation of any significant differences identified and restatement if applicable for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company has begun assessing the implications of the change over to reporting under IFRS and had begun the quantification process of starting the opening IFRS balance sheet. Management plans for conversion to IFRS to include further internal training, external consulting on complex issues, Board and Audit Committee oversight and determining what additional qualitative and supplementary information will be required of the information systems. The conversion plan, training and assessment process will continue through 2011.

ii) Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests which replace CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after March 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for interim and annual consolidated financial statements for fiscal years beginning on or after December 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. Adoption is not expected to have a material impact on the company's financial reporting based on current operations.

4. PREPAID EXPLORATION COSTS

Prepaid exploration costs represent advances to contractors that are responsible for the mining and development of the mineral claims.

5. RESOURCE PROPERTY INTERESTS

There are inherent risks associated with title to mineral properties due to the difficulty of determining the validity of claims, as well as the potential for problems to arise from the frequently ambiguous conveyance history characteristic of mineral properties. The Company has investigated title to its mineral property and, to the best of its knowledge; title to its mineral property is in good standing.

KOKANEE MINERALS INC.
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Notes to the Financial Statements

For the years ended September 30, 2010 and 2009
(Expressed in Canadian dollars)

5. RESOURCE PROPERTY INTERESTS (Cont'd.)

SCHEDULE OF RESOURCE PROPERTIES
For the Year ended September 30, 2010

	Diamond Peak Property 5(a)	Tanzania Jackson Gold Project 5(b)
Cost of Mining Property		
Acquisition costs		
Balance, September 30, 2009	\$ 65,094	\$ -
Additional costs:	45,000	93,591
Balance, September 30, 2010	110,094	93,591
Exploration costs		
Balance, September 30, 2009	425,439	-
Additional costs:		
Consulting fees	24,400	33,000
Drilling & Exploration fees	184,720	102,180
Insurance & Permits	23,344	-
Option & lease	55,565	75,000
Maintenance	21,233	-
Supplies & Miscellaneous	-	99,801
Travel & Accommodation	15,139	24,993
	324,401	334,974
Balance, September 30, 2010	749,840	334,974
Total costs, September 30, 2010	859,934	428,565
Less: Write-off (note 5(a))	(859,934)	-
Resource property interest as of September 30, 2010	\$ -	\$ 428,565

SCHEDULE OF RESOURCE PROPERTY
For the Year ended September 30, 2009

	Diamond Peak Property 5(a)
Cost of Mining Property	
Acquisition costs	
Balance, September 30, 2008	\$ 65,094
Additional costs:	-
Balance, September 30, 2009	65,094
Exploration costs	
Balance, September 30, 2008	410,213
Additional costs:	
Maintenance	14,000
Supplies & Miscellaneous	1,226
	15,226
Balance, September 30, 2009	425,439
Resource property interest as of September 30, 2009	\$ 490,533

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Notes to the Financial Statements

For the years ended September 30, 2010 and 2009
 (Expressed in Canadian dollars)

5. RESOURCE PROPERTY INTERESTS (Cont'd.)

5 (a) Diamond Peak Property, Eureka County Nevada, United States (Cont'd.)

The Diamond Peak Property is located in Eureka County, Nevada and consists of 38 unpatented mining claims.

In January 2007, the Company entered into an option agreement (“the Option Agreement”) with Max Resource, Inc. (“Optionor”). Through the Option Agreement, the Company was granted an option (“the Option”) to acquire a 51% right, title and interest in Max Resource, Inc.’s option to purchase the Diamond Peak Property and mineral property claims from the owner, the Wendt Family Trust.

On execution of the Option Agreement, the Company paid US\$25,000 to the Optionor, and issued 100,000 common shares to the Optionor. During the 2008 fiscal year, as per the terms of the agreement the Company paid US\$35,000 to the Optionor, and issued 200,000 common shares to the Optionor.

Subsequently, an Amending Agreement to the original Option Agreement had been entered into that required the Company to make certain annual payments and share issuances to the Optionor as follows:

Date of Payment	Payment in Shares	Payment in Cash	Date of Payment
Upon execution of the Option Agreement	100,000 common shares of the Issuer (Already issued)	US\$25,000 (Paid)	Upon execution of the Option Agreement
1 st anniversary date of the Option Agreement (January 31, 2008)	200,000 common shares of the Issuer (Already issued)	US\$35,000. (Paid)	1 st anniversary date of the Option Agreement (January 31, 2008)
On the earlier of January 15, 2010 or the completion of the Offering and the listing of the Issuer’s common shares on the Exchange	300,000 common shares of the Issuer (Already issued) (note 7 (b)ii)	US\$95,000.	On the earlier of January 15, 2010 or the completion of the Offering and the listing of the Issuer’s common shares on the Exchange
On or before May 9, 2010 and on each anniversary thereafter, up to and including May 9, 2016		US\$50,000 on each payment date; (Total payment of \$350,000).	On or before May 9, 2010 and on each anniversary thereafter, up to and including May 9, 2016

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5. RESOURCE PROPERTY INTERESTS (Cont'd.)

5 (a) Diamond Peak Property, Eureka County Nevada, United States (Cont'd.)

In addition, the Issuer was subject to a total work commitment of \$1,000,000 over a three year period to be made as follows:

Year 1	US\$100,000
On or before May 9, 2010	US\$300,000
On or before May 9, 2011	US\$300,000
On or before May 9, 2012	US\$300,000
Total:	US\$1,000,000

The Option Agreement states that, as of the date that commercial production begins at the Property, the Company is jointly responsible with Max Resource, Inc., pro rata according to the respective legal interests in the Property, for ensuring that the 3% net smelter royalty ("NSR") is paid to the Wendt Family Trust from any production on the Property, according to the terms of the mining lease and option to purchase agreement between the Wendt Family Trust and Max Resource, Inc. dated May 9, 2006.

The Company and Max Resource Inc. also have the right, pro rata to their respective interest in the Property, to purchase 1% of the NSR by paying a sum of US\$1,000,000 to the Wendt Family Trust. This would reduce the NSR payable to the Wendt Family Trust from 3% to 2%.

On January 2010, 300,000 shares were issued at \$0.15 per share for a total deemed value of \$45,000 to acquire the Diamond Peak Property claims located in Eureka County Nevada.

As of September 30, 2010, management decided to discontinue the exploration on the property as the assay results on the samples were of no commercial value. The Company has recorded a write-off of \$859,934 for the year ended September 30, 2010.

5 (b) Jackson Gold Project, Bulyanhulu-Geita area of Tanzania

On September 7, 2010, the Company entered into an Option agreement with Jackson Mpemba Nkwabi. The Optionor granted the Company the sole and exclusive option (the "Option") which may be exercised at the sole discretion of the Company to acquire an undivided 51% legal and beneficial interest in and to the Property free and clear of all encumbrances, for the full price and consideration of payment to the Optionor of the sum of **US\$375,000** (the "Payment"), payable. Upon the completion of the Payment, the Company may exercise the Option by delivering to the Optionor written notice of the Company's intention to exercise the Option.

The Payment shall be made to the Optionor as follows:

- (a) **US\$75,000** on or before the execution of this Agreement (Amount paid);
- (b) A further payment of **US\$100,000** on or before the 90th day after written approval by the TSX Venture Exchange ("Exchange Approval"); and
- (c) A further payment of **US\$200,000** on or before the 180th day after Exchange Approval.

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5. RESOURCE PROPERTY INTERESTS (Cont'd.)

5 (b) Jackson Gold Project, Bulyanhulu-Geita area of Tanzania (Cont'd)

The Optionor further grants the Company an option to purchase up to an additional 29% interest in the Property (the "Second Option") exercisable for a period of 2 years after Exchange Approval and upon the Company to earning a 51% interest in the Property. The Second Option may be exercised by the Company by paying US\$400,000 and issuing 3,000,000 common shares (the "Shares") to the Optionor and delivering to the Optionor written notice of the Company's intention to exercise the Second Option.

Provided the Option and the Second Option have been completely exercised, the Optionor further grants the Company an option to purchase an additional 5% interests in the following order:

- (1) A payment of US\$750,000 for an additional 5% interest in the Property (cumulative 85%) in the Property;
- (2) A further payment of US\$1,000,000 for an additional 5% interest in the Property (cumulative 90%); and
- (3) A further payment of US\$1,250,000 for an additional 5% (cumulative 95%).

Joint Venture:

Upon the Company acquiring a 51% interest in the Property, the Optionor and the Company shall be deemed to have entered into a joint venture (the "Joint Venture") for the further exploration and development of the Property and any operation of the Property as a mine. Until the commencement of commercial production, the Optionor's interest in the Joint Venture shall be fully carried and the Company shall be responsible for paying all Joint Venture costs including those of the Optionor. The Company shall not be entitled to recover or recoup the costs incurred by it during the existence of the Joint Venture. For the purposes of this Agreement, the "commencement of commercial production" if a mill is located on the Property, the first day the mill processed ore from the Property and if no mill is located on the Property, the first day during which ore has been shipped from the Property on a reasonably regular basis for the purposes of earning revenues.

As of September 30, 2010, the Company has paid \$75,000 for the execution of this agreement as noted in 5(b)(a) above.

6. ADVANCES FROM RELATED PARTIES

The following table provides details of the balance included in due to related parties:

Parties		Sep 30, 2010	Sep 30, 2009
Due to Kokanee Placer Ltd. ("Placer")	(a)	\$156,619	\$158,143
Due to director	(b)	273,245	155,475
Due to Sidon International Resources Inc. ("Sidon")	(c)	10,000	5,000
Due to Encore Renaissance Resources Corp. ("Encore")	(d)	5,000	-
		\$444,864	\$318,618

In the normal course of operations, the Company has entered into certain related party transactions which have been measured at the respective exchange amounts, being the consideration established and agreed by the related parties.

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6. ADVANCES FROM RELATED PARTIES (Cont'd.)

- a) The Company's mining and mining management functions are performed by Placer. Placer is 100% owned by Laurence Stephenson, a former director of the Company (who resigned in December 2010). The Company and Placer entered into a service agreement on January 5th, 2007 (the "Placer Service Agreement") whereby Placer was engaged to provide corporate management, administration and geological consulting services to the Company for a term of 3 years. Pursuant to the Placer Service Agreement, the Company was to pay all of the operating costs and disbursements incurred by Placer on behalf of the Company and a fee equal to 5% of such costs and disbursements. The Placer Service Agreement was superseded by a consulting agreement dated August 1, 2008 (the "Placer Consulting Agreement") between the Company and Placer. Under the Placer Consulting Agreement, Laurence Stephenson is to provide similar services as under the Placer Services Agreement under the title of Vice President, Exploration. The compensation under the Placer Consulting Agreement is \$250 per diem.

On December 17th, 2008, The Company entered into a postponement of claim agreement (the "Placer Postponement") with Placer, to agree to postpone the payment as of the date of the Placer Postponement to that date which is 450 days from the date of completion of the Initial Public Offering. During the year end of September 30, 2010, the Company made a repayment in the amount of \$119,180 to Placer. As of September 30, 2010, Placer charged interest of \$6,868 (2009 - \$7,260) calculated at 5% on the balance owed. The amount due to Placer is unsecured.

On January 1st, 2009, the Company entered into a rescission agreement (the "Placer Rescission Agreement") with Placer to agree that the Placer Consulting Agreement is deemed to be void. Therefore, a total of \$39,109 of management services previously recorded and unpaid were written off and recorded in other income as a gain on forgiveness of debt.

Additionally, during the year Placer provided the following amount in services or charges:

	September 30, 2010	September 30, 2009
Mining services	\$ 754,500	\$ -
Interest charges	\$ 6,868	\$ 7,260
Amounts included in Accounts Payable	\$ -	\$ -

- b) On December 17th, 2008, the Company entered into a postponement of claim agreement (the "Farrage Postponement") with a director of the Company, Souhail (Abby) Farrage, to agree to postpone the payment as of the date of the Farrage Postponement to that date that is 450 days from the date of completion of the Initial Public Offering. The amount due to Mr. Farrage is non-interest bearing unsecured.

During the year end of September 30, 2010, Mr. Farrage advanced an additional \$53,770 to the Company.

Mr. Farrage provided investor relations services during the year ended September 30, 2010 and 2009, valued at \$117,700 and \$nil, respectively.

- c) The advances from Sidon, a company related by virtue of common directors, are non-interest bearing and unsecured. On December 17th, 2008, the Company entered into a verbal agreement with Sidon to postpone payment due as of that date to the date that is 450 days from the date of completion of the Initial Public Offering.

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6. ADVANCES FROM RELATED PARTIES (Cont'd.)

- d) The advances from Encore, a company related by virtue of common directors, are non-interest bearing and unsecured.
- e) The Company's accounting and administration services have been performed by Rovingi Inc. ("Rovingi"), a company controlled by Toni Bold-de-Haughton, a director. The Company and Rovingi entered into a service agreement on October 20th, 2007 (the "Rovingi Service Agreement") whereby Rovingi was engaged to provide corporate administration and accounting services to the Company for a term of 2 years. Pursuant to the Rovingi Service Agreement, the Company was to pay Rovingi a monthly fee of \$3,000 and disbursements, which fee may be adjusted by consent between the parties. The Rovingi Service Agreement was superseded by a consulting agreement dated August 1, 2008 (the "Bold-de-Haughton Consulting Agreement") between the Company and Ms. Bold-de-Haughton. Under the Bold-de-Haughton Consulting Agreement, Ms. Bold-de-Haughton is to provide similar services as under the Rovingi Services Agreement for a monthly fee of \$3,000. Rovingi Inc. performed the accounting and administration services from October 2005 until July 31, 2008. From August 1 2008, Ms. Bold-de-Haughton continued to perform the accounting and administration services under her personal name. In April 2009, Ms. Bold-de-Haughton conducted the accounting and administration services through her 100% owned company Castilla Management Group Inc. ("Castilla").

The details of Rovingi, Castilla and the services performed by Ms. Bold-de-Haughton are as follows:

	Sep 30, 2010	Sep 30, 2009
Accounting services	\$18,900	\$18,900
Administration services	\$18,900	\$18,900
Amounts included in accounts payable	\$115,933	\$78,133

- f) On January 15, 2010, the company granted 1,877,058 stock options to five directors and one officer at an exercise price of \$0.15 for a five year period.

7. SHARE CAPITAL

- a. Authorized - unlimited common shares without par value:
- b. Issued and outstanding:

Balance as at September 30, 2008		10,470,588	510,003
Balance as at September 30, 2009		10,470,588	510,003
Shares issued for initial public offering	i)	8,000,000	1,200,000
Shares issued for property acquisition (note 5)	ii)	300,000	45,000
Shares issued for underwriter commission	i)	103,325	15,499
Less: share issue costs			(321,484)
Balance as at September 30, 2010		18,873,913	1,449,018

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7. SHARE CAPITAL (Cont'd.)

- i) On January 15, 2010, the Company received the approval from the British Columbia and Alberta Securities Commissions in respect of an Initial Public Offering (the "Offering"). According to the approved preliminary prospectus (the "Prospectus"), the Company issued 8,000,000 units of the Company at a price of \$0.15 per unit for gross proceeds of \$1,200,000. Each unit will consist of one common share and one additional share purchase warrant to purchase one additional common share for a period of 5 years from the date of closing of the Offering for an exercise price of \$0.20 per share during the first two years of the term and at \$0.25 per share during the last three years of the term. The Company paid the underwriter PI Financial Corp \$104,501 in cash and 103,325 in units, each unit consists one common shares at the price of \$0.15 per share and one purchase warrant, each warrant entitles to purchase one common share at price of \$0.20 per share for the first two years and \$0.25 for the remaining three years. In connection of the public offering, the Company also paid \$114,938 cash for the related legal fees and disbursements incurred with respect to the Offering. In addition, the Company has also granted 800,000 agent warrants to acquire the number of common shares equal to the number of units sold in the Offering at an exercise price of \$0.15 per common share exercisable for a period of 5 years from the closing date of the Offering. The Company has included \$86,546, the value attributed to the agent warrants using the Black-Scholes method, in the contributed surplus.
- ii) On January 15, 2010, a total of 300,000 shares were issued at \$0.15 per share as the deemed value of \$45,000 to acquire the Diamond Peak Property claims located in Eureka County Nevada.

c. Escrow shares outstanding:

The Company had 7,570,588 escrow shares outstanding.

d. Stock options outstanding:

Pursuant to the policies of the TSX Venture Exchange ("TSX_V"), the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares (18,873,913 shares) for issuance under the Plan. Options have a maximum term of five years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event.

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7. SHARE CAPITAL (Cont'd.)

d. Stock options outstanding: (Cont'd)

Outstanding options at September 30, 2010 were as follows:

Expiry	Price (\$)	Outstanding 1-Oct-09	Granted (Expired) (Forfeited)	Exercised	Outstanding 30-Sept-10
15-Jan-15	0.25	-	1,887,392	-	1,887,392

e. Share purchase warrants outstanding:

Outstanding warrants at September 30, 2010 were as follows:

Expiry	Price (\$)	Outstanding 1-Oct-09	Granted	Exercised	Expired	Outstanding 30-Sep-10
15-Jan-15	0.2/0.25 ⁽ⁱ⁾	-	8,103,325	-	-	8,103,325
15-Jan-15	0.15	-	800,000	-	-	800,000
		-	8,903,325	-	-	8,903,325

(i) The exercise price of these warrants is \$0.20 in the first two years and \$0.25 for the remaining three years.

f. Stock-based compensation

On January 15, 2010, the Company granted 1,887,392 options to five directors and one officer an exercise price of \$0.25 for a five year period. The fair value of these options granted was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free rate of 2.70%, expected volatility of 93% and no expected dividends. The weighted average grant date fair value was \$0.15 per option. A total Black-Scholes method valuation of \$181,523 was charged to operations for the year ended of September 30, 2010.

On January 15, 2010, the Company granted 800,000 warrants to PI Financial Corp. at an exercise price of \$0.15 for a five year period. The fair value of these warrants granted was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free rate of 2.70%, expected volatility of 93% and no expected dividends. The weighted average grant date fair value of warrants granted was \$0.11 per option. A total Black-Scholes method valuation of \$86,546 was charged to share capital for the year ended of September 30, 2010. (See also note 7(a))

g. Contributed surplus:

The Company's contributed surplus comprises of the following:

	30-Sep-10	30-Sep-09
Balance, beginning of the year	\$ -	\$ -
Values attributed during the year		
Options granted	181,523	
Warrants granted on the issue of shares for IPO	86,546	
Balance, end of year	\$ 268,069	\$ -

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8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	Sep 30, 2010	Sep 30, 2009
Loss before income taxes	\$ (1,228,877)	\$ (47,027)
Statutory tax rate	28.875%	30.125%
Expected income tax recovery	354,838	14,167
Tax benefits not recognized	(354,838)	(14,167)
Future income tax recovery	\$ -	\$ -

Significant components of the Company's future income tax assets are shown below:

	Sep 30, 2010	Sep 30, 2009
Future income tax assets		
Non-capital losses	\$ 217,350	\$ 177,002
Initial public offering expenses and share issue costs	74,263	-
Resource property interest	248,306	-
	539,919	177,002
Valuation allowance	(539,919)	(177,002)
	\$ -	\$ -

As at September 30, 2010, the Company has non-capital losses carry forward for income tax purposes of approximately \$752,729 which may be deducted against future years' taxable income at various rates per year and expire at various times, subject to final determination by taxation authorities and expiring as follows:

2026	\$ 52,930
2027	181,008
2028	267,484
2029	86,136
2030	165,171
	<u>\$ 752,729</u>

The Company has mineral exploration and development expenditures of approximately \$1,318,497 (2009 - \$490,532) available to reduce certain types of taxable income of future years.

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9. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

Fair Value Measurement

The fair values of the Company's financial assets and liabilities as of September 30, 2010 were calculated as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 55,946	-	-
Reclamation deposit	\$ 11,635	-	-

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

Credit risk

Credit risk reflects the risk that the Company may be unable to fulfill its payment obligations and is primarily attributable to interest on its cash balance. Cash is held with a reputable Canadian financial institution, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and loan payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

Market Risks

i) Other Price Risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals could have a negative impact on the Company's ability to raise additional capital. Sensitivity to price risk is remote since the Company has not established any reserves or production.

ii) Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's mineral properties are located in the Tanzania and value at US Dollar ("US") with the majority of related expenditures being conducted in US currency. The Company is exposed to moderate currency risk as a result of fluctuations in the US dollar.

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9. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (Cont'd.)

iii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is minimal as the Company does not have any interest bearing assets or any interest bearing liabilities that are tied into market rates.

10. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, the exploration and development of mineral properties. Segmented geographic information is as follows:

The following table allocates total assets by geographic location:

	Sep 30, 2010	Sep 30, 2009
Canada	\$ 55,991	\$ 53,735
United States	212,596	490,533
Tanzania	428,565	-
	<u>\$ 697,152</u>	<u>\$ 544,268</u>

The following table allocates net loss and comprehensive loss by geographic location:

	Sep 30, 2010	Sep 30, 2009
Canada	\$ 368,943	\$ 47,027
United States	859,934	-
Tanzania	-	-
	<u>\$ 1,228,877</u>	<u>\$ 47,027</u>

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders. The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures from continuing operations.

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12. COMMITMENTS AND CONTINGENCIES

Pursuant to the Jackson gold mine options agreement, when the Company acquires a 51% interest the Optionor, the Company shall be deemed to have entered into a joint venture (the "**Joint Venture**") for the further exploration and development of the Property and any operation of the Property as a mine. Until the commencement of commercial production, the Optionor's interest in the Joint Venture shall be fully carried and the Company shall be responsible for paying all Joint Venture costs including those of the Optionor.

13. SUBSEQUENT EVENTS

- a) In October 2010, a total of 323,457 warrants were exercised between \$0.15 and \$0.20 for the gross proceeds of \$53,519.
- b) In November 2010, a total of 1,604,283 options were exercised at \$0.25 for the gross proceeds of \$401,071.
- c) In December 2010, the Company issued 7,443,332 units for total proceeds of \$1,116,500. Each unit consists of one common share of the Company and one share purchase warrant having a two-year term for the purchase of one further common share of the Company in the first year the exercise price of \$0.20 per shares after first year the exercise price is \$0.25 per share. Finder's fees paid consisted of \$22,050 in cash and 250,000 shares.
- d) In December 2010, the Company granted 2,800,000 options to directors and consultants at \$0.18 per share exercisable in whole or in part on or before five years from December 3, 2010 and pending for the regulatory approval.
- e) In December 2010, Laurence Stephenson resigned as an officer and director.
- f) In January 2011, a total of 858,725 warrants were exercised between \$0.15 and \$0.20 for the gross proceeds of \$165,745.
- g) On February 3, 2011, the Company filed a management cease trade order against the Company of failing to file the September 30, 2010 audited financial statements and management's discussion and analysis within the required time period.
- h) On March 3, 2011, the Company amended the exercise price relating to the stock option agreement in December 2010. The stock option agreement granting the right to purchase 2,800,000 shares at \$0.18 has been amended to \$0.21 per share. The terms of exercise have remained the same.