

NORTHROCK RESOURCES INC.

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Unaudited interim financial statements of
Northrock Resources Inc. (the "Corporation") for the three and
six months ended December 31, 2010

NATIONAL INSTRUMENT 51-102 NOTICE

Attached are the unaudited interim financial statements of Northrock Resources Inc. (the "Corporation") for the three and six months ended December 31, 2010. The Corporation's auditor has not reviewed the attached financial statements.

NORTHROCK RESOURCES INC.

"signed"
Douglas E. Ford
Director

February 25, 2011

NORTHROCK RESOURCES INC.
Balance Sheets
Prepared by management (unaudited)

	<u>December 31, 2010</u>	<u>June 30, 2010</u> (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 23,012	\$ 9,021
Accounts receivable	17,760	6,608
Prepaid expenses	40,998	48,080
	<u>81,770</u>	<u>63,709</u>
Mineral Properties (Note 3)	163,500	163,500
Reclamation bonds	<u>150,000</u>	<u>150,000</u>
	\$ 395,270	\$ 377,209
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,772	\$ 17,824
Due to related parties (Note 4)	430,485	129,664
Due to Rockgate Capital Corp. (Note 11)	100,000	100,000
Site restoration obligation (Notes 2 and 3)	20,000	20,000
	<u>583,257</u>	<u>267,488</u>
Shareholders' equity		
Share capital (Notes 3 and 5)	5,060,893	5,060,893
Contributed surplus (Note 5)	403,801	403,801
Deficit	<u>(5,652,681)</u>	<u>(5,354,973)</u>
	<u>(187,987)</u>	<u>109,741</u>
	\$ 395,270	\$ 377,209

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

Approved by the Directors:

Signed: "Karl Kottmeier"
Director

Signed: "Douglas Ford"
Director

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

NORTHROCK RESOURCES INC.
Statements of Operations, Comprehensive Loss and Deficit
Prepared by management (unaudited)

	Three months ended December 31		Six months ended December 31	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Expenses				
Exploration and drilling	31,791	22,212	63,693	581,009
Management services	90,000	90,000	180,000	180,000
Office, telephone and rent	7,719	11,214	18,787	18,855
Insurance	3,541	13,271	7,082	13,271
Professional fees	9,312	8,382	12,187	32,032
Tax – flow through shares	-	2,000	-	2,000
Transfer Agent and filing fees	14,450	8,336	15,963	11,946
Total	<u>156,813</u>	<u>155,415</u>	<u>297,712</u>	<u>839,113</u>
Loss before other items	(156,813)	(155,415)	(297,712)	(839,113)
Other items				
Foreign exchange	3	(46)	4	(18)
Interest income	-	2,455	-	2,519
Net loss and Comprehensive loss for the period	<u>(156,810)</u>	<u>(153,006)</u>	<u>(297,708)</u>	<u>(836,612)</u>
Deficit, beginning of period	(5,495,871)	(4,904,670)	(5,354,973)	(4,221,064)
Deficit, end of period	<u>(5,652,681)</u>	<u>(5,057,676)</u>	<u>(5,652,681)</u>	<u>(5,057,676)</u>
Basic and diluted (loss) per share	(0.03)	(0.03)	(0.05)	(0.14)
Weighted average number of shares outstanding	<u>5,892,779</u>	<u>5,892,779</u>	<u>5,892,779</u>	<u>5,812,399</u>

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

NORTHROCK RESOURCES INC.
Statements of Cash Flows
Prepared by management (unaudited)

	Three months ended December 31		Six months ended December 31	
	2010	2009	2010	2009
Operating Activities				
Net loss for the period	(156,810)	(153,006)	(297,708)	(836,612)
Items not affecting cash:				
Mineral property acquisition	-	-	-	(68,000)
Net changes in non-cash working capital items:				
Due to related parties	142,521	(8,452)	300,821	-
Accounts receivable	(348)	170,638	(11,152)	128,190
Share issuance	-	-	-	68,000
Reclamation bonds	-	-	-	75,000
Prepaid expense	3,541	-	7,082	507
Accounts payable and accrued liabilities	11,636	(225,490)	14,948	(44,049)
Cash from (used in) operations	540	(216,310)	13,991	(676,964)
Investing Activities				
Mineral property acquisition	-	-	-	-
Cash used in investing activities	-	-	-	-
Financing Activities				
Common shares issued, net	-	-	-	817,198
Cash from (used in) financing activities	-	-	-	817,198
Net increase (decrease) in cash	540	(216,310)	13,991	140,234
Cash position, beginning of period	22,472	505,297	9,021	148,753
Cash position, end of period	23,012	288,987	23,012	288,987
Supplementary disclosure of cash flow information				
Cash paid for:				
Interest	-	-	-	-
Income taxes	-	-	-	-

Significant non-cash transactions during the three-months ended December 31, 2010 and 2009 are recorded in Note 10.

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

1. **Nature and Continuance of Operations**

Northrock Resources Inc. (the "Company") was incorporated in the Province of British Columbia on March 14, 2008 under the Business Corporations Act of British Columbia.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves.

The ability of the Company to continue to operate as a going concern is dependent on its ability to ultimately operate its business at a profit. To date, the Company has not generated any revenues from operations and will require additional funds to meet its obligations and the costs of its operations. As a result, further losses are anticipated prior to the generation of any profits. As at December 31, 2010, the Company has accumulated a deficit of \$5,652,681 since inception.

The Company's future capital requirements will depend on many factors, including the costs of exploring its mineral properties, operating costs, competitive environment and global market conditions. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations.

The Company will depend almost exclusively on outside capital. Such outside capital will include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected, thus giving rise to doubt about the Company's ability to continue as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern.

2. **Significant Accounting Policies**

Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. On October 15, 2010 the Company's shareholders approved a resolution consolidating all of the 29,463,898 issued common shares into 5,892,779 issued common shares, on the basis that every five (5) common shares be consolidated into one (1) common share. All references to common shares, stock options and warrants in these financial statements reflect the share consolidation unless otherwise noted.

Estimates, Assumptions and Measurement Uncertainty

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant. Significant areas requiring the use of management estimates relate to the determination of future income tax assets and liabilities and assumptions used in valuing options in stock-based compensation calculations.

2. **Significant Accounting Policies** (continued)

Loss per Share

The loss per share figures is calculated using the weighted average number of shares outstanding during the respective fiscal years. The calculation of loss per share figures using the Treasury Stock Method considers the potential exercise of outstanding share purchase options and warrants or other contingent issuances to the extent each option, warrant or contingent issuance was dilutive. For all years presented, diluted loss per share is equal to basic loss per share as the potential effects of options, warrants and conversions are anti-dilutive.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. Where the probability of a realization of a future income tax asset is more likely than not, a valuation allowance is recorded.

Stock-Based Compensation

The Company applies the fair value method of valuing all grants of stock options. The estimated fair value of the stock options is recorded as compensation expense over the vesting period or at the date of grant if the options vest immediately, with the offset recorded in contributed surplus. The fair value of options granted is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, volatility factor of the expected market price of the Company's stock, and a weighted average expected life of the options. Any consideration paid on the exercise of stock options is credited to share capital.

Share Issuance Costs

Share issuance costs incurred directly on the issue of the Company's shares are charged directly to share capital.

Mineral Properties

The Company defers the cost of acquiring and maintaining its interest in mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Exploration and development expenditures are expensed as incurred until such time as mineral reserves can be established, after which such costs will be accounted for in the same manner as acquisition costs. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon the current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

2. **Significant Accounting Policies** (continued)

Site Restoration Obligation

The Company records a liability for its site restoration obligation in the period in which it is identified and when a reliable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost is recognized by increasing the carrying amount of the related long-lived asset. The initial fair value of the liability is accreted, by charges to operations, over the remaining life of the asset.

Management has estimated that the amount of its site restoration obligation for the Bathurst property as at December 31, 2010 totals \$20,000. A site reclamation obligation of this amount has been recognized as a liability. As the mineral property to which the costs relate has been written off in previous years, the reclamation costs are recorded in the statement of operations, comprehensive loss and deficit.

Environmental Risk

The Company is engaged in resource exploration and development and is accordingly exposed to environmental risks associated with such activity. The properties the Company holds interest in are currently in the initial exploration stages and it has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Long-Lived Assets and Impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations through management's estimate of recoverable value.

Flow-through Shares

Upon renunciation to shareholders for all flow-through shares issued by the Company, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction and is more likely-than-not able to utilize these tax losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

Newly Adopted Accounting Pronouncements

Financial Instruments – Disclosures and Presentation

The Company has adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments - Presentation. It was amended to include disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

2. **Significant Accounting Policies** (continued)

Newly Adopted Accounting Pronouncements (continued)

Financial Instruments – Disclosures (continued)

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for the fiscal years ending after September 30, 2009. The Company has adopted these amendments for the year ended June 30, 2010 and the additional required disclosures are included in Note 8.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC-173, Credit risk and the fair value of financial assets and financial liabilities. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual financial statements for periods ending on or after January 20, 2009. Adoption of this EIC did not have any effect on the financial statements.

Mining exploration costs

In March 2009, the CICA issued EIC-174, Mining exploration costs. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC applies to financial statements issued after March 27, 2009. Adoption of this EIC did not have any effect on the financial statements.

Goodwill and intangible assets

On July 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. Adoption of this new accounting standard did not have a significant impact on the Company's financial statements.

Future Accounting Pronouncements

(i) CICA 3251, "Equity"

In August 2009, Section 3251, "Equity" was issued in response to issuing Section 1602, "Non-controlling Interests". Prospective application of the standard is effective January 1, 2011, with early adoption permitted. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the financial statements.

2. **Newly Adopted Accounting Pronouncements** (continued)

Future Accounting Pronouncements (continued)

(ii) CICA 1582, "Business Combinations"

In January 2009, the CICA issued Section 1582, "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 - "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests," which replace Section 1600, "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582. The adoption of these standards is not expected to have a material effect on the Company's financial statements.

(iii) CICA 1625, "Comprehensive Revaluation of Assets and Liabilities"

In August 2009, Section 1625, "Comprehensive Revaluation of Assets and Liabilities" was issued for consistency with new Section 1582, "Business Combinations." The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on the financial statements.

(iv) "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 generally accepted accounting principles 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 generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011.

3. **Mineral Properties** – (Note 5)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

The Company's accounting policy for the treatment of mineral property acquisition costs requires that these costs are capitalized as incurred. Management judges that this policy provides reliable and relevant information because it results in a transparent treatment of mineral property costs and is consistent with local industry practice, making the Company's financial statements more comparable. Expenditures related to exploration and development of the properties is expensed as incurred.

NORTHROCK RESOURCES INC.
Notes to the Financial Statements
December 31, 2010 and 2009

3. **Mineral Properties** – (continued)

	Bathurst Inlet Property \$	Turner Lake Property \$	Total \$
Six months ended December 31, 2010			
Mineral properties, beginning of the period	-	163,500	163,500
Acquisition costs capitalized during the period	-	-	-
Mineral properties, end of the period	-	163,500	163,500
Year ended June 30, 2010			
Mineral properties, beginning of the year	-	95,500	95,500
Acquisition costs capitalized during the year	-	68,000	68,000
Mineral properties, end of the year	-	163,500	163,500
Year ended June 30, 2009			
Mineral properties, beginning of the year	2,960,000	85,500	3,045,500
Acquisition costs capitalized during the year	-	10,000	10,000
Property impairment during the year	(1,807,730)	-	(1,807,730)
Termination of Note Payable less discount	(1,152,270)	-	(1,152,270)
Mineral properties, end of the year	-	95,500	95,500

Turner Lake Property

On May 1, 2008 the Company entered into an Assignment Agreement with its then parent company, Rockgate Capital Corp. ("Rockgate"), whereby Rockgate assigned all of its' right and title to an Option Agreement dated November 8, 2007 between Rockgate and Trade Winds Ventures Inc. ("Trade Winds") regarding the Turner Lake Property. Under the Trade Winds Option the Company can earn up to a 75% interest in the Turner Lake Gold property located near Bathurst Inlet, Nunavut; an initial 65% interest in the project can be earned by spending \$1,000,000 in exploration expenditures by March 19, 2009 (incurred) and by Rockgate's issuance of 150,000 common shares of Rockgate (issued); an additional 10% interest could be earned by spending an additional \$500,000 (incurred) on exploration prior to March 19, 2010 and by Rockgate's issuance of an additional 250,000 shares (issued); and by the Company's issuance of 16,667 shares (issued) to Trade Winds. In consideration of the assignment the Company issued to Rockgate 34,200 units of the Company's capital stock valued at \$2.50 per unit; wherein, each unit was composed of one common share and one warrant to purchase an additional common share at \$3.75 until expiry on September 30, 2010.

Effective March 19, 2009 the Company exercised its option to acquire a 75% interest in the Turner Lake Gold property.

During the year ended June 30, 2010, the Company executed and completed an agreement with joint venture partner Trade Winds to acquire the remaining 25% interest in the Turner Lake property. As consideration for the purchase, the Company issued 170,000 common shares of the Company valued at \$68,000 and granted a 1% Net Smelter Royalty to Trade Winds. The Company can

acquire Trade Winds' NSR for \$1.25 million. One of the four claims [Jam 1] comprising the Turner Lake property is subject to an additional 1% NSR held by a third party.

3. **Mineral Properties** – (continued)

Bathurst Inlet Property

On May 1, 2008 the Company entered into an Assignment Agreement with Rockgate, whereby Rockgate assigned all of its' right and title to an Option and Agreement of Purchase and Sale dated May 3, 2007 between Rockgate and Bathurst Inlet Developments (1984) Ltd. regarding the Bathurst Inlet Property. In consideration of the Assignment Agreement the Company issued to Rockgate 600,000 units of the Company's capital stock valued at \$2.50 per unit; wherein, each unit was composed of one common share and one warrant to purchase an additional common share at \$3.75 per share until expiry on September 30, 2010. Subsequent to the assignment transaction closing, the Company exercised the purchase option under the underlying May 2007 agreement. To conclude the purchase the Company issued a limited recourse promissory note in the amount of \$1,460,000. Pursuant to the note, the balance of the payments due to the vendors was to be paid over a six-year period and the vendor's recourse in the event of a default under the note was limited to the recovery of the Bathurst Inlet claims. Periodic payments under the note were made by the Company from its working capital.

Based upon the results from the 2008 exploration season, in May 2009, the Company decided to discontinue its ownership of the Bathurst Inlet property. Under the terms of the promissory note the mineral rights to the property were allowed to revert to Bathurst Inlet Developments (1984) Ltd.

As a result of the above, in a previous period the Company recorded an impairment of its Bathurst Inlet property of \$1,807,730 reducing the carrying value of the property to \$nil.

Reclamation costs of \$20,000 were recognized in a prior period for this property.

4. **Related Party Transactions**

Included in accounts payable and accrued liabilities as at December 31, 2010 is \$29,385 (2009: \$163) owing to directors of the Company or companies affiliated with directors for the recovery of expenses paid on behalf of the Company. This amount is unsecured, non-interest bearing and due on demand.

For the period ended December 31, 2010, the Company paid or accrued \$15,000 (2009: \$15,000) for rent and office services to a private company controlled by an officer of the Company and in which a second officer and director is a significant shareholder; under a services agreement, the Company has arranged for office premises and administrative services on an annual basis for \$30,000 per year. The services agreement can be terminated by either party with six months notice.

For the period ended December 31, 2010, the Company paid or accrued a total of \$180,000 (2009: \$180,000) to a related party for management services.

Included in Exploration and Drilling expense is \$60,000 (2009: \$60,000) paid or accrued to a private company controlled by a director of the Company for geological services.

During the period ended December 31, 2010, the Company reimbursed \$3,367 (2009: \$6,174) to directors for expenses they paid on behalf of the Company.

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

NORTHROCK RESOURCES INC.
Notes to the Financial Statements
December 31, 2010 and 2009

5. **Share Capital and Contributed Surplus**

a) Authorized:
 Unlimited common shares without par value

b) Issued common shares:

	Number	Share Capital	Contributed Surplus
Balance, June 30, 2008	2,034,200	\$ 5,085,501	403,801
Sub-division for Arrangement	699,453	-	-
Issuance for Turner Lake option	16,667	10,000	-
Issued for cash:			-
Flow-through private placement	- at \$0.375 855,060	320,648	-
Private placement	- at \$0.25 2,117,400	529,350	-
Share issuance costs	-	(52,605)	-
Reduction from renunciation of flow-through tax benefit	-	(900,000)	-
<hr/>			
Balance June 30, 2009	5,772,780	\$ 4,992,893	\$ 403,801
Issuance for Turner Lake option (Note 3)	170,000	68,000	
<hr/>			
Balance June 30 and December 31, 2010	5,892,779	\$5,060,893	\$ 403,801

On October 15, 2010 the Company's shareholders approved a resolution consolidating all of the 29,463,898 issued common shares into 5,892,779 issued common shares, on the basis that every five (5) common shares be consolidated into one (1) common share. All references to common shares, stock options and warrants in these financial statements reflect the share consolidation unless otherwise noted.

c) Warrants:

In conjunction with the private placements (Note 11), and the May 1, 2008 Assignment Agreements regarding the Bathurst Inlet acquisition and the Turner Lake option, the Company issued share purchase warrants as follows:

	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>
Number of warrants outstanding at June 30, 2008	2,034,200	\$3.75
Sub-division for Arrangement (Note 11)	699,453	\$3.75
Issued with Flow-through private placement	855,060	\$0.75
Issued with private placement	<u>2,117,400</u>	\$0.50
Balance June 30, 2010 and 2009	5,706,113	\$2.10
Expired	<u>(5,706,113)</u>	(\$2.10)
Balance December 31, 2010	0	-

NORTHROCK RESOURCES INC.
Notes to the Financial Statements
December 31, 2010 and 2009

5. **Share Capital and Contributed Surplus** – (continued)

d) Options:

During the year ended June 30, 2009, the Company adopted a Stock Option Plan (the "Plan"). The purpose of the Plan is to give to eligible persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals options, exercisable over periods of up to five years, as determined by the board of directors of the Company, to buy shares of the Company at a price equal to the Market Price prevailing on the date the option is granted less applicable discount, if any, permitted by the policies of the Exchanges and approved by the Board. The maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be that number equal to 10% of the Company's issued share capital from time to time.

As at December 31, 2010, no options had been granted under the Plan.

6. **Income Taxes**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Loss for the year	\$ (1,133,909)	\$(4,774,341)
Computed income taxes recovery at statutory rate of 25% (2009: 30%)	(283,477)	(1,432,302)
Net adjustments for deductible and non-deductible items	157,728	101,555
Change in statutory rates	63,699	5,011
Change in valuation allowance	62,050	425,736
Future income tax recovery	\$ -	\$ (900,000)

The significant components of the Company's future income tax assets are as follows:

	2010	2009
Future income tax assets:		
Resource expenditures	\$ 478,855	\$ 382,196
Non-capital losses	239,199	136,140
Share issue costs	7,891	12,625
	725,945	530,961
Less: Valuation allowance	(725,945)	(530,961)
Net future income tax assets	\$ -	\$ -

As at June 30, 2010, the Company had approximately \$2,079,000 (2009 - \$1,369,000) of exploration costs which are available for deduction against future income for tax purposes. In addition, the Company had approximately \$957,000 (2009: \$454,000) in available non-capital losses to be utilized. These losses, if not utilized, will start to expire in 2020. The tax effect of these losses has not been recorded in the financial statements. At June 30, 2010, management considers that it is not "more likely than not" that these losses will be utilized and accordingly a full valuation allowance has been recognized against these losses.

7. Capital Management

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

8. Financial Instruments and Risk

Financial Instruments

As at December 31, 2010, the Company's financial instruments consist of cash, accounts receivable, reclamation bonds, accounts payable and accrued liabilities, and amounts due to related parties. Cash and reclamation bonds are carried at fair value using a level 1 fair value measurement. The carrying value of accounts receivable, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair value because of their nature and respective maturities.

The Company classifies its cash as held-for-trading, its accounts receivable as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities.

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

Credit Risk

The Company's credit risk is primarily attributable to receivables. The Company has no significant concentration of credit risk arising from operations. Receivables include goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a working capital deficit of \$501,487 (June 30, 2010 year end: \$203,779). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company does not have adequate working capital to discharge its existing financial obligations.

8. **Financial Instruments and Risk** - (continued)

Market Risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt therefore, interest rate risk is minimal.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars: therefore, foreign currency risk is minimal.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

9. **Non-Cash Transactions**

No non-cash transactions were recorded in the period. During the years ended June 30, 2010 and 2009 the Company issued common shares in lieu of cash as follows:

(a) During the year ended June 30, 2010, 170,000 shares with a fair value of \$68,000 were issued for mineral property costs (Note 3).

(b) During the year ended June 30, 2009, 16,667 shares with a fair value of \$10,000 were issued for mineral property costs (Note 3).

10. **Segmented Information**

The Company operates in one segment – the acquisition, exploration and development of mineral properties. As at December 31, 2010, all of the Company's operations and assets were in Canada.

11. **Arrangement Agreement with Rockgate Capital Corp.**

The Company entered into an Arrangement Agreement with Rockgate on June 2, 2008. The Arrangement Agreement contemplated that under a Plan of Arrangement as that term is defined by the *Business Corporations Act* (British Columbia), Rockgate would spin-out all of the issued and outstanding securities of Northrock to Rockgate's shareholders. Upon the Arrangement becoming effective on August 29, 2008 Northrock was no longer a wholly-owned subsidiary of Rockgate and the Shareholders of Rockgate hold the same percentage of issued Northrock Shares in the capital of Northrock (together with an equivalent number of Northrock Warrants) as such Shareholders held on the effective date in the capital of Rockgate.

On July 3, 2008 an Interim Order of the Supreme Court of British Columbia was entered providing, among other things, for the calling and holding of a meeting of Rockgate's shareholders on July 31, 2008 to approve the Arrangement. Completion of the Arrangement is subject to the approval of Rockgate's shareholders, any necessary regulatory approvals and the Final Order of the Supreme Court of British Columbia deeming the Arrangement effective.

11. **Arrangement Agreement with Rockgate Capital Corp.** – (continued)

On July 31, 2008, at the special general meeting of shareholders of Rockgate, the shareholders approved the Arrangement. On August 6, 2008, the Arrangement was approved by the Supreme Court of British Columbia. On August 29, 2008 the Arrangement was effected. Under the arrangement, the share capital of Rockgate was altered to create a new class of Class A common shares, and every Rockgate shareholder exchanged their existing common shares of Rockgate on the basis of one new Class A common share for each common share of Rockgate held, and one unit of Northrock for every three common shares of Rockgate held on the effective date. Each Northrock unit was composed of one pre-consolidation Northrock common share and one pre-consolidation transferable warrant to purchase an additional common share of Northrock at an exercise price of \$0.75 cents for the period ending September 30, 2010. Outstanding convertible warrants of Rockgate were entitled to be converted into Rockgate shares and Northrock units on the basis of the same exchange ratio.

On August 1, 2008, the Company filed a Form 2B listing application for its common shares and share purchase warrants with the TSX Venture Exchange. On November 21, 2008 the Company's common shares and warrants were listed for trading on the TSX Venture Exchange; and the Company was deemed to be a reporting issuer.

As at June 30, 2010 and 2009, \$100,000 was due to Rockgate the former parent company, the amount is non-interest bearing and has no specific terms of repayment.

12. **Subsequent Events**

- (a) Effective January 17, 2011 the Company granted stock options to purchase 580,000 shares, with an exercise price of \$0.24 to directors, officers, and certain employees and consultants of Northrock. These stock options expire on Jan. 17, 2016, and are subject to the terms and conditions of the corporation's stock option plan. The grant of stock options is subject to any required regulatory and shareholder approvals.
- (b) The Company has arranged two non-brokered private placements. Northrock will complete a private placement of flow-through units for up to \$250,000 at \$0.20 per unit. Each flow-through unit will comprise one flow-through common share plus one common share purchase warrant. Each warrant will be exercisable for one year from closing into one common share with an exercise price of \$0.24 per share. Additionally, Northrock will complete a private placement of units for up to \$1-million at \$0.18 per unit. Each unit will comprise one common share plus one common share purchase warrant. Each warrant will be exercisable for one year from closing into one common share with an exercise price of \$0.24 per share. The proceeds of the private placements will be used for operations at the Northrock's Turner Lake project and for general corporate purposes. Both private placements are expected to close on or before February 28, 2011.