ROCKLAND MINERALS CORP.

(An Exploration Stage Company)

Financial Statements

Years Ended December 31, 2010 and 2009

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED ACCOUNTANTS LLP

1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rockland Minerals Corp.

We have audited the balance sheets of Rockland Minerals Corp. as at December 31, 2010 and 2009, and the statements of operations, comprehensive loss, deficit, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Rockland Minerals Corp. as at December 31, 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Rockland Minerals Corp. to continue as a going concern.

Saturna Group LLP

Saturna Group Chartered Accountants LLP

Vancouver, Canada

April 30, 2011

ROCKLAND MINERALS CORP.
Balance sheets
As at December 31, 2010 and 2009
(Expressed in Canadian dollars)

	2010 $	2009 $
Assets		
Current Assets		
Cash	390,198	19,699
Amounts receivable	105,829	1,946
Prepaid expenses	21,250	–
	517,277	21,645
Mineral property costs (Note 3)	407,686	260,597
Deferred financing costs	–	16,250
	924,963	298,492
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	59,540	37,812
Due to related party (Note 4)	9,753	9,579
	69,293	47,391
Shareholders' Equity		
Share capital (Note 5)	1,976,432	374,250
Contributed surplus (Note 6)	313,836	67,175
Deficit	(1,434,598)	(190,324)
	855,670	251,101
	924,963	298,492

Nature of operations and continuance of business (Note 1)
Commitments (Note 9)
Contingent liability (Note 10)
Subsequent events (Note 15)

Approved on behalf of the Board:

/s/ "Ravinder Mlait"
Ravinder Mlait, Director

/s/ "Bryan Loree"
Bryan Loree, Director

(The accompanying notes are an integral part of these financial statements)

ROCKLAND MINERALS CORP.
Statements of operations, comprehensive loss and deficit
Years ended December 31, 2010 and 2009
(Expressed in Canadian dollars)

	2010 $	2009 $
Revenue	–	–
Expenses		
Consulting fees (Note 4)	53,300	22,338
Investor relations	46,909	1,557
Mineral exploration costs (Note 3)	787,223	18,228
Office and miscellaneous	8,083	1,066
Professional fees	83,920	53,759
Salaries and benefits (Note 4)	48,144	–
Stock-based compensation (Note 8)	158,161	–
Transfer agent and filing fees	45,433	–
Travel	13,101	39
	1,244,274	96,987
Net loss and comprehensive loss for the year	(1,244,274)	(96,987)
Deficit, beginning of year	(190,324)	(93,337)
Deficit, end of year	(1,434,598)	(190,324)
Loss per share, basic and diluted	(0.11)	(0.01)
Weighted average shares outstanding	11,220,867	6,418,033

(The accompanying notes are an integral part of these financial statements)

ROCKLAND MINERALS CORP.
Statements of cash flows
Years ended December 31, 2010 and 2009
(Expressed in Canadian dollars)

	2010 $	2009 $
Operating activities		
Net loss for the year	(1,244,274)	(96,421)
Items not involving cash:		
Stock-based compensation	158,161	22,338
Changes in non-cash operating working capital:		
Amounts receivable	(103,883)	43,597
Prepaid expenses	(21,250)	–
Accounts payable and accrued liabilities	21,728	15,323
Due to related parties	174	(9,420)
	(1,189,344)	(24,583)
Investing activities		
Mineral property costs	(30,089)	(6,070)
	(30,089)	(6,070)
Financing activities		
Proceeds from shares issued	1,770,500	60,750
Share issuance costs	(180,568)	–
Deferred financing costs	–	(16,250)
	1,589,932	44,500
Increase in cash	370,499	13,847
Cash, beginning of year	19,699	5,852
Cash, end of year	390,198	19,699
Non-cash investing and financing activities:		
Shares issued pursuant to mineral property option agreements	117,000	–
Shares issued as finder's fee	15,000	–
Fair value of options and warrants recorded as share issuance costs	88,500	–
Share purchase warrants issued pursuant to a mineral property option agreement	–	44,837
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

(The accompanying notes are an integral part of these financial statements)

1. Nature of Operations and Continuance of Business

The Company was incorporated on June 12, 2008 under the Business Corporations Act (BC). The Company is an exploration stage company currently focused on the exploration of mineral property projects in Quebec, Canada. It has not yet been determined whether the properties contain mineral reserves that are economically recoverable. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2010, the Company has not generated any revenues from operations and has an accumulated deficit of $1,434,598. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is pursuing equity financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

(b) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. Significant financial statement items which involve the use of estimates include the recoverability of mineral property costs, stock-based compensation, and future income tax asset valuation allowances. Actual results could differ from those estimates.

(c) 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.

(d) Mineral Property Costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

2. Significant Accounting Policies (continued)

(d) Mineral Property Costs (continued)

The amounts shown for mineral properties represent costs, net of write-offs, option proceeds and recoveries, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production.

The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

(e) Mineral Exploration and Development Costs

Exploration costs are charged to operations as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized.

(f) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110, “Asset Retirement Obligations”, which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2010, the Company has not incurred any asset retirement obligations related to the exploration and development of its mineral properties.

(g) Government Assistance

The Company follows CICA Handbook Section 3805, “Investment Tax Credits”. According to this standard, investment tax credits are accounted for using the cost reduction approach. This approach requires investment tax credits received or receivable to be deducted from capitalized resource expenditures. Investment tax credits are accrued when the Company has made the qualifying expenditures, provided there is reasonable assurance that the credits will be realized. Realization is assessed based on collection history.

(h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income taxes assets and liabilities are recognized for the estimated future tax consequences attributable to difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (“temporary differences”) and loss carry forwards. When necessary, a valuation allowance is recorded to reduce income tax assets to an amount where realization is more likely than not. Future income tax assets and liabilities are measured using enacted or substantively enacted tax laws and rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in the period that included the date of enactment or substantive enactment.

2. Significant Accounting Policies (continued)

(i) Financial Instruments

The Company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities.

(j) Foreign Currency Translation

Monetary assets and liabilities expressed in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Other assets and liabilities have been translated at exchange rates in effect at the transaction date. Revenues and expenses are translated at the average exchange rate for the period. Foreign exchange gains and losses are included in the statement of operations.

(k) Flow-through Shares

The Company follows the recommendations of Emerging Issues Committee Abstract No. 146, “Flow-through Shares” which is effective for all flow-through share transactions. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced.

If the Company has sufficient unused tax losses carried forward or other future income tax assets to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these items, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. As the Company has recorded a loss in each of the periods presented, basic and diluted loss per share are the same since the exercise of warrants or options would reduce the loss per share.

(m) Comprehensive Loss

Section 1530 establishes standards for the reporting and display of comprehensive income. The Company does not have any items representing comprehensive income/loss.

2. Significant Accounting Policies (continued)

(n) Stock-based Compensation

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

(o) Future Changes in Accounting Standards

In August 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1625, "Comprehensive Revaluation of Assets and Liabilities" 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 section is applicable for the Company for the fiscal year beginning January 1, 2011, and is not expected to have a material impact on the Company's financial statements.

In August 2009, AcSB issued CICA Handbook Section 3251, "Equity" in response to issuing Section 1602, "Non-controlling Interests". 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 Company's financial statements.

In January 2009, the AcSB issued CICA 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 January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Early adoption of this section is permitted and all three sections must be adopted concurrently. The adoption of these sections is not expected to have a material effect on the Company's financial statements.

In February 2008, the AcSB confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Management has assessed the impact of adopting IFRS and it is not expected to have a material effect on the Company's financial statements.

(Expressed in Canadian dollars)

3. Mineral Property Costs

Mineral property acquisition costs:

	Retty Lake $	Ashuanipi $	Schefferville $	Total $
Balance, December 31, 2008	209,690	–	–	209,690
Additions	6,070	44,837	–	50,907
Balance, December 31, 2009	215,760	44,837	–	260,597
Additions	3,025	82,064	62,000	147,089
Balance, December 31, 2010	218,785	126,901	62,000	407,686

Mineral exploration costs:

Year ended December 31, 2010:

	Retty Lake $	Ashuanipi $	Schefferville $	Total $
Assays	–	807	10,921	11,728
Claims maintenance fees	36,105	3,424	6,959	46,488
Drilling	–	–	522,290	522,290
Equipment rental, field supplies, and other	–	696	3,849	4,545
Geophysics	180,129	14,700	6,250	201,079
Transportation and accommodations	–	8,699	26	8,725
Mining duties refund	(7,632)	–	–	(7,632)
	208,602	28,326	550,295	787,223

Year ended December 31, 2009:

	Retty Lake $	Ashuanipi $	Schefferville $	Total $
Claims maintenance fees	13,228	–	–	13,228
Geological	5,000	–	–	5,000
	18,228	–	–	18,228

Retty Lake Property

On June 30, 2008 (amended on May 5, 2009, September 29, 2009, and January 14, 2010), the Company entered into option agreement to acquire a 100% interest in the Retty Lake Property located in Quebec, Canada. The Company incurred $5,000 pursuant to the May 5, 2009 amendment.

To earn this interest, the Company issued 2,000,000 common shares (recorded at a fair value of $200,000) and must incur exploration expenditures on the property totalling $1,850,000.

Exploration expenditures to be incurred:

- $270,000 by December 30, 2010 (completed);
- an additional $745,000 by December 30, 2011; and
- an additional $835,000 by December 30, 2012;

The optionor retains a 3% Net Smelter Royalty (“NSR”) which the Company has first right to purchase for $3,000,000 after the Company exercises the option to acquire the 100% interest in the property.

3. Mineral Property Costs (continued)

Ashuanipi Property

On August 8, 2009 (amended on January 14, 2010 and July 18, 2010), the Company entered into an option agreement to acquire a 100% interest in the Ashuanipi Property located in Quebec, Canada.

To earn this interest, the Company must issue a total of 500,000 common shares (issued), issue 600,000 share purchase warrants exercisable at $0.05 per share for a period of two years (issued and recorded at a fair value of $44,837), and incur exploration expenditures on the property totalling $1,300,000 as follows:

Shares to be issued:
- 500,000 common shares to be issued prior to the first anniversary (issued).

Exploration expenditures to be incurred:
- $30,000 by December 31, 2010, which has been completed;
- an additional $270,000 by December 31, 2011;
- an additional $300,000 by December 31, 2012;
- an additional $300,000 by December 31, 2013; and
- an additional $400,000 by December 31, 2014.

The optionor retains a 3% NSR which the Company has first right to purchase for $3,000,000 after the Company exercises the option to acquire the 100% interest in the property.

Schefferville Property

On September 29, 2010, the Company entered into an option agreement to acquire an undivided 55% interest in the Schefferville Property located in Quebec, Canada.

To earn this interest, the Company must make cash payments totaling $60,000, issue a total of 600,000 common shares, and incur exploration expenditures on the property totalling $800,000 as follows:

Cash to be paid:
- $20,000 upon execution of the agreement (paid);
- $10,000 on or before September 29, 2011;
- $15,000 on or before September 29, 2012; and
- $15,000 on or before September 29, 2013;

Shares to be issued:
- 200,000 common shares upon execution of the agreement (issued);
- 100,000 common shares on or before September 29, 2011;
- 150,000 common shares on or before September 29, 2012; and
- 150,000 common shares on or before September 29, 2013;

Exploration expenditures to be incurred:
- $200,000 on or before September 29, 2011;
- $250,000 on or before September 29, 2012; and
- $350,000 on or before September 29, 2013.

The optionor retains a minimum 2% NSR on the property of which 1% can be purchased for $1,000,000 by the Company at any time.

(Expressed in Canadian dollars)

4. Related Party Transactions

(a) During the year ended December 31, 2010, the amount of $19,000 (2009 – $nil) was paid to a director for geological work performed on the mineral properties.

(b) As at December 31, 2010, the amount of $9,753 (2009 - $9,579) was owed to a director of the Company, which is non-interest bearing, unsecured, and due on demand.

(c) During the year ended December 31, 2010, the Company paid $30,000 (2009 - $nil) in salary and $2,500 (2009 - $nil) in consulting fees to the President of the Company.

(d) During the year ended December 31, 2010, the Company paid $15,000 (2009 - $nil) in salary and $2,500 (2009 - $nil) in consulting fees to the Chief Financial Officer of the Company.

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties.

5. Share Capital

Authorized: Unlimited common shares without par value
Unlimited preferred shares without par value

	Number of common shares	$
Balance, December 31, 2008	6,220,000	313,500
Issued pursuant to private placement	405,000	60,750
Balance, December 31, 2009	6,625,000	374,250
Issued pursuant to Initial Public Offering	6,670,000	1,000,500
Issued as finder's fee	100,000	15,000
Issued pursuant to private placements - flow-through	4,357,142	770,000
Share issuance costs	–	(300,318)
Issued pursuant to mineral property option agreements	700,000	117,000
Balance, December 31, 2010	18,452,142	1,976,432

Share issuances for the year ended December 31, 2010:

(a) On June 28, 2010, the Company completed its Initial Public Offering (“IPO”) and issued 6,670,000 units at $0.15 per unit for gross proceeds of $1,000,500. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.25 per share expiring on June 28, 2012. In connection with the IPO, the Company incurred $135,968 in share issuance costs. The Company also issued 100,000 common shares with a fair value of $15,000 and 667,000 share purchase warrants with a fair value of $62,839 to the agent. Refer to Note 7.

(b) On August 7, 2010, the Company issued 500,000 common shares with a fair value of $75,000 pursuant to the Ashuanipi Property mineral option agreement. Refer to Note 3.

(c) On September 8, 2010, the Company issued 2,857,142 flow-through units at $0.175 per unit for proceeds of $500,000. Each unit consisted of one flow-through common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.27 per share for the first year and $0.35 per share for the second year expiring on September 7, 2012. In connection with this private placement, the Company paid finder's fees of $41,950 and granted 285,714 agent's options with a fair value of $25,661. Refer to Note 8.

(Expressed in Canadian dollars)

5. Share Capital (continued)

(d) On September 29, 2010, the Company issued 200,000 common shares with a fair value of $42,000 pursuant to the Schefferville Property mineral option agreement. Refer to Note 3.

(e) On December 2, 2010, the Company issued 1,500,000 flow-through units at $0.18 per unit for gross proceeds of $270,000. Each unit consisted of one flow-though common share and one half share purchase warrant. Each full share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.28 per share for the first year and $0.36 for the second year, expiring December 2, 2012. In connection with this private placement the Company incurred $18,900 in share issuance costs.

Share issuances for the year ended December 31, 2009:

(f) On May 22, 2009, the Company issued 405,000 units at $0.15 per unit for proceeds of $60,750. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.25 per share expiring on May 22, 2011.

Escrow Shares

Pursuant to an escrow agreement, 3,550,000 of the common shares issued and outstanding were held in escrow prior the Company listing on the TSX Venture Exchange. On July 2, 2010, 355,000 common shares were released and 15% is to be released every six months thereafter.

6. Contributed Surplus

	$
Balance, December 31, 2008	–
Fair value of share purchase warrants issued to a consultant	22,338
Fair value of share purchase warrants issued pursuant to a mineral property option agreement	44,837
Balance, December 31, 2009	67,175
Fair value of stock options vested	158,161
Fair value of finder’s options	25,661
Fair value of share purchase warrants issued as a finder’s fee	62,839
Balance, December 31, 2010	313,836

7. Share Purchase Warrants

On July 23, 2009, the Company issued 500,000 share purchase warrants exercisable at $0.25 per common share expiring on July 23, 2011 to a consultant. The fair value of $22,338 was calculated using the Black-Scholes option pricing model with the following assumptions: expected volatility of 125%, expected life of 2 years, risk-free rate of 1.29%, and no expected dividends.

On August 8, 2009, the Company issued 600,000 share purchase warrants exercisable at $0.05 per common share expiring on August 8, 2011 pursuant to the Ashuanipi Property option agreement. See Note 3. The fair value of $44,837 was calculated using the Black-Scholes option pricing model with the following assumptions: expected volatility of 125%, expected life of 2 years, risk-free rate of 1.29%, and no expected dividends.

(Expressed in Canadian dollars)

7. Share Purchase Warrants (continued)

On June 28, 2010, the Company issued 667,000 share purchase warrants exercisable at $0.15 per common share expiring on June 28, 2012 to the IPO agent. The fair value of $62,839 was calculated using the Black-Scholes option pricing model with the following assumptions: expected volatility of 125%, expected life of 2 years, risk-free rate of 1.56%, and no expected dividends.

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, December 31, 2008	–	–
Issued	1,505,000	0.17
Balance, December 31, 2009	1,505,000	0.17
Issued	9,515,571	0.25
Balance, December 31, 2010	11,020,571	0.25

As at December 31, 2010, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
405,000	0.25	May 22, 2011
500,000	0.25	July 23, 2011
600,000	0.05	August 8, 2011
6,670,000	0.25	June 28, 2012
667,000	0.15	June 28, 2012
1,428,571	0.27/0.35	September 7,2011/September 7, 2012
750,000	0.28/0.36	December 2, 2011/December 2, 2012
11,020,571		

8. Stock Options

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2008	–	–
Granted	600,000	0.15
Outstanding, December 31, 2009	600,000	0.15
Granted	1,095,000	0.15
Outstanding, December 31, 2010	1,695,000	0.15

(Expressed in Canadian dollars)

8. Stock Options (continued)

Additional information regarding stock options outstanding as at December 31, 2010 is as follows:

	Outstanding			Exercisable	
Range of exercise prices $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of shares	Weighted average exercise price $
0.15 to 0.155	1,695,000	4.9	0.15	1,507,500	0.15

The fair value of stock options granted during the year ended December 31, 2010 was $101,470 (2009 - $56,691) which was recorded as contributed surplus and charged to operations. The Company also recognized $56,691 for the vested portion of stock options granted in 2009 for a total of $158,161 recognized as stock-based compensation expense for the year ended December 31, 2010.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2010	2009
Risk-free interest rate	1.76%	1.29%
Expected life (in years)	3	10
Expected volatility	125%	125%

The weighted average fair value of stock options granted during the year ended December 31, 2010 was $0.11 (2009 - $0.09) per stock option.

Agent's Options

	Number of agents' options	Weighted average exercise price $
Outstanding, December 31, 2008 and 2009	–	–
Granted	285,714	0.175
Outstanding, December 31, 2010	285,714	0.175

As at December 31, 2010, 285,714 agents' options exercisable at $0.175 per unit were outstanding. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant is exercisable at a price of $0.27 per common share for the first year and $0.35 per common share for the second year, expiring on September 7, 2012.

The fair value of $25,661 recorded as share issuance costs was calculated using the Black-Scholes option pricing model with the following assumptions: expected volatility of 125%, expected life of 2 years, risk-free rate of 1.27%, and no expected dividends.

The weighted average fair value of agents' options granted during the year ended December 31, 2010 was $0.09 per option.

(Expressed in Canadian dollars)

9. Commitments

(a) On November 10, 2009, the Company entered into an agreement with a director of the Company who is to provide geological consulting services at $500 per day to a maximum of $60,000 per year, commencing on the later of (i) the date on which the Company completes its IPO and (ii) the director receives the necessary permit to work in Canada, for a period of one year. The agreement can be terminated by either party at any time by giving at least ten days' advance notice in writing to the other party.

(b) On July 1, 2010, the Company entered into an employment agreement with the Chief Financial Officer of the Company at a salary of $2,500 per month. The employment agreement replaced the consulting agreement entered into on November 10, 2009.

(c) On July 21, 2010, the Company entered into an employment agreement with the President of the Company at a salary of $5,000 per month. The employment agreement replaced the consulting agreement entered into on November 10, 2009.

(d) On October 31, 2010, the Company entered into an investor relations agreement which is effective from November 1, 2010 for a period of three months. Under the terms of the agreement, the Company is to pay the consultant $7,500 per month and grant 250,000 stock options exercisable at a price of $0.155 per common share for a period of two years. Refer to Note 15.

10. Contingent Liability

During the year, the Company received a notice of claim for $21,465 from Pacific Bay Minerals Ltd. ("Pacific"). When the President of the Company was employed by Pacific, Pacific paid for the completion of an MBA program. The President subsequently left Pacific and Pacific claims that the Company has been unjustly enriched by the MBA program completed by the Company's President and is seeking reimbursement. The matter is scheduled for BC small claims court for November 23, 2011. Damages claimed in small claims court cases in BC are capped up to $25,000. In the Company's opinion, the claim is without merit. No amount has been accrued in these financial statements in relation to this claim.

11. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2010 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2010 $
Cash	390,198	–	–	390,198

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and due to related party approximate their carrying values due to the relatively short-term maturity of these instruments.

11. Financial Instruments and Risks

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure. Amounts receivable consists of GST/HST/QST receivables which are due from the Government of Canada and the province of Quebec.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended December 31, 2009.

13. Segmented Information

The Company operates in one industry and geographic segment, the mineral resource industry with all current exploration activities conducted in Canada.

(Expressed in Canadian dollars)

14. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise future tax assets and liabilities, are as follows:

	2010 $	2009 $
Canadian statutory income tax rate	28.50%	30.00%
Income tax recovery at statutory rate	(354,618)	(29,096)
Tax effect of:		
Permanent differences and other	45,767	4,960
Change in enacted tax rates	–	964
Change in valuation allowance	308,851	23,172
Income tax recovery	–	–

The significant components of future income tax assets and liabilities are as follows:

	2010 $	2009 $
Future income tax assets		
Non-capital losses carried forward	100,956	21,216
Resource pools	212,971	26,223
Share issuance costs	42,363	–
Total gross future income tax assets	356,290	47,439
Valuation allowance	(356,290)	(47,439)
Net future income tax asset	–	–

As at December 31, 2010, the Company has non-capital losses carried forward of approximately $403,825, which are available to offset future years' taxable income. These losses expire as follows:

	$
2028	6,093
2029	56,451
2030	341,281
	403,825

The Company also has available mineral resource related expenditure pools totalling $1,214,731 which may be deducted against future taxable income on a discretionary basis.

15. Subsequent Events

(a) On January 31, 2011, the Company cancelled the stock options granted to an investor relations consultant as described in Note 9(d). The 62,500 stock options that vested on November 1, 2010 expired 30 days later due to the termination of the agreement.

15. Subsequent Events (continued)

(b) On April 29, 2011, the Company issued 1,848,333 units at $0.15 per unit for gross proceeds of $277,250. Each unit consisted of one common share and one-half share purchase warrant exercisable. Each whole share purchase warrant is exercisable at $0.26 per common share for a period of 18 months. The Company also issued 5,414,411 flow-through units at $0.17 per unit for gross proceeds of $920,450. Each unit consisted of one flow-through common share and one-half share purchase warrant. Each whole share purchase warrant is exercisable at $0.28 per common share for a period of 18 months. The Company incurred share issuance costs of $103,656 and issued 553,019 broker warrants exercisable at $0.26 per unit to the agent. Each unit consisted of one common share and one-half share purchase warrant on the same terms as above.