FINANCIAL STATEMENTS OF

SGX RESOURCES INC.

December 31, 2010 and 2009

Scarrow & Donald LLP

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of SGX Resources Inc.:

We have audited the accompanying financial statements of SGX Resources Inc., which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of operations and deficit and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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 includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of SGX Resources Inc. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
We draw attention to Note 1 in the financial statements which indicates that the Company incurred a net loss of $4,487,585 during the year ended December 31, 2010 (2009 - $25,586) and has a deficit of $6,297,125 as at December 31, 2010 (2009 - $1,809,540). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Scarrow & Donald LLP

Chartered Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

SGX RESOURCES INC.
Balance sheets

	As at December 31, 2010	2009
ASSETS		
Cash	$ 2,808,656	$ 5,946,021
Share subscriptions	-	284,447
Short term investments (note 3)	97,444	-
Other accounts receivable	387,234	712
Prepaid expenses	38,971	-
	3,332,305	6,231,180
Mining claims (note 4)	1,274,795	738,580
	$ 4,607,100	$ 6,969,760

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

	2010	2009
Accounts payable	$ 778,812	$ 74,429
Share capital (note 5)	8,373,649	8,053,423
Contributed surplus (note 6)	1,751,764	651,448
Deficit, as restated (note 2)	(6,297,125)	(1,809,540)
	3,828,288	6,895,331
	$ 4,607,100	$ 6,969,760

Approved by the Board:

"Hugh Wynne" Director

"Benjamin Hubert" Director

SGX RESOURCES INC.

Statements of operations and deficit

	Year ended December 31, 2010	Year ended December 31, 2009
Exploration expenditures	$ 4,405,316	$ -
General and administrative expense	785,610	25,586
Mining claims (note 4)	822,930	-
Share based compensation (note 7)	393,973	-
Net loss before the following	(6,407,829)	(25,586)
Interest income	47,444	-
Net loss before income tax	(6,360,385)	(25,586)
Future tax recovery (note 11)	1,872,800	-
Net loss and comprehensive loss	(4,487,585)	(25,586)
Consideration in excess of carrying value on related party transaction (note 9)	-	(1,761,420)
Deficit, beginning of period, as restated (note 2)	(1,809,540)	(22,534)
Deficit, end of period	$ (6,297,125)	$ (1,809,540)
Loss per share – basic and diluted (note 10)	$ (0.09)	$ (0.00)

SGX RESOURCES INC.

Statements of cash flows

	Year ended December 31, 2010	Year ended December 31, 2009
Cash flows from operating activities		
Interest income	$ 47,444	$ -
Payments to suppliers	(5,369,789)	-
	(5,322,345)	-
Cash flows from financing activities		
Proceeds from share capital	3,065,222	6,361,094
Payment of share issue costs	(294,798)	(415,133)
	2,770,424	5,945,961
Cash flows from investing activities		
Change in short-term investments	(97,444)	-
Purchase of mining claims	(488,000)	-
	(585,444)	-
Change in cash	(3,137,365)	-
Cash beginning of period	5,946,021	60
Cash, end of period	$ 2,808,656	$ 5,946,021

1. Incorporation:

SGX Resources Inc. (the "Company") was incorporated under the *Canada Business Corporations Act* on December 5, 2008.

The Company's main operation consists of exploration in the Timmins area of Ontario, Canada. The recoverability of mining claims is dependent upon a number of factors, including the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration; and obtaining certain government approvals.

For the year ended December 31, 2010, the Company had a loss of $4,487,585 (2009 - $25,586) and has a deficit of $6,297,125 as at December 31, 2010 (2009 - $1,809,540). In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs. Although management may have been successful in the past in undertaking financings, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

2. Summary of significant accounting policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies. An assumption underlying the preparation of financial statements in accordance with Canadian generally accepted accounting principles is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

a) Change in accounting policy-

During the year the policy for share issue costs was changed. Share issue costs that had previously been charged to retained earnings are now charged to share capital. The change in accounting policy was applied retrospectively with restatement of comparative figures. The balance of deficit and share capital as at January 1, 2010 has been restated by $1,092,178 representing the cumulative share issue costs charged to retained earnings in prior years.

	As previously reported	Adjustment	As restated
Share capital	$ 9,145,601	$ (1,092,178)	$ 8,053,423
Deficit	(2,901,718)	1,092,178	1,809,540

b) Accounting estimates-

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Summary of significant accounting policies (continued):

c) Financial instruments-

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other liabilities. Transactions to purchase or sell financial assets are recorded on the settlement date.

Financial assets and financial liabilities classified as held-for-trading are subsequently measured at fair value with gains and losses recognized in net loss. Financial assets classified as held-to-maturity, loans and receivables, and other liabilities are subsequently measured at their amortized cost, using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income until the financial asset is derecognized. Investments in equity instruments are classified as available-for-sale if they do not have a quoted market price in an active market and are measured at cost.

Net gains and losses arising from changes in fair value of loans and receivables, held-to-maturity investments, and other liabilities are recognized in net loss upon derecognition or impairment. The Company does not reclassify a financial instrument into or out of the held-for-trading category while it is held or issued, except in rare circumstances.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net loss, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationships are recognized in other comprehensive income. The Company presently does not have any derivative financial instruments.

The Company has designated its financial instruments as follows:

Financial instrument	Classification	Measurement
Cash	Held-for-trading	Fair value
Share subscriptions	Loans and receivables	Amortized cost
Short term investments	Held-for-trading	Fair value
Other accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

2. Summary of significant accounting policies (continued):

The Company assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current earnings.

d) Exploration expenditures and mining claims-

Exploration expenditures relate to activities that are directed towards less than proven and probable ore reserves and are expensed as incurred. The costs to acquire mining claims are capitalized. The capitalized costs are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value is considered not recoverable on this basis, the Company will write down the carrying value.

e) Earnings per common share-

The Company determines basic earnings per common share based on the weighted average number of outstanding common shares for the year. Diluted earnings per share reflects the effect of potential conversion of debt and exercises of warrants and options on earnings per share that would be materially dilutive.

f) Income taxes-

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

g) Flow through shares-

The Company finances a portion of its exploration activities through the issue of flow through shares. The Company renounces the deductions to investors an accordingly records share issue costs related to the future tax liability of the temporary difference arising from the renunciation. As a result, share capital is reduced an future income tax liabilities are increased by the estimated tax benefits when renounced by the Company to the investors, except to the extent that the Company had unused tax benefits on loss carry forwards and tax pools in excess of book values available for deduction against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance, if any, and the reduction is recognized in earnings.

2. Summary of significant accounting policies (continued):

h) Share based compensation-

The Company has a share option plan available for officers, employees and directors. The fair value based method of accounting is applied to all share-based compensation. Compensation expense for option based compensation awards is recognized when share options are granted over the vesting periods. The fair value of share options and warrants granted are estimated on the date of grant using the Black-Scholes option pricing model. On the exercise of share options, consideration received and the accumulated share options amount relating thereto is credited to share capital. Awards of options and warrants related to private placements or public offerings of shares are treated as share issue costs.

i) Fair values-

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the balance sheet are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market date (unobserved inputs) (Level 3).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

j) Future changes to significant accounting policies

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

The Company is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in Company's current GAAP financial statements may be significantly different when presented in accordance with IFRS.

3. Short-term investments:

Short-term investments classified as held for trading consists of a Scotiabank guaranteed investment certificate bearing interest at 1.4% maturing on January 7, 2011.

4. Mining claims:

Partner	Location	Agreement entered	December 31, 2010 Carrying Value	Commitment for option
Pierre C. Robert Claims	Timmins, Ontario 8 claims	May 2008 – Amended May 2010	$140,000 (December 31, 2009 - $74,400) 3% net smelter return with the right to buy back 1% for $1,000,000	$100,000 and 80,000 shares of San Gold Corporation on or before June 2011. Additionally, an exploration commitment of $450,000 over a three-year period ending in 2011.
Bristol-Carscallen Claims	Timmins, Ontario 15 claims	May 2008	$496,500 (December 31, 2009 - $365,500) 2% net smelter return with the right to buy back 1% for $1,000,000	$150,000 and 60,000 shares or San Gold Corporation on or before July 21, 2011. Additionally, an exploration commitment of $450,000 over a three-year period ending in 2011.
Odyssey Explorations Ltd. Claims	Timmins, Ontario 11 claims	July 2008	$nil (December 31, 2009 - $241,200) 2% net smelter return with the right to buy back 1% for $1,000,000	As at December 31, 2010, commitments were not met.
Orlando Claims	Timmins, Ontario 1 claim	August 2008	$nil (December 31, 2009 - $30,480) 2% net smelter return with the right to buy back 1% for $1,000,000	As at December 31, 2010, commitments were not met.
Robert/ Allaire Claims	Timmins, Ontario 2 claims	December 2009	$49,750 (December 31, 2009 - $15,000) 2% net smelter return with the right to buy back 1% for $1,000,000	$25,000 and 10,000 shares of San Gold Corporation on or before August 28, 2011. Additionally, an exploration commitment of $50,000 over three-year period ending in 2012.
Kornik Claims	Timmins, Ontario 4 claims	February 2009	$47,500 (December 31, 2009 - $12,000) 2% net smelter return with the right to buy back 1% for $1,000,000	15,000 shares of San Gold Corporation on or before February 3, 2011. 30,000 shares of San Gold Corporation on or before February 3, 2012.

4. Mining claims (continued):

Partner	Location	Agreement entered	December 30, 2010 Carrying Value	Commitment for option
Croxall, Kangas, Miller, Salo, Bryant Claims	Timmins Ontario 36 claims	May 2010	$25,005 (December 31, 2009 - $nil) 2% net smelter return with the right to buy back 1% for $1,000,000 multiplied by the percentage increase in the CPI from the month the property is transferred to the Company to the month the net smelter return is purchased	$18,000 and 48,000 shares of the Company on or before May 11, 2011, $25,000 and 84,000 shares of the Company on or before May 11, 2012, $50,000 and 262,000 shares of the Company on or before May 11, 2013. There is no required work commitment from the Company pursuant to the agreement.
Shoreacres claim	Timmins, Ontario 1 claim	May 2010	$51,000 (December 31, 2009 - $nil) 2% net smelter return with the right to buy back 1% for $1,500,000	$25,000 and 100,000 shares of the Company on or before May 17, 2011, $25,000 and 100,000 shares of the Company on or before May 17, 2012, $37,500 and 150,000 shares of the Company on or before May 17, 2013 and $62,500 and 250,000 shares of the Company on or before May 17, 2014 There is no required work commitment from the Company pursuant to the agreement
Newcastle Claims	Timmins, Ontario 50% interest in 9 claims	May 2010	$nil (December 31, 2009 - $nil) 2% net smelter return with the right to buy back 0.5% for $1,000,000	As at December 31, 2010, commitments were not met.
Canada Lithium	Timmins, Ontario 50% interest in 18 claims	September 2010	$404,000 (December 31, 2009 - $nil)	The properties have a 5% net profits interest with Talisman Energy Inc., and a net profits interest acquisition agreement with Falconbridge Limited where Falconbridge Limited is entitled to a one-time cash payment of 0.1% of the gold price set forth in a feasibility study leading to production on the claims multiplied by the number of recoverable ounces of gold identified in the feasibility study due at the commencement of commercial production as defined by the agreement. Falconbridge Limited is also entitled to a 0.5% net smelter royalty on all ounces produced over and above those identified in the feasibility study.
2205730 Ontario Inc.	Timmins, Ontario 3 claims	September 2010	$23,040 (December 31, 2009 - $nil) 1% net smelter return with the right to buy back 0.5% for $1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Rousseau, Rochon Claims	Timmins, Ontario 3 claims	November 2010	$38,000 (December 31, 2009 - $nil) 2% net smelter return with the right to buy back 1% for $1,000,000	$20,000 and 100,000 shares of the Company on or before November 4, 2012 and $40,000 and 100,000 shares of the Company on or before November 4, 2012. Additionally, an exploration commitment of $100,000 over two years.
Total			$1,274,795 (December 31, 2009 - $738,580)	

During the year $822,930 of mining claims for which commitments were not met were expensed.

4. Mining claims (continued):

The Company agreed to enter into a right of first refusal agreement with San Gold Corporation. Pursuant to the agreement, the Company granted to San Gold a right of first refusal with respect to the sale by the Company of any of the Company's interest in the option agreements, the properties or any mineral property or any interest in any mineral property held by the Company. The agreement requires that until December 4, 2014, the Company must first offer to San Gold Corporation the Company's interest in the option agreements, the properties or any mineral property or interest in any mineral property held by the Company that the Company desires to sell before selling to a third party, on terms and conditions that are the same as those contained in the offer to San Gold Corporation.

5. Share capital:

Authorized:
Unlimited number of common shares
Issued:
60,797,621 common shares
(December 31, 2009 – 51,582,160)

	December 31, 2010	December 31, 2009
Share capital, beginning of period	$ 8,053,423	$ 60
Private placement	2,760,275	6,645,541
Issued for mining claims	387,795	2,500,000
Exercise of warrants	23,424	-
Proceeds allocated to warrants issued	(223,407)	(651,448)
Proceeds allocated to warrants amended	(485,860)	-
Tax benefit on flow through renounced	(1,872,800)	-
Share issue costs	(269,201)	(440,730)
Share capital, end of period	$ 8,373,649	$ 8,053,423

On December 4, 2009 the Company issued 19,000,000 common shares for the purchase of mining claims from San Gold Corporation. The shares were valued at $2,500,000.

On December 4, 2009 the Company completed a private placement issuing 15,943,840 common shares and 15,943,840 warrants for aggregate gross proceeds of $3,985,960. On December 22, 2009 the Company completed a second closing of its private placement issuing 9,383,946 common shares and 9,383,946 warrants for gross proceeds of $2,345,987 and on December 30, 2009 the Company completed a third closing of its private placement issuing 1,254,374 common shares and 1,254,374 warrants for gross proceeds of $313,594. During the year ended December 31, 2010, the expiry date of the warrants issued in 2009 was extended to July 15, 2011 resulting in a charge of $485,860 to proceeds allocated to warrants.

5. Share capital (continued):

On June 3, 2010 the Company issued 388,462 common shares at a value of $0.26 share pursuant to a mining claim agreement. On June 18, 2010 the Company issued 49,000 common shares at a value of $0.245 per common share pursuant to a mining claim agreement. On September 3, 2010 the Company issued 600,000 common shares at a value of $0.34 per common share pursuant to a mining claim agreement. On September 22, 2010 the Company issued 72,000 common shares at a value of $0.32 per common share pursuant to a mining claim agreement. On October 22, 1010 the Company issued 51,166 common shares at a value of $0.386 per share pursuant to a mining claim agreement. On November 1, 2010 the Company issued 100,000 common shares at a value of $0.28 pursuant to a mining claim agreement.

On December 1, 2010 the Company issued 68,333 common shares on the exercise of share options for gross proceeds of $20,500.

On December 31, 2010 the Company completed a private placement issuing 7,886,500 common shares and 3,943,250 warrants for aggregate gross proceeds of $2,760,275.

13,663,949 common shares and 1,163,949 warrants are held in escrow pursuant to the requirements of the TSX Venture Exchange to be released as to 25% thereof on the date of the listing for trading of the common shares on April 28, 2010, 25% on the date that is six months from the listing date, 25% on the date that is 12 months following the listing date and the remaining common shares and warrants on the date that is 18 months from the listing date. On April 28, 2010, 6,831,974 common shares and 581,974 warrants, being 25% of the original number of escrowed common shares and warrants, were released from escrow. On October 28, 2010, 6,831,974 common shares and 581,974 warrants, being 25% of the original number of escrowed common shares and warrants, were released from escrow.

6. Contributed surplus:

	December 31, 2010	December 31, 2009
Contributed surplus, beginning of year	$ 651,448	$ -
Warrants granted	223,407	651,448
Options granted	411,679	-
Warrants amended	485,860	-
Options cancelled	(17,706)	-
Warrants exercised	(2,924)	-
Contributed surplus, end of year	$ 1,751,764	$ 651,448

7. Share options:

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

During the year ended December 31, 2010, the fair value of each share option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions used for the grant: dividend yield of 0%, expected volatility ranging from 40% to 74%, risk free interest rates ranging from 1.79% to 2.55% and expected life of 1,825 days.

A summary of the status of the Company's outstanding options as of December 31, 2010 and December 31, 2009 and changes during the periods then ended are as follows:

	December 31, 2010	Average Price ($)	December 31, 2009	Average Price ($)
Options, beginning of the year	-	-	-	-
Options issued	4,050,000	0.26		
Options cancelled	(150,000)	0.30	-	-
Options, end of the year	3,900,000	0.25	-	-
Options vested, end of the year	3,900,000	0.25	-	-
Weighted average remaining life (years)	4.64		-	

8. Warrants:

During the year ended December 31, 2010, the fair value of each warrant grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: dividend yield of 0% (2009 – 0%), expected volatility of 68% to 74% (2009 – 40%), risk free interest rate of 1.66% to 1.70% (2009 – 1.96%), and expected life of 235 days to 559 days (2009 – 365 days).

8. Warrants (continued):

A summary of the status of the Company's outstanding warrants as of December 31, 2010 and December 31, 2009 and changes during the periods then ended are as follows:

	December 31, 2010	Average Price ($)	December 31, 2009	Average Price ($)
Warrants, beginning of the year	26,582,160	0.30	-	-
Warrants issued	3,943,250	0.45	26,582,160	0.30
Warrants exercised	(68,333)	0.30	-	-
Warrants, end of the year	30,457,077	0.32	26,582,160	0.30
Warrants vested, end of the year	30,457,077	0.32	26,582,160	0.30
Weighted average remaining life (years)	0.67		0.95	

During the year the Company obtained approval to extend the expiry date of certain warrants to July 15, 2011.

9. Related party transactions:

During the year ended December 31, 2009 the company purchased mining claims from San Gold Corporation with a carrying value of $738,580 through the issuance of shares with a stated price of $2,500,000. At the time the Company was a wholly owned subsidiary of San Gold Corporation. The $1,761,420 of consideration in excess of the carrying value of the mining claims was charged to deficit.

Included in accounts payable is $123,000 (2009 - $nil) payable to San Gold Corporation for the issue of share capital to meet certain mining claim commitments. San Gold Corporation exerts significant influences over the Company.

10. Loss per share:

The weighted average basic and diluted common shares outstanding for the year ended December 31, 2010 and 2009 is 52,079,423 and 8,819,708 respectively. Options and warrants are anti-dilutive as the company is in a loss position.

11. Income taxes:

The Company has issued flow-through shares to finance certain of its exploration activities. During the year ended December 31, 2010, the Company renounced $6,041,400 of expenditures to the purchasing shareholders and as a result, tax deductibility of these costs will not be available to the Company. During the year ended December 31, 2010, the Company issued $2,484,248 of flow through shares. Subsequent December 31, 2010, the Company renounced $2,484,248 of expenditures to shareholders.

The provision for income taxes reflects an effective rate that differs from the combined federal and provincial tax rates for the following reasons:

	December 31, 2010	December 31, 2009
Net loss before income tax	$ (6,360,385)	$ (25,586)
Combined statutory rate	31.0%	33.0%
Income tax recovery based on statutory rate	$ (1,971,700)	$ (8,400)
Tax benefit on flow through renounced	(1,872,800)	-
Consideration in excess of carrying value on related party transaction	-	(581,300)
Canadian exploration and development	1,769,000	-
Deduction for share issue costs	(44,900)	(30,000)
Share based compensation	122,100	-
Other	137,600	57,100
Valuation allowance	(12,100)	562,600
Future tax recovery	$ (1,872,800)	$ -

Significant components of the Company's future income tax asset are as follows:

	December 31, 2010	December 31, 2009
Non-capital loss carryforward	$ 71,800	$ 31,400
Canadian exploration and development expense pools	675,400	625,000
Share issue costs	122,000	90,800
Mining claims	(318,700)	(184,600)
Future income tax asset	550,900	562,600
Valuation allowance	(550,900)	(562,600)
Future income tax asset	$ -	$ -

12. Commitments:

The Company has entered into lease commitments for equipment and premises with minimum lease payments as follows:

2011	$ 82,646
2012	35,046
2013	29,846
2014	16,800
2015	11,200

12. Capital management:

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

13. Risk management and fair values:

Risk management

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

13. Risk management and fair values (continued):

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Company's financial obligations associates with financial liabilities.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

Credit Risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

Fair values

The fair values of the Company's financial assets and liabilities consisting of cash and share subscriptions receivable, other accounts receivable and accounts payable approximate their recorded values as at December 31, 2010 and 2009 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is level 1 for cash and short term investments (2009 – level 1 for cash).

14. Subsequent events:

Subsequent to year end, 44,000 warrants were exercised for proceeds of $13,200.

Subsequent to year end, the Company entered into an option agreement with each of Kimberly M. Cunnsion, Douglas J. Londry, Dale R. Pyke and Bruce N. Raine. The agreement was approved by the TSX Venture Exchange on January 18, 2011. Pursuant to the option agreement, the optionors have provided the Company with an option to acquire a 100% undivided interest in two mineral claims held by the optionors in Tisdale Township in the Timmins, Ontario area. The Company has committed to making payments of $20,000 and issuing 100,000 common shares of the Company on or before the date of the agreement that is two years following the date of approval, $40,000 on or before the third anniversary date, $60,000 on or before the fourth anniversary date and $80,000 and 100,000 common shares of the Company on or before the fifth anniversary date. The Company has also committed to spend $500,000 in exploration expenditures on or before the fifth anniversary date, including 300 metres of diamond drilling by July 4, 2011 and 1,000 metres by the second anniversary date. The optionors shall be entitled to an aggregate 3% net smelter return royalty with the Company being able to purchase 2% of such net smelter royalty for $1,000,000 on the fifth anniversary date. If the Company does not purchase the 2% net smelter royalty, then the royalty shall automatically increase to 5% with the ability to purchase back 2% for $1,000,000 at anytime.