BacTech Environmental Corporation

Financial Statements

December 31, 2010

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Independent Auditors' Report

To the Shareholders of
BacTech Environmental Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of BacTech Environmental Corporation, which comprise the balance sheet as at December 31, 2010, and the statements of operations and comprehensive loss, deficit and accumulated other comprehensive loss, and cash flows for the period from the date of incorporation on October 5, 2010 to December 31, 2010, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of BacTech Environmental Corporation as at December 31, 2010, and its results of operations and its cash flows for the period from the date of incorporation on October 5, 2010 to December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 3 in the financial statements which describes uncertainty regarding the Company's ability to continue as a going concern and to Note 2 in the financial statements which describes the Company's Plan of Arrangement transaction.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 28, 2011

Balance Sheet
as at December 31

		2010
Assets		
Current assets		
Cash	$	**239,400**
Other receivables		**4,582**
Subscriptions receivable *(note 11)*		**12,000**
Prepaid expenses		**8,203**
		264,185
Mineral properties and deferred exploration costs *(note 8)*		**32,553**
Equipment *(note 9)*		**2,515**
	$	**299,253**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 11(iii))*	$	**111,774**
Payable to REBgold Corporation *(note 7)*		**334,021**
		445,795
Deficiency in assets		
Share capital *(note 11)*		**357,190**
Warrants *(note 12)*		**27,866**
Contributed surplus *(note 13)*		**25,971**
Deficit		**(557,569)**
		(146,542)
	$	**299,253**

Plan of arrangement *(note 2)*
Going concern *(note 3)*
Subsequent events *(note 17)*

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

Approved by the Board

Signed: "*John C. Gingerich*"

Director

Signed: "*M. Ross Orr*"

Director

Statement of Operations and Comprehensive Loss
for the period from October 5, 2010 (date of incorporation) to December 31, 2010

		2010
Expenses		
Write-down of mineral properties and deferred exploration costs *(note 8)*	$	**432,924**
Operating and administrative costs *(note 13)*		**120,747**
Accretion on debenture payable *(note 10)*		**1,838**
Interest expense		**1,781**
Amortization		**279**
Net loss and comprehensive loss for the period	**$**	**(557,569)**
Basic and diluted loss per common share *(note 14)*	**$**	**(0.06)**

Statement of Deficit and Accumulated Other Comprehensive Loss
for the period from October 5, 2010 (date of incorporation) to December 31, 2010

		2010
Deficit, beginning of period	**$**	**-**
Net loss for the period		**(557,569)**
Deficit, end of the period	**$**	**(557,569)**

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

Statement of Cash Flows
for the period from October 5, 2010 (date of incorporation) to December 31, 2010

		2010
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	$	(38,832)
Interest paid		(491)
		(39,323)
Cash flow from financing activities		
Proceeds from private placements		291,200
Share issue costs		(8,190)
		283,010
Cash flow from investing activities		
Expenditures on mineral properties		(1,493)
Expenditures on capital assets		(2,794)
		(4,287)
Increase in cash		239,400
Cash, beginning of period		-
Cash, end of period	$	239,400

Non-cash transactions:

Mineral properties acquired under Plan of Arrangement *(note 2)*	$	463,984
Loan repayable to REBgold Corporation under Plan of Arrangement *(note 2)*	$	250,000
Shares issued under Plan of Arrangement *(note 2)*	$	97,396
Accounts payable transferred from REBgold Corporation under Plan of Arrangement *(note 2)*	$	49,946
Book value of debentures payable assumed from REBgold Corporation under Plan of Arrangement *(note 2)*	$	66,642

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

Notes to Financial Statements
December 31, 2010

1. Nature of Operations

BacTech Environmental Corporation (the "Company" or "BEC") was incorporated by REBgold Corporation ("REBgold" and formerly BacTech Mining Corporation) on October 5, 2010 under the Canada Business Corporations Act. Through the completion of the Plan of Arrangement transaction as described in note 2, the Company was granted a license to use REBgold Corporation's proprietary bioleaching technology in the mining remediation business. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to treat sulphide ores and concentrates. The business plan for the Company is to apply the bioleaching technology to abatement and reclamation projects to remove the harmful elements such as arsenic and sulphur from the environments, where this can be assisted by a positive cash flow from metal recovery. Examples of metals which can be extracted include gold, silver, cobalt, nickel, copper, uranium and zinc.

2. Plan of Arrangement

Effective December 2, 2010, REBgold completed a divisive reorganization by way of a Plan of Arrangement (the "Arrangement") whereby a newly formed subsidiary, the Company, was granted rights and interests in REBgold's existing and proposed tailings remediation projects and an exclusive, perpetual, royalty-free license to use REBgold's proprietary bioleaching technology for reclamation of historic mine tailings. REBgold retained the primary rights to the bioleaching technology, as well as all of REBgold's existing mining assets.

REBgold shareholders voted in favour of the Arrangement at a special meeting of shareholders held on November 12, 2010. Subsequent to the Arrangement, the Company started to trade on the Canadian National Stock Exchange under the symbol "BAC", and REBgold continued to trade on the TSX Venture Exchange ("TSX-V") under the symbol "RBG".

As the Arrangement resulted in no substantial change of ownership, the exchange of net assets pursuant to the Arrangement was measured at its net book value and recorded on the books of the Company as follows:

Mineral properties and deferred exploration costs transferred from REBgold *(note 8)*	$	463,984
Accounts payable transferred from REBgold		(49,946)
Book value of debentures payable assumed from REBgold *(note 10)*		(66,642)
Loan payable to REBgold *(note 7)*		(250,000)
Value attributed to common shares issued	**$**	**97,396**

Common shares *(note 11)*

Under the terms of the Arrangement, REBgold's shareholders received, in exchange for each existing common share of REBgold, one new common share of REBgold and one-fifth of a common share of the Company.

2. Plan of Arrangement - continued

Share purchase warrants *(note 12)*

All outstanding share purchase warrants of REBgold became exercisable for one common share of REBgold and one-fifth of a common share of the Company. The proceeds received by REBgold on the exercise of share purchase warrants are to be distributed 83% to REBgold and 17% to the Company as determined by the formula set out in the Arrangement which considers the volume weighted average trading price of the REBgold and Company for the first 20 trading days subsequent to the Arrangement.

Stock options *(note 13)*

All outstanding stock options of REBgold remained exercisable for shares of REBgold under the original terms of the options. No shares of the Company are issuable upon the exercise of these options.

Debentures payable *(note 10)*

The Company assumed 20% of the face value of REBgold's convertible debentures liability. Upon maturity, the Company will repay to REBgold 20% of the principal plus 20% of the interest accrued from December 2, 2010 to maturity. REBgold remained indebted to the debenture holders for the full principal of the debenture. For every share of REBgold issued in the event of a conversion, one-fifth of a common share of the Company will be issued.

Papua New Guinea arrangement

Pursuant to a settlement agreement between REBgold and Yamana Gold Inc. ("Yamana") dated July 8, 2010, REBgold agreed to issue to Yamana 6,106,780 common shares. These shares were not issued before the Arrangement and consequently, for every share of REBgold issuable, one-fifth of a common share of the Company was issuable. These shares were issued to Yamana by the Company subsequent to year end as described in note 17.

3. Going Concern

The accompanying financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company has no sources of recurring revenue, has incurred losses amounting to $557,569 since its inception, has a working capital deficit of $181,610 at December 31, 2010, and is dependent on financings to fund its operations. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which, taken together, cast significant doubt over the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to the carrying values of the Company’s assets, liabilities, and expenses and the related balance sheet and statement of operations classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

3. Going Concern - continued

The Company funded its operations for the year ended December 31, 2010 with one private placement that generated $303,200 in gross proceeds *(note 11)*. The Company does not have sufficient cash reserves to fund its administrative costs and fully fund all project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying mining ventures amenable to the application of the Company's technology license, and in seeking new equity financing to enable it to service the Company's existing liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

4. Summary of Significant Accounting Policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Financial instruments

The Company's financial instruments include cash, subscription receivable, accounts payable and accrued liabilities, and payable to REBgold Corporation.

Cash is classified as held-for-trading and is measured at fair value with changes in fair value recorded in the statement of operations. The carrying value approximates its fair value due to its short-term nature.

Subscriptions receivable are classified as loans and receivables and accounts payable and accrued liabilities and payable to REBGold Corporation are classified as other financial liabilities, all of which are measured at amortized cost.

The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company estimates that the fair value of cash approximates the carrying value at December 31, 2010, and as such, cash is classified within Level 1 of the fair value hierarchy.

Revenue recognition

Revenue is recognized when the service is completed in the case of consulting activities and upon delivery of products or technology when all significant risks and rewards of ownership have passed to the customer and collection is reasonably assured.

4. Summary of Significant Accounting Policies - continued

Equipment

Equipment is recorded at cost. Amortization is provided over the expected useful lives of the equipment using the following methods and annual rates:

Computers	-	20 % declining balance

Mineral properties and deferred exploration costs

Mineral properties and deferred exploration costs include the direct costs related to mineral properties, including costs of acquiring mining properties and deferred exploration and development costs. These costs are capitalized and accumulated on a property by property basis and will be amortized on the unit-of-production method based upon estimated proven and probable mineral reserves, or written off if the properties are abandoned or the carrying value is determined to be in excess of possible recoverable amounts.

Costs incurred in research relating to the bioleaching process technology are charged to operations as incurred.

Asset retirement obligations

Obligations associated with the retirement of tangible long-lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized in the accounts of the related long-lived assets and are amortized over the useful lives of the related assets. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period these estimates are revised. To date, no environmental obligations that would have a material effect on the operations of the Company have been identified.

Environmental expenditures

The operations of the Company are subject to regulations governing the environment, including future site removal and reclamation costs for mining properties. The Company's policy is to meet standards set by those regulations and incur expenditures to comply with them.

Foreign exchange

Non-monetary assets and liabilities of foreign currency transactions are translated into Canadian dollars at the historical exchange rate. Monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Operating revenue and expenses are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Exchange gains or losses arising from these translations are included in the determination of net income for the year.

4. Summary of Significant Accounting Policies - continued

Income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Flow-through shares

The Company may finance a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The Company recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive. The details of these calculations are disclosed in note 14.

Stock-based compensation plan

The Company has in effect a stock option plan, which is described in note 13. The Company uses the fair value method of accounting for stock options granted to directors, officers, and employees whereby the fair value of options granted is recorded as a compensation expense in the financial statements. Compensation expense on stock options granted to third party service providers is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. On the exercise of stock options, consideration received and the accumulated contributed surplus amount are credited to share capital.

4. Summary of Significant Accounting Policies - continued

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect amounts reported for assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include, but are not limited to, the valuation of mineral properties and deferred exploration costs, stock-based compensation, warrants, and future income taxes.

The Black-Scholes option valuation model is used by the Company to determine the fair value of the stock options and warrants issued in conjunction with the financing transactions. This model requires the input of highly subjective assumptions, including expected future stock price volatility and expected time until exercise. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the stock options and warrants issued by the Company during the year.

5. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's financial statements starting with the first quarter of 2011. The Company will adopt IFRS on January 1, 2011.

6. Capital Management

The Company defines capital as shareholders' equity. The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, evaluation, and development of certain abatement and reclamation projects that are amenable to the application of the bioleaching technology. 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 and projects 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 evaluation 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 projects 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. The Company does not have externally imposed capital requirements.

7. Payable to REBgold Corporation

		2010
Debenture payable *(note 10)*	$	**68,480**
Accrued interest on debenture *(note 10)*		**1,290**
Plan of Arrangement loan (*note 2)*		**250,000**
Other		**14,251**
	$	**334,021**

The balance is unsecured, non-interest bearing, and has no set terms of repayment.

8. Mineral Properties and Deferred Exploration Costs

The mineral properties and deferred exploration costs are comprised as follows:

		Snow Lake		Cobalt Tailings		Total
Balance, October 5, 2010	$	-	$	-	$	-
Plan of arrangement transaction *(note 2)*		31,060		432,924		463,984
Additions		1,493		-		1,493
Write-down of assets		-		(432,924)		(432,924)
Balance, December 31, 2010	**$**	**32,553**	**$**	**-**	**$**	**32,553**

Cobalt Tailings - Ontario

In September 2008, REB announced the signing of a Memorandum of Understanding with Gold Bullion Development Corp. (“Gold Bullion”, TSX-V: GBB) of Cobalt, Ontario. The basis of the agreement entailed REB investigating the use of its proprietary bioleaching technology to treat certain tailings in the Cobalt Camp in northeastern Ontario for the recovery of cobalt, nickel and silver.

In April 2010, REB signed an agreement with Blackstone Development Inc. (“Blackstone”) of Cobalt, Ontario, granting REB access to Blackstone’s considerable tailings inventory in the Cobalt camp in North-Eastern Ontario. Subsequent to signing the agreement, Blackstone has agreed to vend the aforementioned properties into 7574134 Canada Inc. The owners of 7574134 Canada Inc. have agreed to continue the discussions with REB to formalize the agreement between the parties.

8. Mineral Properties and Deferred Exploration Costs - continued

Cobalt Tailings - Ontario - continued

Pursuant to the Arrangement as described in note 2, REBgold assigned its rights and commitments to the Company. As such, accumulated development costs and expenditures that had been capitalized and deferred were transferred to Company's balance sheet as per the terms of the Arrangement.

Recently, Agnico Eagle Mines, from whom Blackstone obtained ownership of the Cobalt tailings subject to a number of conditions, notified the Company that certain conditions had not been met by Blackstone and their agreement was under review. The Company will await the outcome of the Agnico/Blackstone discussions, however as at December 31, 2010, the Company can no longer expect that future cash flows from the Cobalt property will be received and, therefore, the carrying value of the Cobalt tailings have been impaired and carrying value has been written down.

Snow Lake Concentrate Stockpile - Manitoba

In early 2010, REBgold became aware of a reclamation opportunity. In the 1950s, a gold mine owned by The Britannia Mining and Smelting Company was opened and operated at Snow Lake, Manitoba. Approximately 10% of the ore was classified as arsenopyrite (arsenic bearing) and refractory in nature, which required additional treatment to liberate the gold for recovery. Given the high levels of arsenic that reported to the concentrate, conventional roasting or smelting were ruled out as process options and the concentrate was treated by direct cyanidation to recover as much gold as possible. The residue was stockpiled at the mine site to await future technologies capable of extracting the remaining gold values.

REBgold approached the Manitoba Department of Innovation, Energy, and Mines in April 2010 and outlined a plan whereby REBgold, at its own expense, would use samples obtained from the concentrate stockpile to determine whether the material was amenable to bioleaching for liberating and extracting the gold while stabilizing the arsenic as a ferric-arsenate. The Manitoba government granted approval for REBgold to conduct the sampling program, subject to oversight by an independent engineering consulting firm which the government engaged to ensure that there would be no adverse environmental impacts from drilling through the arsenopyrite.

In mid-September, REBgold presented the positive results of its preliminary study to the Government of Manitoba and has followed up with a proposal to conduct a larger metallurgical/bioleach study. The proposed study, which would again be completed at REBgold's expense, will involve the drilling of a number of holes on the concentrate stockpile to obtain approximately 1,000 kg of material. The study will be used to confirm the amount of gold present as well as the metallurgical variability of the stockpile. In addition, the study will evaluate pre-treatment scenarios and costs, continue bioleach work on a larger scale for gold extraction and also study the detox/arsenic stability for the oxidized end product.

Pursuant to the Arrangement as described in note 2, REBgold assigned its rights and commitments to the Company. As such, accumulated development costs and expenditures that have been capitalized and deferred have been transferred to the Company's balance sheet as per the terms of the Arrangement.

9. Equipment

		Cost		Accumulated Amortization		Net Book Value
Computers	$	**2,794**	$	**279**	$	**2,515**

10. Debentures Payable

Convertible Debentures - maturing October 13, 2011

Under the Arrangement as described in note 2, the Company assumed 20% of REBgold's debenture obligation which consists of 43 $10,000 unsecured convertible debentures, maturing on October 13, 2011, and bearing interest at 18% per year payable semi-annually. On December 1, 2010, 20% of the book value of the debenture obligation was $66,642 and was attributed to the Company; this will accrete to $86,000 over the remaining life of the debenture. Upon maturity, the Company will pay to REBgold 20% of the principal plus 20% of the interest accrued from December 2, 2010 to maturity and REBgold will repay the debenture obligation and accrued interest to the debenture holders.

The convertible debentures may be converted by the holders at any time at a price of $0.10 per common share (the "Conversion Price") or in the event that the closing price of REBgold’s common shares on the TSX-V is at or greater than $0.15, REBgold shall have the right, in its sole discretion, to redeem the convertible debentures through the issuance of common shares at the Conversion Price. For every share of REBgold issued in the event of a conversion, one-fifth of a common share of the Company will be issued.

The proportionate share of the debenture has been attributed to the Company as follows:

Book value attributed to the Company pursuant to the Arrangement *(note 2)*	$	**66,642**
Accretion expense		**1,838**
Book value, December 31, 2010	$	**68,480**

11. Share Capital

Authorized:

Unlimited common shares without par value

Issued and outstanding:

	Number of Shares		Amount
Balance, October 5, 2010	**-**	**$**	**-**
Shares issued upon incorporation (i)	100		10
Shares cancelled pursuant to Plan of Arrangement (ii)	(100)		(10)
Shares issued pursuant to Plan of Arrangement (ii)	26,720,007		97,396
Private placement (iii)	2,526,666		277,049
Share issue costs (iii)	-		(17,255)
Balance, December 31, 2010	**29,246,673**	**$**	**357,190**

(i) On October 5, 2010, the Company issued 100 common shares of the Company upon incorporation to its parent company, REBgold Corporation, for a nominal value of $10.

(ii) Pursuant to the Arrangement as described in note 2, on December 2, 2010, the Company cancelled the initial 100 shares issued upon incorporation and issued 26,720,007 common shares of the Company to REBgold shareholders on the basis of one (1) share of the Company for each five (5) common shares of REBgold held as of the close of business on December 1, 2010.

(iii) On December 22, 2010, the Company issued 2,526,666 units in a non-brokered private placement at a price of $0.12 per unit for aggregate gross proceeds of $303,200. Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.17 until December 22, 2011. All securities issued in connection with the offering and the underlying securities were subject to a four month hold period that expires on April 23, 2011. Fair value of common share purchase warrants issued in this placement was estimated at $26,151. The Company incurred finder’s commissions of $9,940 (of which $1,750 were included in December 31, 2010 accounts payable), legal costs of $5,600 (all of which were included in December 31, 2010 accounts payable), and issued 82,833 finder’s warrants. Each finder's warrant entitled the holder to purchase one common share at a price of $0.17 until December 22, 2011. The fair value of the finder’s warrants issued was estimated at $1,715.

As at December 31, 2010, subscriptions totaling $12,000 had not yet been paid in cash to the Company and have been included in subscriptions receivable.

12. Warrants

The movements in the number and estimated fair value of outstanding broker warrants and share purchase warrants are as follows:

	Number		Value
Balance, October 5, 2010	**-**	**$**	**-**
Fair value of warrants issued pursuant to private placement *(note 11(iii))*	1,263,334		26,151
Fair value of broker warrants issued *(note 11(iii))*	82,833		1,715
Balance, December 31, 2010	**1,346,167**	**$**	**27,866**

Pursuant to the Arrangement as described in note 2, REBgold has certain obligations pursuant to the REBgold warrants in existence at the time of the Arrangement, which upon being exercised, shall be satisfied by the issuance of one common share from REBgold and one-fifth of one common share of the Company in accordance to the terms of the Arrangement.

Upon the exercise of any REBgold warrants following the Arrangement, REBgold shall pay to the Company 17% of the exercise proceeds as consideration for the issuance of the Company's common shares. REBgold shall retain the balance of the aggregate exercise price as consideration for the issuance of its common shares from the exercise of the warrant.

As of December 31, 2010, REBgold had 71,813,000 common share purchase warrants outstanding which are subject to the Arrangement. The Company’s obligation, if these warrants were exercised prior to expiry, would be to issue 14,362,600 common shares in return for its portion of the aggregate exercise price of $1,248,400.

The fair value of these warrants, issued during the period ended December 31, 2010, was estimated using the Black-Scholes option pricing model with the following assumptions:

	2010
Risk free interest rate	**1.66%**
Expected dividend yield	**nil**
Expected volatility	**100%**
Expected life	**1 year**

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, the use of the Black-Scholes option pricing model, as required by Canadian generally accepted accounting principles, may not provide a realistic measure of the fair value of the Company’s warrants at the date of issue.

13. Contributed Surplus and Stock-based Compensation

The movements in the contributed surplus are as follows:

		Value
Balance, October 5, 2010	**$**	**-**
Stock-based compensation		25,971
Balance, December 31, 2010	**$**	**25,971**

The Company has a stock option plan (the “Plan”), under which the Company may grant options to directors, officers, and consultants. Under the terms of the Plan that was approved by the shareholders on November 12, 2010, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of 5 years and vest over periods of up to one year from the date of issue.

			2010
	Number Outstanding		Weighted-Average Exercise Price
Balance, October 5, 2010	**-**	**$**	**-**
Granted	2,100,000		0.15
Balance, December 31, 2010	**2,100,000**	**$**	**0.15**

Options to purchase common shares outstanding at December 31, 2010 carry exercise prices and remaining terms to maturity as follows:

Weighted Average Exercise Price	Options Outstanding	Options Exercisable	Weighted-Average Contractual Life (years)
$ 0.15	**2,100,000**	**2,100,000**	**4.9**

13. Contributed Surplus and Stock-based Compensation - continued

During the period ended December 31, 2010, the Company granted 2,100,000 new options at an exercise price of $0.15. The fair value of options vested during the period ended December 31, 2010, was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	**1.6%**
Expected dividend yield	**nil**
Expected volatility	**100%**
Expected term	**2 years**

Under this method of calculation, the Company recognized a total expense of $25,971 in respect of the options vesting during the period. Stock-based compensation expense was included in operating and administrative costs.

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model, may not provide a realistic measure of the fair value of the Company's options at the date of issue.

14. Loss per Share

The following table sets forth the computation of basic and diluted and loss per common share for the period ended December 31:

		2010
Numerator:		
Loss attributable to common shareholders	$	(557,569)
Denominator:		
Weighted-average common shares outstanding		8,962,025
Basic and diluted loss per common share	**$**	**(0.06)**

As a result of losses incurred in the period ended December 31, 2010, the potential effect of the exercise of stock options and warrants and convertible debentures was anti-dilutive.

15. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 31% to the Company's income tax rate:

		2010
Loss before recovery of income taxes	**$**	**(557,569)**
Expected income tax recovery at statutory income tax rates	**$**	**(172,800)**
Tax effect of assets acquired through plan of arrangement		**149,400**
Permanent differences		**8,100**
Tax rate changes and other adjustments		**4,000**
Share issue costs		**(5,300)**
Increase in valuation allowance		**16,600**
Recovery of income taxes	**$**	**-**

The tax effects of temporary differences that give rise to significant portions of the future tax assets at December 31 are as follows:

		2010
Future income tax assets		
Non-capital losses	**$**	**24,300**
Undeducted resource and other tax pools		**4,600**
		28,900
Allocated against future income tax liabilities		**(12,300)**
Valuation allowance		**(16,600)**
Net future income tax assets	**$**	**-**
Future income tax liabilities		
Canadian mineral properties	**$**	**(8,200)**
Debentures		**(4,100)**
Allocation of applicable future income tax assets		**12,300**
Net future income tax liabilities	**$**	**-**

At December 31, 2010, the Company had non-capital losses in Canada of approximately $97,193 which are available under certain circumstances to reduce future taxable income. These losses expire as follows:

2030	**$**	**97,193**

16. Financial Instruments

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 subscriptions receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to subscriptions receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet current liabilities when due. As at December 31, 2010, the Company had a cash balance of $239,400 to settle current liabilities of $445,795. The Company does not have sufficient cash reserves to fund its administrative costs and fully fund all project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying reclamation ventures amenable to the application of the Company’s technology and in seeking new equity financing to enable it to service the Company’s existing liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

Market risk

(a) Interest rate risk

The Company has cash balances earning interest at a variable rate and debentures payable bearing interest at a fixed rate of 18% per year. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. Major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative expenses using United States dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is not exposed to price risk with respect to commodity prices.

Sensitivity analysis

The Company has designated its cash as held-for-trading, which is measured at fair value.

As of December 31, 2010, the carrying amount of the financial instruments equals fair market value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year.

Cash is at floating interest rates. Sensitivity to a plus or minus 1% change in rates would affect net income by $2,400.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

17. Subsequent Events

Stock options

Subsequent to year end, a total of 250,000 stock options were issued to Stone Communications Service Limited, a supplier of the Company and to an employee of the Company. The options are exercisable at $0.20 per share for terms of three and five years.

Settlement pursuant to Plan of Arrangement

Subsequent to year end, 1,221,356 common shares of the Company were issued to Yamana as per the terms of the Arrangement as described in note 2.

Warrants pursuant to Plan of Arrangement

Between January 1, 2011 and April 28, 2011 warrant holders of REBgold exercised a total of 14,176,667 warrants to purchase 14,176,667 common shares of REBgold. As per terms of the Plan of Arrangement, BEC is obligated to issue 2,835,332 common shares of the Company to the warrant holders of REBgold and is entitled to 17% proceeds from the exercise of the warrants collected by REBgold.