

REDSTAR GOLD CORP.
(An Exploration Stage Company)

Consolidated Financial Statements

December 31, 2010

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim statements by an entity's auditors.

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Consolidated Balance Sheets
(Unaudited – Prepared by Management)

	December 31, 2010 (Unaudited)	March 31, 2010 (Audited)
Assets		
Current		
Cash	\$ 139,740	\$ 97,562
Marketable securities (note 5)	35,750	843,600
Accounts receivable	143,900	3,483
Prepaid expenses and advances	34,986	31,700
	354,376	976,345
Deposit	7,428	7,428
Mineral Property Interests (note 6)	2,414,284	2,146,352
Property and Equipment (note 7)	49,125	60,955
	\$ 2,825,213	\$ 3,191,080
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,337	\$ 55,069
Due to related parties (note 9)	373,556	330,925
	374,893	385,994
Shareholders' Equity		
Capital Stock (note 8)	11,664,177	11,476,909
Contributed Surplus	1,163,984	1,060,809
Accumulated Other Comprehensive Income	5,031	182,700
Deficit	(10,382,872)	(9,915,332)
	2,450,320	2,805,086
	\$ 2,825,213	\$ 3,191,080

Nature of Operations and Going Concern (note 1)
Commitment (note 13)
Subsequent Events (note 14)

Approved on behalf of the Board:

"Scott Weekes"
..... Director
Scott Weekes

"Douglas A. Fulcher"
..... Director
Douglas A. Fulcher

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Consolidated Statements of Operations
For the Nine Months ended December 31
(Unaudited – Prepared by Management)

	For the Three Months ended December 31,		For the Nine Months ended December 31,	
	2010	2009	2010	2009
Expenses				
Contract wages (note 9(a))	\$ 102,168	\$ 43,848	\$ 270,616	\$ 132,066
Investor relations (note 9(a))	15,643	48,439	180,409	100,244
Stock-based compensation (note 8(e))	108,393	0	179,743	75,848
Rent (note 9(a))	20,114	17,426	63,662	61,096
Office and miscellaneous (note 9(a))	10,101	9,413	31,536	28,920
Insurance	7,703	8,276	28,448	25,065
Professional fees	0	0	35,269	17,520
Consulting (note 9(a))	5,300	5,300	15,900	15,900
Telephone (note 9(a))	2,242	1,645	6,061	4,605
Regulatory fees	(1,939)	2,700	4,269	7,506
Transfer agent fees	1,845	1,732	4,564	4,443
Amortization	4,506	5,121	13,519	10,877
	276,076	143,900	833,996	484,090
Other Expenses (Income)				
Foreign exchange loss	1,048	2,049	1,975	3,223
Gain on sale of marketable securities (note 5)	(108,618)	(11,350)	(393,790)	(21,819)
Gain on sale of mineral property interests	0	(934,000)	0	(934,000)
Mineral property interests (recovered)	0	(42,503)	0	(42,503)
Interest income	(17)	0	(22)	0
	(107,587)	(985,804)	(391,837)	(995,099)
Loss Before Income Tax	168,489	(841,904)	442,159	(511,009)
Future income tax (recovery) (note 10)	8,425	105,631	25,381	106,294
Net Loss for the Period	176,914	(736,273)	467,540	(404,715)
Other Comprehensive Income				
Unrealized loss (gain) on available-for- sale securities (note 5)	58,974	(918,182)	177,669	(921,183)
Comprehensive Loss (Income) for the Period	\$ 235,888	\$ (1,654,455)	\$ 645,209	\$ (1,325,898)
Basic Loss (Income) Per Share	\$ 0.00	\$ (0.02)	\$ 0.01	\$ (0.01)
Weighted Average Number of Common Shares Outstanding	52,550,569	49,605,844	52,412,668	49,605,844

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
For the Nine Months ended December 31
(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, March 31, 2009	48,983,341	10,805,626	1,074,110	(9,763,051)	7,439	2,124,124
Net loss for year	0	0	0	(152,281)	0	(152,281)
Unrealized gain on available-for-sale securities, net of future income taxes of \$26,100 (note 5)	0	0	0	0	182,700	182,700
Common shares issued for cash						
Exercise of stock options	1,360,000	146,699	0	0	0	146,699
Debt settlement (note 9(c))	2,000,000	420,000	0	0	0	420,000
Fair value of stock options exercised	0	104,584	(104,584)	0	0	0
Stock-based compensation expense (note 8(e))	0	0	91,283	0	0	91,283
Realized gain on available-for-sale securities, net of future income taxes of \$1,111 (note 5)	0	0	0	0	(7,439)	(7,439)
Balance, March 31, 2010	52,343,341	\$ 11,476,909	\$ 1,060,809	\$ (9,915,332)	\$ 182,700	\$ 2,805,086
Net loss for period	0	0	0	(467,540)	0	(467,540)
Unrealized loss on available-for-sale securities, net of future income taxes of \$719	0	0	0	0	(177,669)	(177,669)
Common shares issued for cash						
Exercise of stock options	615,000	110,700	0	0	0	110,700
Fair value of stock options exercised	0	76,568	(76,568)	0	0	0
Stock-based compensation expense (note 8(e))	0	0	179,743	0	0	179,743
Balance, December 31, 2010	52,958,341	\$ 11,664,177	\$ 1,163,984	\$ (10,382,872)	\$ 5,031	\$ 2,450,320

Supplemental Disclosure with Respect to Cash Flows (note 12)

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the Nine Months Ended December 31
(Unaudited – Prepared by Management)

	For the Three Months ended December 31,		For the Nine Months ended December 31,	
	2010	2009	2010	2009
Operating Activities				
Net loss	\$ (176,914)	\$ 736,273	\$ (467,570)	\$ 404,715
Items not involving cash				
Amortization	4,506	5,121	13,519	10,877
Stock-based compensation	108,393	0	179,743	75,848
Gain on sale of marketable securities	(108,618)	(11,350)	(393,790)	(21,819)
Gain on sale of mineral property interests	0	(726,503)	0	(726,503)
Future income tax (recovery)	8,425	105,631	25,381	106,294
	(164,208)	109,172	(642,685)	(150,589)
Changes in non-cash working capital				
Accounts receivable	(112,758)	1,782	(140,417)	(20,041)
Prepaid expenses and advances	(8,968)	(12,027)	(3,287)	(14,078)
Accounts payable and accrued liabilities	(77,413)	(31,712)	(53,732)	(20,069)
Due to related parties	196,320	(66,293)	42,631	272,874
Due to/from joint venturer	0	(206)	0	2,307
	(2,819)	(108,456)	(154,805)	220,993
Cash Used in Operating Activities	(167,027)	716	(797,490)	70,404
Investing Activities				
Expenditures on mineral property	(482,140)	(1,110,572)	(1,332,438)	(1,516,859)
Recoveries on mineral property	418,145	1,068,791	1,072,550	1,346,657
Acquisition of mineral property	(31,498)	(62,477)	(8,044)	(25,650)
Acquisition of property and equipment	0	(29,908)	(1,690)	(29,908)
Proceeds from sale of marketable securities	238,218	29,500	998,590	47,169
Cash Provided by (Used in) Investing Activities	142,725	(104,666)	728,968	(178,591)
Financing Activity				
Issuance of capital stock for cash	110,700	109,500	110,700	124,500
Increase (Decrease) in Cash	86,398	5,550	42,178	16,313
Cash, Beginning of Period	53,342	32,487	97,562	21,724
Cash, End of Period	\$ 139,740	\$ 38,037	\$ 139,740	\$ 38,037

Supplemental Disclosure with Respect to Cash Flows (note 12)

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Nine Months Ended December 31, 2010
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

Redstar Gold Corp. (the “Company”) is an exploration stage company engaged principally in the acquisition, exploration and development of mineral property interests.

These consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred significant operating losses over the past several fiscal years, is currently unable to self-finance operations, has a working capital deficit of \$20,517 (2009 - working capital of \$727,874), an accumulated deficit of \$10,382,872 (2009 - \$9,358,937), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property interests.

The application of the going concern concept is dependent upon the Company’s ability to receive continued financial support from its shareholders and creditors, raise additional capital and generate future profitable operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management’s plan will be successful.

These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian GAAP and reflect the following policies.

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Redstar Gold USA Inc. All intercompany balances and transactions have been eliminated.

(b) Mineral property interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made, or an impairment has occurred.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

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For the Nine Months Ended December 31, 2010
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral property interests (Continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company's property interest are recorded as a reduction of the mineral property cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in the statements of operations.

(c) Property and equipment

Property and equipment are recorded at cost and are amortized using the declining-balance method at an annual rate of 20% for office equipment, 30% for computer equipment and 30% for automobiles. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Additions during the year are amortized at one-half the annual rates.

(d) Non-monetary transactions

Shares issued for consideration other than cash are valued at the fair value of assets received or services rendered, or the quoted market price at the date of issuance, whichever is the more reliable measure.

(e) Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

(f) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows: monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; and revenues and expenses and exploration expenditures, at the exchange rate prevailing at the transaction date, except for amortization, which is translated at the historical rate. Gains and losses arising from this translation of foreign currency are included in operations.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the reporting period. Significant areas requiring the use of estimates include the rates of amortization for property and equipment, fair value of financial instruments, recoverability of mineral property interests, balances of accrued liabilities, determination of asset retirement and environmental obligations, the assumptions used in the determination of the fair value of stock-based compensation and the determination of the valuation allowance for future income tax assets. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(h) Asset retirement obligations (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the consolidated financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in the consolidated financial statements.

(i) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus. For directors and employees the fair value is recognized over the vesting period, and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(k) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been de-recognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The fair value of all marketable securities is determined by quoted market prices.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – 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); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These disclosures are not required when the carrying amount is a reasonable approximation of the fair value.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The IFRS standards will be effective for the Company for interim and annual financial statements relating to the Company's fiscal year commencing April 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended March 31, 2011. The Company has begun the planning and scoping phase of the transition to IFRS and intends to transition to IFRS financial statements during fiscal 2012.

(ii) Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

3. FINANCIAL INSTRUMENTS

The Company has classified its cash as held-for-trading; marketable securities as available-for-sale; deposit as held-to-maturity; and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

(a) Fair value

The carrying values of cash, marketable securities, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of the deposit approximates its fair value. The fair values of amounts due to related parties have not been disclosed as their fair values cannot be reliably measured since there are no quoted market prices for such instruments.

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3. FINANCIAL INSTRUMENTS (Continued)

(a) Fair value (Continued)

The Company's financial instruments measured at fair value by level within the fair value hierarchy as at December 31, 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Available-for-sale marketable securities	\$35,750	\$ 0	\$ 0	\$35,750

(b) Credit risk

The Company is exposed to credit risk with respect to its cash. The credit risk associated with cash is minimal as cash has been placed with major financial institutions.

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution and a single major US financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2010	2009
Cash	\$ 139,740	\$ 38,037

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2010, the cash balance of \$139,740 (2009 - \$38,037) is insufficient to meet the business requirements for the coming year. Therefore, the Company will be required to sell its marketable securities, raise additional capital or sell one or more mineral property interest in order to fund its operations in 2011. At December 31, 2010, the Company had accounts payable and accrued liabilities of \$1,337 (2009 - \$69,800), which are due in the fourth quarter of fiscal 2011, and amounts due to related parties of \$373,556 (2009 - \$779,776), which are due on demand.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk given the majority of its financial assets and liabilities are denominated in Canadian dollars.

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3. FINANCIAL INSTRUMENTS (Continued)

(d) Market risk (Continued)

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk on its marketable securities to the extent of fluctuations in the current market prices of those securities.

As at December 31, 2010, a fluctuation in the fair value of marketable securities on the volatility of the underlying shares over the three month period has impacted the Company's other comprehensive income by approximately \$178,000.

4. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital through the sale of its common shares to fund its corporate and exploration costs. Although the Company has been successful at raising funds in the past through issuance of common shares, there is no assurance it will continue to do so in the foreseeable future.

5. MARKETABLE SECURITIES

At December 31, 2010, the Company held marketable securities as follows:

	Number of Shares	Cost	Accumulated Unrealized Gains (Losses)	Fair Value
Central Resources Corp.	100,000	30,000	(14,000)	16,000
Corvus Gold Inc.	25,000	1	19,749	19,750
		\$ 30,001	\$ 5,749	\$ 35,750

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5. MARKETABLE SECURITIES (Continued)

At December 31, 2009, the Company held marketable securities as follows:

	Number of Shares	Cost	Accumulated Unrealized Gains	Fair Value
International Tower Hill Mines Ltd.	200,000	\$ 864,000	\$ 636,000	\$ 1,500,000

During the period ended December 31, 2010, the Company recognized an unrealized gain of \$5,749 (2009 - \$636,000), which is included in other comprehensive income (loss). Future income tax in the amount of \$718 (2009 - \$79,500) was recorded against the unrealized gain for an unrealized gain, net of tax, in the amount of \$5,031 (2009 - \$556,500).

During the period ended December 31, 2010, the Company sold 140,000 International Tower Hill Mines Ltd. shares, which were received pursuant to the North Bullfrog option and agreement and subsequent disposition of the property (note 6(c)). The shares had a cost of \$604,800 and were sold for net proceeds of \$998,590. Accordingly, the Company recognized a realized gain of \$393,790.

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6. MINERAL PROPERTY INTERESTS

At December 31, 2010 and March 31, 2010, expenditures incurred on mineral property interests are as follows:

	General Projects & Red Lake, Ontario, Canada		Nevada, USA										Total
	General Projects	Newman Todd	Nevada General *	Eagle Basin	Painted Hills	Richmond Summit	Root Spring	Cooks Creek	Oasis	Rose-Bush	Baker Spring	Seven Devils	
		(note 6(a))		(note 6(b)(iii))	(notes 6(b)(iv) and (c))	(notes 6(b)(v) and (f))	(note 6(b)(vi))	(note 6(b)(vii))	(note 6(b)(viii))	(note 6(b)(ix))	(note 6(b)(xi))	(note 6(b)(x))	
Acquisition costs for the period	\$ 0	\$ 0	\$ 39,182	\$ 0	\$ 0	\$ 0	\$ 0	\$ 882	\$ 5,270	\$ 0	\$ 0	\$ 10,514	\$ 55,848
Acquisition costs recovered	0	0	(7,000)	0	0	0	0	0	(40,804)	0	0	0	(47,804)
	0	0	32,182	0	0	0	0	882	(35,534)	0	0	10,514	8,044
Deferred exploration expenditures for period													
Assaying	0	186	9,773	0	0	0	0	75	213,642	0	0	75	248,404
Consultants													
- geology	0	82,079	83,428	0	1,349	2,866	0	3,677	207,071	0	0	2,016	382,486
- geophysical	0	0	0	0	0	0	0	0	58,837	0	0	0	58,837
- geochemical	0	0	0	0	0	0	0	0	37,202	0	0	0	37,202
Contract labour	35,417	17,777	0	0	0	0	0	0	0	0	0	0	53,194
Camp and exploration support	0	25,141	1,588	0	0	0	0	0	6,204	0	0	1,382	33,870
Drilling	0	63,873	0	0	0	0	0	0	275,672	0	0	0	339,545
Land and tenure	0	0	2,042	5,955	12,607	11,490	8,690	18,190	108,793	0	3,543	11,263	182,573
Travel and accommodation	0	(2,795)	16,137	0	0	643	0	77	5,729	0	0	54	19,845
Equipment rental	0	432	0	0	0	0	0	0	0	0	0	0	432
Maps and reports	0	0	258	0	0	0	0	0	6	0	0	0	258
Exploration costs recovered	35,417	186,693	113,226	5,955	13,956	14,999	8,690	22,019	913,150	0	3,543	14,790	1,332,438
	0	(162,037)	0	0	0	0	0	0	(910,513)	0	0	0	(1,072,550)
Net exploration expenditures for period	35,417	24,656	113,226	5,955	13,956	14,999	8,690	22,019	2,637	0	3,543	14,790	259,888
Total expenditures for period	35,417	24,656	145,408	5,955	13,956	14,999	8,690	22,901	(32,897)	0	3,543	25,304	267,932
Balance, March 31, 2010	0	\$1,692,208	\$ 13,519	\$ 59,810	\$ 13,601	\$ 10,294	\$ 57,277	\$ 124,013	\$ 109,062	\$ 10,972	\$ 9,794	\$ 45,803	\$ 2,146,352
Balance, December 31, 2010	\$ 35,417	\$ 1,716,864	\$ 158,927	\$ 65,765	\$ 27,557	\$ 25,293	\$ 65,967	\$ 146,914	\$ 76,165	\$ 10,972	\$ 13,337	\$ 71,107	\$ 2,414,284

* Nevada General includes the Queens, Opal Hill, Larus & Long Island projects.

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6. MINERAL PROPERTY INTERESTS (Continued)

(a) Newman Todd Property, Red Lake District, Ontario

In 2007, the Company acquired a 100% interest in the Newman Todd area properties (comprised of several properties) by issuing 700,000 common shares to the vendor.

The property is subject to a commitment to issue additional common shares as follows:

- (i) Common shares with a value of \$1,000,000 if a mine is placed into production; and
- (ii) Common shares with a value of \$1,000,000 if production from the properties exceeds 250,000 ounces of gold; and
- (iii) Additional common shares with a value of \$500,000 if production from the Newman Todd and Advance Red Lake properties exceeds 250,000 ounces of gold.

The mineral claims are subject to a 1% net smelter return (“NSR”) royalty provided that the total NSR royalties payable on any claims within the property do not exceed 2.75%.

On November 2, 2009, the Company entered into an option agreement with Central Resources Corp. (“Central”) whereby Central could have earned up to a 60% undivided interest in the Company’s 100% owned Newman Todd Property in Red Lake, Ontario.

Under the terms of the agreement Central can earn a 50% interest in the project over a four-year period by funding \$4,500,000 in exploration and development work and issuing 500,000 shares of Central to the Company as follows:

Incurring exploration expenditures of not less than \$4,500,000 as follows:

- \$1,000,000 by November 2, 2010 (incurred);
- \$500,000 by December 31, 2010;
- \$1,000,000 by December 31, 2011;
- \$1,000,000 by December 31, 2012; and
- \$1,000,000 by December 31, 2013.

Issuing 500,000 Central shares to the Company as follows:

- 100,000 shares by November 2, 2009 (received);
- 100,000 shares by November 2, 2010;
- 100,000 shares by November 2, 2011;
- 100,000 shares by November 2, 2012; and
- 100,000 shares by November 2, 2013.

Central can earn an additional 10% interest in the project by funding \$2,000,000 in exploration and development work by December 31, 2014 and issuing 750,000 shares of Central to the Company by November 2, 2014.

On November 15, 2010 Central formally advised the Company that it would not be continuing with the option on the Newman Todd property having satisfied and fully discharged all of its commitments for the first year of the agreement.

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6. MINERAL PROPERTY INTERESTS (Continued)

(a) Newman Todd Property, Red Lake District, Ontario

On November 19, 2010, the Company entered into an option agreement with Confederation Minerals Ltd. ("Confederation") whereby Confederation can earn up to a 70% undivided interest in the Company's 100% owned Newman Todd Property in Red Lake, Ontario.

Under the terms of the agreement Confederation can earn a 50% interest in the project over a three-year period by funding \$5,000,000 in exploration and development work and issuing 500,000 shares of Confederation and making payments totaling \$250,000 to the Company as follows:

Incurring exploration expenditures of not less than \$5,000,000 as follows:

- \$2,000,000 by November 19, 2011;
- \$1,500,000 by November 19, 2012;
- \$1,500,000 by November 19, 2013.

Cash payments of \$250,000 and issuing 500,000 shares of Confederation to the Company as follows:

- \$50,000 and 100,000 shares on signing (received Jan.06/11);
- \$50,000 and 100,000 shares by November 19, 2011;
- \$75,000 and 150,000 shares by November 19, 2012;
- \$75,000 and 150,000 shares by November 19, 2013.

After the exercise of the first option, Confederation can earn an additional 20% interest in the project by providing a Preliminary Assessment of the property, at Confederation's cost, and issuing 500,000 shares of Confederation to the Company. In addition, to maintain the second option in good standing, Confederation will make minimum annual expenditures of \$250,000 commencing on the third anniversary and until the earlier of (a) the full exercise of the second option, and (b) the expiry of the second option.

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6. MINERAL PROPERTY INTERESTS (Continued)

(b) Nevada Properties

During the year ended March 31, 2005, the Company entered into a letter of agreement (as amended) with AngloGold Ashanti North America Inc. ("AngloGold") for the exclusive right to acquire a copy of AngloGold's Great Basin database. In order to obtain this right, the Company was required to incur US \$3,000,000 on exploration expenses on Nevada Properties (incurred) and issue to AngloGold 175,000 common shares (issued). Once the Company had spent US \$750,000 on exploration expenses on a property, AngloGold had a one-time right to earn a 60% interest in that property by incurring 200% of the expenditures incurred by the Company within three years after electing to back in.

The agreement was for a term of one-year (expiring March 9, 2006) and, with the consent of both parties and the Company issuing 175,000 common shares to AngloGold, could be renewed for a further one-year term. The Company renewed the agreement for one-year terms as follows:

- 175,000 common shares issued on August 11, 2006 to extend to March 9, 2007;
- 175,000 common shares issued on February 7, 2007 to extend to March 9, 2008;
- and
- 175,000 common shares issued on March 11, 2008 to extend to March 9, 2009.

In May 2008, the Company completed the acquisition of AngloGold's Great Basin database. As a result, the remaining back-in rights held by AngloGold on Nevada Properties were removed unless otherwise noted below.

(i) Dry Gulch Property, Elko County, Nevada

The Dry Gulch Property consists of 121 (2009 - 209) staked claims near Elko County, Nevada. AngloGold holds a 2% NSR royalty.

During the year ended March 31, 2010, the Company wrote-off this property in the amount of \$112,918.

(ii) North Bullfrog Property, Nye County, Nevada

During the year ended March 31, 2007, the Company entered into five mining leases to purchase a 100% interest in certain mineral claims. The Company will grant a production royalty of 2% to 4% of NSR to each vendor. To maintain the leases, the Company must make minimum advance royalty payments of US \$32,300 (paid for 2010, 2009 and 2008) per annum on each of the first three anniversaries and US \$37,700 per annum thereafter. The Company has the right at any time while the agreements are in effect to purchase the production royalty for US \$850,000 to US \$1,000,000 per 1% and may purchase the entire royalty.

The Company has also acquired the following property interests in Nevada:

(iii) Eagle Basin Property, Lander County, Nevada

The Eagle Basin Property consists of 45 (2009 - 72) claims acquired through staking near Lander County, Nevada. AngloGold holds a 2% NSR royalty.

(iv) Painted Hills Property, Humboldt County, Nevada

The Painted Hills Property consists of 79 (2009 - 301) claims acquired through staking near Humboldt County, Nevada.

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6. MINERAL PROPERTY INTERESTS (Continued)

(b) Nevada Properties (Continued)

(v) Richmond Summit Property, Eureka County, Nevada

The Richmond Hill Property consists of 72 claims acquired through staking in Eureka County, Nevada. AngloGold holds a 2% NSR royalty.

(vi) Root Spring Property, Pershing County, Nevada

The Root Spring Property consists of 54 (2009 - 62) claims acquired through staking near Winnemucca, Nevada. AngloGold holds a 2% NSR royalty.

(vii) Cooks Creek Property, Lander County, Nevada

The Cooks Creek Property consists of 156 (2009 - 148) claims acquired through staking near the town of Battle Mountain, Nevada. AngloGold holds a 2% NSR royalty.

(viii) Oasis Property, Esmeralda County, Nevada

The Oasis Property consists of 50 claims acquired through staking. AngloGold holds a 2% NSR royalty.

On October 30, 2009, the Company acquired two associated placer claims acquired, which are subject to a 1.5% NSR with pre-production royalties payable as follows:

Years 1-3	US\$9,000 per year** (paid)
Years 4-8	US\$12,000 per year
Year 9-commercial production	US\$15,000 per year

**Years 1-3 were payable on the completion date.

The NSR can be purchased for US \$800,000 at any time.

(ix) Rosebush Property, Lander County, Nevada

The Rosebush Property consists of 16 claims acquired by staking near Goldfield, Nevada.

(x) Seven Devils Property, Pershing County, Nevada

The Seven Devils Property consists of 54 claims acquired through staking and 16 leased claims.

The 16 leased claims are subject to a 2% NSR. Pursuant to the mineral property lease, the Company is required to make quarterly advance minimum royalty payments of US \$5,000 from October 1, 2009 to July 1, 2012 (inclusive) (paid for 2010), US \$7,500 from October 1, 2012 to July 1, 2013 (inclusive), and US \$10,000 thereafter.

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6. MINERAL PROPERTY INTERESTS (Continued)

(b) Nevada Properties (Continued)

(xi) Baker Spring Property, Elko County, Nevada

The Baker Spring Property consists of 22 claims acquired through staking.

(xii) Queens Property, Nye County, Nevada

The Queens Property consists of 6 claims acquired through staking.

(xiii) Opal Hill Property, Nye County, Nevada

The Opal Hill Property consists of 21 claims acquired through staking.

(xiv) Larus Property, Eureka County, Nevada

The Larus Property consists of 62 claims acquired through staking

(xv) Long Island Property, Nye County, Nevada

The Long Island Property consists of 56 claims acquired through staking.

(c) Letter of Intent, North Bullfrog and Painted Hills Properties

In March 2007, the Company entered into a binding LOI with International Tower Hills Mines Ltd. ("ITH") to enter into a joint venture in the North Bullfrog and Painted Hills projects in Nevada. The terms of the LOI are as follows:

(i) ITH will have the right to earn up to a 70% interest in the properties by making a series of payments and work commitments over four years.

(ii) Consideration for the North Bullfrog Property consists of cash payments totaling US \$190,000 and total expenditures of US \$4,000,000 over four years.

(a) Cash payments were due as follows:

- On signing (received April 18, 2007) - US \$20,000;
- On or before September 15, 2008 - US \$30,000 (received);
- On or before March 15, 2009 - US \$40,000 (received);
- On or before March 15, 2010 - US \$50,000; and
- On or before March 15, 2011 - US \$50,000.

(b) Total cumulative expenditures were to be incurred are as follows:

- On or before March 15, 2008 - US \$500,000 (incurred);
- On or before March 15, 2009 - US \$1,000,000 (incurred);
- On or before March 15, 2010 - US \$2,000,000; and
- On or before March 15, 2011 - US \$4,000,000.

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6. MINERAL PROPERTY INTERESTS (Continued)

(c) Letter of Intent, North Bullfrog and Painted Hills Properties (continued)

(iii) Consideration for the Painted Hills Property consists of total payments of US \$170,000 and total expenditures of US \$2,500,000 over four years.

(a) Cash payments were due as follows:

- On signing (received April 18, 2007) - US \$20,000;
- On or before September 15, 2008 - US \$20,000 (received);
- On or before March 15, 2009 - US \$30,000;
- On or before March 15, 2010 - US \$50,000; and
- On or before March 15, 2011 - US \$50,000.

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6. MINERAL PROPERTY INTERESTS (Continued)

(c) Letter of Intent, North Bullfrog and Painted Hills Properties (Continued)

(iii) Continued

(a) Total cumulative expenditures to be incurred are as follows:

- On or before March 15, 2008 - US \$250,000 (incurred);
- On or before March 15, 2009 - US \$750,000 (incurred);
- On or before March 15, 2010 - US \$1,500,000; and
- On or before March 15, 2011 - US \$2,500,000.

ITH notified the Company on March 9, 2009 that it withdrew from the Painted Hills property agreement.

(iv) ITH will provide the Company with 5,000 shares of its common stock on each anniversary the North Bullfrog agreement is in place (5,000 common shares were received on December 22, 2008 and 5,000 common shares were received on May 12, 2009).

(v) During 2009, the Company entered into an agreement to lease the Connection property, which consists of 12 patented mining claims and is part of the North Bullfrog Property. Payments due are as follows:

- On signing - US \$10,800 (paid);
- Per annum on each of the first three anniversaries - US \$10,800; and
- Annually thereafter - US \$16,200.

The Company has an option to purchase the property for US \$1,000,000 at any time during the life of the lease.

The property is subject to a 4% NSR that may be purchased for US \$5,000,000.

The Company also staked 52 additional claims in 2009.

With these additions, the North Bullfrog Property now consists of 224 claims and 6 mining leases held by the Company and ITH under the joint venture.

(vi) On July 30, 2009 the Company signed an agreement with ITH for the sale of the North Bullfrog property in Nevada, including assumption of the lease on the Connection property (note 6(c)(v)). Under the terms of the sale agreement, ITH will pay the Company \$250,000 cash (paid) and issue 200,000 (received with a fair value of \$864,000) shares to earn 100% of the Company's interest in the property. The sale of the property was substantively complete on September 30, 2009; accordingly, the consideration received by the Company was recorded as a gain on sale of mineral property interest in the amount of \$1,114,000.

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6. MINERAL PROPERTY INTERESTS (Continued)

(b) Letter of Intent, Dry Gulch Property

In March 2008, the Company entered into a binding LOI with Gold Fields Netherlands Services BV ("Gold Fields") to enter into a joint venture in the Dry Gulch Property in Nevada. The terms of the LOI are as follows:

- (i) Gold Fields will pay the Company US \$20,000 on signing of the agreement (received).
- (ii) Gold Fields will incur a minimum work commitment of US \$400,000 by December 21, 2008 (incurred).
- (iii) Once the above has been paid and incurred, Gold Fields will have the option to enter into a joint venture agreement if certain conditions are met. The terms of the joint venture agreement are:
 - (a) Gold Fields will pay the Company a further US \$170,000 as follows:
 - (i) On or before December 21, 2008 - US \$30,000;
 - (ii) On or before December 21, 2009 - US \$45,000;
 - (iii) On or before December 21, 2010 - US \$70,000; and
 - (iv) On or before December 31, 2011 - US \$25,000.
 - (b) Gold Fields will incur a further work commitment of US \$1,600,000 by December 21, 2011.
- (iv) After completion of the above, Gold Fields will have the option to earn a 60% interest in the joint venture for a nominal price and continue the joint venture for a second phase, comprised of Gold Fields spending an additional US \$5,000,000 and providing Gold Fields an option to earn an additional 10% interest in the joint venture, for a total of 70%. At the end of the second phase, the Company can elect to participate in the project going forward by contributing in proportion to its 30% interest.

On December 10, 2008, Gold Fields notified the Company that it would not exercise its option to enter into a joint venture agreement and it withdrew from the LOI and the Dry Gulch Property project having satisfied and fully discharged all of its commitments to December 21, 2008.

(c) Letter of Intent, Richmond Summit Property

In March 2008, the Company entered into a binding LOI with Gold Fields to enter into a joint venture in the Richmond Summit Property in Nevada. The terms of the LOI are as follows:

- (i) Gold Fields will pay the Company US \$35,000 on signing of the agreement (received).
- (ii) Gold Fields will incur a minimum work commitment of US \$1,000,000 by December 21, 2008 (incurred).

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6. MINERAL PROPERTY INTERESTS (Continued)

(e) Letter of Intent, Richmond Summit Property (Continued)

(iii) Once the above has been paid and incurred, Gold Fields will have the option to enter into a joint venture agreement if certain conditions are met. The terms of the joint venture agreement are:

(a) Gold Fields will pay the Company a further US \$255,000 as follows:

- (i) On or before December 21, 2008 - US \$55,000;
- (ii) On or before December 21, 2009 - US \$75,000;
- (iii) On or before December 21, 2010 - US \$95,000; and
- (iv) On or before December 21, 2011 - US \$30,000.

(b) Gold Fields will incur a further work commitment of US \$2,500,000 by December 21, 2011.

(iv) After completion of the above, Gold Fields will have the option to earn a 60% interest in the joint venture for a nominal price and continue the joint venture for a second phase, comprised of Gold Fields spending an additional US \$7,500,000 and providing Gold Fields an option to earn an additional 10% interest in the joint venture, for a total of 70%. At the end of the second phase, the Company can elect to participate in the project going forward by contributing in proportion to its 30% interest.

On December 11, 2008, Gold Fields notified the Company that it would not exercise its option to enter into a joint venture agreement and it withdrew from the LOI and the Richmond Summit Property LOI.

(f) Option Agreement, Richmond Summit Property

On August 25, 2009, the Company entered into an option agreement granting Fronteer Development Group Ltd. ("Fronteer") an option to earn a 70% interest in the Richmond Summit Property (the "Property"). In order to acquire the 70% interest, Fronteer must make the following cash payments and incur expenditures on the Property:

(a) Cash payments to the Company:

- US \$25,000 on August 25, 2009 (received);
- US \$50,000 on August 25, 2010;
- US \$75,000 on August 25, 2011; and
- US \$100,000 on August 25, 2012.

(b) Incur expenditures on the Property:

- US \$500,000 by August 25, 2010;
- US \$750,000 by August 25, 2011;
- US \$1,000,000 by August 25, 2012; and
- US \$1,000,000 by August 25, 2013.

On April 15, 2010, the Company was notified by Fronteer that it had elected not to continue with the Richmond Summit Property option having satisfied and fully discharged all of its commitments for the first year of the agreement.

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6. MINERAL PROPERTY INTERESTS (Continued)

(g) Option Agreement, Oasis Property

On April 22, 2010, the Company signed an exploration and option agreement granting Centerra (U.S.) Inc. ("Centerra") an option to earn a 75% interest in the Oasis Property (the "Property").

In order to acquire the 75% interest, Centerra must make cash payments and incur expenditures on the Property as follows:

(i) Cash payments to the Company:

- US \$40,000 on signing of the agreement (received);
- US \$27,000 on or before April 29, 2011;
- US \$30,000 on or before April 29, 2012;
- US \$30,000 on or before April 29, 2013;
- US \$40,000 on or before April 29, 2014; and
- US \$60,000 on or before April 29, 2015.

(ii) Incur expenditures on the Property:

- US \$500,000 on or before April 29, 2011;
- US \$700,000 on or before April 29, 2012;
- US \$800,000 on or before April 29, 2013;
- US \$900,000 on or before April 29, 2014; and
- US \$1,100,000 on or before April 29, 2015.

(h) Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by an undetected defect.

(i) Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(j) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

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6. MINERAL PROPERTY INTERESTS (Continued)

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

7. PROPERTY AND EQUIPMENT

2010			
	Cost	Accumulated Amortization	Net
Computer equipment	\$ 66,416	\$ 50,003	\$ 16,413
Equipment	26,700	15,611	11,088
Automobiles	29,100	9,930	19,170
Leasehold improvements	9,814	7,361	2,454
	\$ 132,030	\$ 82,905	\$ 49,125
2009			
	Cost	Accumulated Amortization	Net
Computer equipment	\$ 60,781	\$ 42,919	\$ 17,862
Equipment	25,433	13,004	12,429
Automobiles	29,101	2,183	26,918
Leasehold improvements	9,814	5,398	4,416
	\$ 125,129	\$ 63,504	\$ 61,625

8. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

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8. CAPITAL STOCK (Continued)

(b) Share purchase warrants

A summary of the changes in the Company's share purchase warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2008	6,626,187	\$ 0.30
Exercised	(50,000)	\$ 0.30
Balance, March 31, 2009	6,576,187	\$ 0.30
Expired*	(6,576,187)	\$ 0.30
Balance, March 31, 2010 and December 31, 2010	0	\$ 0.00

*Expired on May 30, 2009

(c) Stock options

The Company has a 20% stock option plan, which allows the board of directors to grant options to directors, officers, employees and consultants. The maximum term of the options is five years. Options vest 25% at the date of grant and an additional 25% each six months thereafter.

As at December 31, 2010, the Company had stock options outstanding to directors, employees and consultants for the purchase of up to 4,795,000 common shares as follows:

Outstanding Number of Options	Exercisable Number of Options	Expiry Date	Exercise Price
175,000*	175,000	January 4, 2011	\$ 0.18
950,000	950,000	May 4, 2012	\$ 0.25
470,000	470,000	January 18, 2013	\$ 0.20
1,500,000	1,290,000	September 16, 2014	\$ 0.15
1,700,000	425,000	October 28, 2015	\$0.18
4,795,000	3,310,000		

*Expired on January 4, 2011

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8. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

As at December 31, 2009, the Company had stock options outstanding to directors, employees and consultants for the purchase of up to 4,350,000 common shares as follows:

Outstanding Number of Options	Exercisable Number of Options	Expiry Date	Exercise Price
500,000	500,000	February 25, 2010	\$ 0.20
840,000	840,000	January 4, 2011	\$ 0.18
1,025,000	1,025,000	May 4, 2012	\$ 0.25
485,000	485,000	January 18, 2013	\$ 0.20
1,500,000	375,000	September 16, 2014	\$ 0.15
4,350,000	3,225,000		

A summary of the status of the Company's stock options as at December 31, 2010 and 2009 and changes during the years then ended follows:

	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of period	3,710,000	\$ 0.19	4,095,000	\$ 0.18
Granted	1,700,000	\$ 0.18	1,500,000	\$ 0.15
Exercised	(615,000)	\$ 0.18	(1,245,000)	\$ 0.10
Expired	0	\$ 0.00	0	\$ 0.00
Forfeited	0	\$ 0.00	0	\$ 0.00
Outstanding at end of period	4,795,000	\$ 0.19	4,350,000	\$ 0.19

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8. CAPITAL STOCK (Continued)

(d) Agent compensation options

A summary of the status of the Company's agent compensation options as at December 30, 2010 and 2009 and changes during the periods then ended are as follows:

	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of period	0	\$ 0.00	1,241,375	\$ 0.20
Expired*	0	\$ 0.00	(1,241,375)	\$ 0.20
Outstanding at end of period	0	\$ 0.00	0	\$ 0.00

*Expired on May 30, 2009

(e) Stock-based compensation

During the period ending December 31, 2010, 1,700,000 options were granted to directors, officers, employees and consultants. The fair value of these stock options is recognized as stock-based compensation expense over the vesting period of the options. The total fair value of these options was calculated at \$290,870, of which \$72,717 has been recognized in this period and \$145,435 will be recognized in 2011 and \$72,717 in 2012.

During the year ended March 31, 2010, 1,500,000 options were granted to directors, officers, employees and consultants. The fair value of these stock options is recognized as stock-based compensation expense over the vesting period of the options. The total fair value of these options was calculated at \$214,050, of which \$76,899 has been recognized in 2010 and \$137,151 will be recognized in 2011. Also included in the 2010 stock-based compensation expense is \$14,384 representing a portion of the fair value of stock options granted in 2008 with vesting periods in 2010.

The fair value of stock options granted in 2010 is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2010
Risk-free interest rate	2.29%
Expected dividend yield	0.00%
Expected stock price volatility	146.40%
Expected option life in years	5

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9. RELATED PARTY TRANSACTIONS

- (a) The Company conducts a portion of its exploration activities through an exploration services contractor in which a director is a shareholder. The Company paid or accrued amounts to that contractor of \$87,739 (2009 - \$33,534) for exploration costs; \$1,689 (2009 - \$807) for capital assets; and \$480,207 (2009 - \$288,866) to reimburse office and administrative costs as follows:

	2010	2009
Contract wages	\$ 270,616	\$ 132,066
Investor relations	127,990	82,858
Rent	47,755	43,752
Office and miscellaneous	29,756	26,682
Telephone	4,090	3,508
	\$ 480,207	\$ 288,866

As at December 31, 2010, the Company owed \$371,409 (2009 - \$775,264) to that contractor.

Included in the amount owing to that contractor is a charge to the Company for GST in the amount of \$120,481 for the period February 1, 2007 to April 30, 2010. This amount is expected to be recovered by the Company in the fourth fiscal quarter of 2011.

- (b) As at December 31, 2010, the Company owed \$2,146 (2009 - \$2,146) to a company with one director in common in 2009.
- (c) During the year ended March 31, 2010, the Company entered into a debt settlement agreement for \$400,000 of the outstanding balance payable to an exploration service contractor in which a director is a principal (note 9(a)). The Company settled the balance through the issuance of 2,000,000 common shares. At the date of settlement, the shares were trading at \$0.21 each for a total exchange amount of \$420,000. Accordingly, the Company recorded a loss of \$20,000 on the debt settlement.

The amounts due to related parties are without interest and are due on demand.

These transactions were made in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

10. INCOME TAXES

The Company has accumulated losses for Canadian income tax purposes of approximately \$2,633,000 as at March 31, 2010 fiscal year end that expire as follows:

2014	\$	252,000
2015		179,000
2016		354,000
2027		362,000
2028		676,000
2029		328,000
2030		482,000
	\$	2,633,000

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10. INCOME TAX (Continued)

Future income tax assets and liabilities are calculated on an annual basis, as more fully described in Note 10 to the March 31, 2010 audited financial statements, subject to a provision for future income tax assets and liabilities from gains on marketable securities.

The Company has accumulated losses for US income tax purposes of approximately US \$65,000 that expire in 2024.

11. SEGMENTED INFORMATION

At December 31, 2010 and 2009, the Company has one operating segment, mineral exploration and development and operates in two geographical segments, Canada and the United States. The capital assets and total assets identifiable with these geographical areas are as follows:

	2010		2009
Capital Assets (including mineral properties)			
Canada	\$ 1,782,236	\$	1,756,128
United States	681,173		1,151,496
	\$ 2,463,409	\$	2,907,624
Total Assets			
Canada	\$ 2,144,040	\$	3,341,009
United States	681,173		1,151,496
	\$ 2,825,213	\$	4,492,505

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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2010	2009
Accounts receivable included in mineral property interests	\$ 0	\$ 31,069
Fair value of shares received for mineral property interests	\$ 0	\$ 18,150
Interest paid during the period	\$ 0	\$ 0
Income taxes paid during the period	\$ 0	\$ 0

13. COMMITMENT

During 2007, the Company and others entered into a lease agreement for the rental of office premises for a six-year period, expiring March 31, 2013. The cost of the entire premises is shared primarily between the Company and three other companies. In addition, the Company has a lease, renewable yearly, for the rental of office premises in Reno, Nevada. The Company's proportionate share of minimum annual rental payments under these arrangements are as follows:

2011	\$	53,359
2012		34,922
2013		33,246
	\$	121,527

14. SUBSEQUENT EVENT

On January 6, 2011, the Company received payment of \$50,000 from Confederation Minerals Ltd. ("Confederation") and 100,000 common shares of Confederation pursuant to the option agreement dated November 19, 2010 whereby the Company has granted Confederation an option to acquire up to 70% of the Company's Newman Todd project located in the Red Lake Mining District of Northern Ontario.