CANTERRA MINERALS CORPORATION

Consolidated Financial Statements

For the Year Ended

December 31, 2010

DAVIDSON & COMPANY LLP — Chartered Accountants — A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Canterra Minerals Corporation

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Canterra Minerals Corporation as at December 31, 2010 and 2009 and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred ongoing losses and has a deficit of $71,234,150. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 24, 2011

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CANTERRA MINERALS CORPORATION
Consolidated Balance Sheets
as at December 31

	2010	2009
ASSETS		
Current		
Cash	$ 459,768	$ 2,820,287
Receivables	97,657	222,077
Prepaid expenses	18,920	18,981
	576,345	3,061,345
Equipment (Note 3)	234,009	303,167
Exploration deposits (Note 4)	172,088	314,282
Exploration advances	16,300	-
Mineral properties (Note 5)	10,612,275	18,316,042
Deferred exploration costs (Note 6)	22,785,554	54,641,653
	$ 34,396,571	$ 76,636,489
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 95,728	$ 288,153
Future income taxes (Note 13)	-	737,000
	95,728	1,025,153
Shareholders' equity		
Capital stock (Note 7)	100,675,087	100,594,087
Contributed surplus (Note 7)	4,859,906	4,567,962
Deficit	(71,234,150)	(29,550,713)
	34,300,843	75,611,336
	$ 34,396,571	$ 76,636,489

Nature of operations and going concern (Note 1)
Commitments (Note 11)

On behalf of the Board:

"David Clarke"	*"Mike Muzylowski"*
David B. Clarke, Director	Mike Muzylowski, Director

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

CANTERRA MINERALS CORPORATION
Consolidated Statements of Operations and Deficit
for the years ended December 31

		2010		2009
EXPENSES				
Amortization	$	69,158	$	58,980
Business development		53,193		49,430
Insurance		63,788		64,822
Legal, audit and accounting		130,389		393,885
Management fees and corporate services		289,714		388,646
Office and miscellaneous expenses		145,890		69,654
Regulatory and transfer agent fees		49,478		37,030
Rent		178,471		216,703
Stock-based compensation (Note 8)		291,944		-
Travel		20,924		31,135
Wages and benefits		249,389		270,781
Expense recovery		(60,704)		(44,536)
Loss before other items and income taxes		(1,481,634)		(1,536,530)
OTHER ITEMS				
Interest income		29,443		8,712
Write-off of mineral properties (Note 5)		(7,900,767)		(950,675)
Write-off of deferred exploration costs (Note 6)		(33,067,479)		(1,351,365)
		(40,938,803)		(2,293,328)
Loss before income taxes		(42,420,437)		(3,829,858)
Future income tax recovery (Note 13)		737,000		1,936,000
Loss and comprehensive loss for the year		(41,683,437)		(1,893,858)
Deficit, beginning of the year		(29,550,713)		(27,656,855)
Deficit, end of the year	$	(71,234,150)	$	(29,550,713)
Basic and diluted loss per common share	$	(1.17)	$	(0.10)
Weighted average number of common shares outstanding		35,672,538		19,480,388

CANTERRA MINERALS CORPORATION
Consolidated Statements of Cash Flows
for the years ended December 31

		2010		2009
Cash flows from operating activities				
Income (loss) for the year	$	(41,683,437)	$	(1,893,858)
Items not affecting cash:				
Amortization		69,158		58,980
Stock-based compensation		291,944		-
Write-off of mineral properties		7,900,767		950,675
Write-off of deferred exploration costs		33,067,479		1,351,365
Future income tax recovery		(737,000)		(1,936,000)
Changes in non-cash working capital items:				
(Increase) decrease in prepaid expenses		61		5,642
(Increase) decrease in receivables		124,420		137,276
Increase (decrease) in accounts payable and accrued liabilities		(192,694)		(56,197)
Net cash provided by (used in) operating activities		(1,159,302)		(1,382,117)
Cash flows from financing activities				
Funds advanced by subsidiary prior to purchase		-		1,566,750
Related party loan		-		200,000
Related party loan repayment		-		(200,000)
Net cash provided by financing activities		-		1,566,750
Cash flows from investing activities				
Acquisition of equipment		-		(8,736)
Acquisition of mineral properties		(116,000)		(375,000)
Purchase of cash in subsidiary		-		3,581,613
Exploration advances		(16,300)		-
Exploration deposits		142,194		373,591
Deferred exploration costs		(1,624,297)		(2,462,748)
Deferred exploration costs recovery		413,186		261,037
Net cash provided by (used in) investing activities		(1,201,217)		1,369,757
Change in cash during the year		(2,360,519)		1,554,390
Cash, beginning of the year		2,820,287		1,265,897
Cash, end of the year	$	459,768	$	2,820,287
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	-

Supplemental disclosure with respect to cash flows (Note 10)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves.

The recovery of the amounts comprising mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and there is substantial doubt about the Company's ability to continue as a going concern. The Company has reduced expenditures to conserve cash, including curtailing most exploration activities other than for the work on the Buffalo Hills project in Alberta. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	2010	**2009**
Deficit	$ (71,234,150)	$ (29,550,713)
Working capital	$ 480,617	$ 2,773,192

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts, unless specifically indicated otherwise, are presented in Canadian dollars.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Nickel Bay Resources Inc. a British Columbia corporation, Triex Minerals Corporation a British Columbia corporation and Triex Minerals (US) Inc. a Nevada corporation. All inter-company balances and transactions have been eliminated upon consolidation.

Estimates

The preparation of financial statements 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 revenues and expenses during the reporting year. Significant estimates used by management include the carrying value of mineral properties and deferred exploration costs, stock-based compensation, and future income taxes. Actual results could differ from those estimates.

Equipment

Equipment is recorded at cost. Amortization is recorded at the following annual rates and methods: Furniture and equipment, field supplies and equipment at 20% declining basis; and computer equipment at a 30% declining basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial instruments are classified into one of five categories: held-for-trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Exploration deposits are classified as held-to-maturity investments. Accounts payable and accrued liabilities are classified as other financial liabilities.

Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property and deferred exploration cost is impaired, the property is written down to its estimated net realizable value. A mineral property and deferred exploration cost is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties and deferred exploration costs do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation, including options granted under the Company's incentive stock option plan and for compensatory warrants. The fair value of options granted is determined using the Black-Scholes option pricing model and is recorded as stock-based compensation expense and is recognized over the period of vesting. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carry amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carry amount of the assets exceeds the fair value of the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Capital stock is reduced and future income tax liability is increased by the estimated tax benefits that are transferred to the shareholders.

When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains, and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available for sale.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Loss per share is calculated using the weighted average number of common shares outstanding during the year. For the years presented, this calculation proved to be anti-dilutive.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Business Combinations, Consolidated Financial Statements and Non-controlling Interest

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

3. EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 231,434	$ 142,258	$89,176	$231,434	$ 120,041	$ 111,393
Computer equipment	411,045	349,972	61,073	411,045	323,900	87,145
Field supplies and equipment	179,603	95,843	83,760	179,603	74,974	104,629
	$822,082	$588,073	$234,009	$822,082	$518,915	$303,167

4. EXPLORATION DEPOSITS

Exploration deposits are interest-bearing and are held by major financial institutions on behalf of mining regulators. These deposits are held primarily for prospecting permits and will be released upon the Company incurring certain exploration expenditures on specific mineral properties. Exploration deposits surrendered to mining regulators are included in deferred exploration costs (Note 6).

5. MINERAL PROPERTIES

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

The Company holds interests in various mineral claims located in Canada, the acquisition costs of which are as follows:

Northwest Territories & Nunavut	**2010**	**2009**
Cache Property, Northwest Territories An 80% interest.	$ 85,139	$ 85,139
Carat Property, Northwest Territories A 70% interest.	132,772	132,772
Hilltop Property, Northwest Territories A 100% interest.	167,631	167,631
Kelsey Property, Northwest Territories A 60% interest. During fiscal 2010, the Company wrote off all acquistion and deferred exploration costs associated with this property.	-	200,766
King Property, Northwest Territories A 100 % interest.	60,509	60,509
Lac des Bois Property, Northwest Territories A 100% interest. During fiscal 2010, the Company wrote off all acquistion and deferred exploration costs associated with this property.	-	379,553
Lena West Property, Northwest Territories A 100% interest. During fiscal 2010, the Company wrote off all acquistion and deferred exploration costs associated with this property.	-	4,723,599
Dismal Lake Property, Northwest Territories A 50% interest. During fiscal 2010, the Company wrote off all acquistion and deferred exploration costs associated with this property.	-	136,317
Brodeur Property, Nunavut A 100% interest subject to either a 60% back-in right of 200% of expenditures or a 2% production royalty. During fiscal 2010, the Company wrote off all acquistion and deferred exploration costs associated with this property.	-	420,060
IC Property, Nunavut A 46.79% interest. During fiscal 2010, the Company wrote off all acquistion and deferred exploration costs associated with this property.	-	465,180
Kendall River Property, Nunavut A 50% interest subject to a 5% NSR, one-half of which may be purchased back for a cash payment of $2,500,000.	50,569	50,569
Mountain Lake Property, Nunavut A 50% interest. Certain claims are subject to a 5% NSR. The Company and its partner may purchase one-half the royalty at any time up to six months after the date commercial production has been achieved on the optioned property for an aggregate cash payment of $5,000,000.	240,906	240,906
Total Northwest Territories and Nunavut Properties:	$ 737,526	$ 7,063,001

5. MINERAL PROPERTIES *(continued)*

Alberta, Ontario and Saskatchewan		2010		2009
Buffalo Hills Property, Alberta A 33% interest.	$	8,278,519	$	8,278,519
Nickel Bay Property, Ontario A 100% interest, subject to a 1.5% NSR. The Company may buy back up to 1% of the NSR through staged payments to 2019.		250,000		250,000
Weiland Property, Ontario A 40% interest. During fiscal 2010, the Company wrote off all acquistion and deferred exploration costs associated with this property.		-		1,575,292
Tak Property, Ontario A 10% interest, subject to a sliding scale NSR ranging from 3% to 6%.		112		112
Boxer Property, Ontario An option to purchase a 100% interest, subject to a 1.5% NSR. To acquire the property, the Company must make cash payments of $96,000 ($8,000 paid to date) and issue 200,000 common shares (100,000 common shares with a fair value of $27,000 issued to date) on or before December 13, 2014. The Company has the option, at any time after exercise, to buy-back one half (0.75%) of the NSR for $750,000.		35,000		-
Hornet Property, Ontario An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire the property, the Company must make cash payments of $121,000 ($38,000 paid to date) and issue 200,000 common shares (100,000 common shares with a fair value of $27,000 issued to date) on or before December 13, 2014. The Company has the option, at any time after exercise, to buy-back one half (1.0%) of the NSR for $1,000,000.		65,000		-
Drake & Essex Property, Ontario An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire the property, the Company must make cash payments of $195,000 ($70,000 paid to date) and issue 400,000 common shares (100,000 common shares with a fair value of $27,000 issued to date) on or before December 13, 2014. The Company has the option, at any time after exercise, to buy-back one half (1.0%) of the NSR for $1,000,000.		97,000		-
Riverlake Property, Saskatchewan A 51% interest in certain claims. The Company can increase its ownership interest to 70% by incurring $3,600,000 in staged exploration expenditures ($2,122,287 previously incurred) on or before November 24, 2011.		131,776		131,776
Mann Lake Property, Saskatchewan A 60% interest subject to a 2.5% NSR. The Company may buy back 1.5% of the NSR for $1,500,000.		275,721		275,721
Pasfield Lake Property, Saskatchewan An 82% interest. The property is subject to an underlying 3% NSR, which may be reduced to a 1% NSR by making a cash payment of $2,000,000 at any time up to six months after the date commercial production has been achieved.		570,688		570,688
West Carswell Property, Saskatchewan A 100% interest.		170,933		170,933
Total Alberta, Ontario and Saskatchewan Properties:	$	9,874,749	$	11,253,041
Total Mineral Properties	**$**	**10,612,275**	**$**	**18,316,042**

6. DEFERRED EXPLORATION COSTS

	Brodeur	Buffalo Hills	Lena	Nickel Bay	King	Weiland	Other*	Total
Balance, as at December 31, 2009	$ 6,424,506	3,028,289	19,413,787	2,530,056	6,726,385	1,802,522	14,716,108	54,641,653
Geology	-	-	-	-	-	-	12,638	12,638
Geophysics	998	1,811	-	4,357	-	-	1,101	8,267
Field Sampling	-	-	-	-	-	-	79	79
Drilling	-	701,491	-	400	-	-	-	701,891
Land Tenure	3,972	136,598	76	3,228	10,515	818	12,703	167,910
Planning	15,742	34,764	3,926	631	4,580	34	3,448	63,125
Data Evaluation	-	-	-	-	-	-	3,209	3,209
Mineralogy	13,577	1,285	2,586	-	2,586	-	-	20,034
Reporting	916	7,670	-	3,007	-	19	114	11,726
GIS	-	5,670	-	2,284	157	-	1,088	9,199
Environmental & Safety	369,927	5,397	94,445	2,339	100,024	-	43,782	615,914
Technical Studies	-	-	-	-	-	-	10,574	10,574
	405,132	894,686	101,033	16,246	117,862	871	88,736	1,624,566
Written off during the year	(6,829,638)	-	(19,514,820)	-	-	(1,803,393)	(4,919,628)	(33,067,479)
Costs recovered	-	(413,186)	-	-	-	-	-	(413,186)
	(6,424,506)	481,500	(19,413,787)	16,246	117,862	(1,802,522)	(4,830,892)	(31,856,099)
Balance, as at December 31, 2010	$ -	3,509,789	-	2,546,302	6,844,247	-	9,885,216	22,785,554

* included in "Other" are deferred exploration costs of $5,928,635 incurred on the Hilltop/Cache property.

6. DEFERRED EXPLORATION COSTS *(continued)*

		Brodeur	Buffalo Hills	Lena	Nickel Bay	King	Weiland	Other*	Total
Balance, as at December 31, 2008	$	6,441,602	2,791,070	19,410,306	1,086,739	6,621,418	1,777,800	16,022,528	54,151,463
Geology		-	951	-	325	-	-	-	1,276
Geophysics		-	6,637	-	188,738	-	3,147	2,423	200,945
Field Sampling		-	-	968	-	616	7,749	880	10,213
Drilling		-	161,668	-	1,094,819	352	1,555	346	1,258,740
Land Tenure		(29,693)	75,743	-	4,478	16,028	4,328	13,071	83,955
Planning		(983)	21,037	200	82,957	6,033	1,421	2,583	113,248
Data Evaluation		-	301	-	-	-	-	2,153	2,454
Mineralogy		11,034	4,060	2,313	-	2,313	325	-	20,045
Reporting		1,794	16,622	-	34,020	-	4,291	69	56,796
GIS		752	4,031	-	29,349	-	1,906	629	36,667
Environmental & Safety		-	73,066	-	28	79,625	-	22,791	175,510
Technical Studies		-	1,900	-	8,603	-	-	-	10,503
		(17,096)	366,016	3,481	1,443,317	104,967	24,722	44,945	1,970,352
Costs recovered		-	(128,797)	-	-	-	-	-	(128,797)
Written off during the year		-	-	-	-	-	-	(1,351,365)	(1,351,365)
		(17,096)	237,219	3,481	1,443,317	104,967	24,722	(1,306,420)	490,190
Balance, as at December 31, 2009	$	6,424,506	3,028,289	19,413,787	2,530,056	6,726,385	1,802,522	14,716,108	54,641,653

* included in "Other" are deferred exploration costs of $5,923,291 incurred on the Hilltop/Cache property.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Capital Stock		Contributed Surplus
Authorized					
Unlimited common shares without par value					
Unlimited preferred shares without par value					
Common shares issued					
Balance as at December 31, 2008	18,690,115	$	93,849,035	$	4,454,731
Issued for acquisition of subsidiary	16,967,628		6,787,052		113,231
Future income taxes on exploration costs renounced to shareholders	-		(42,000)		-
Balance as at December 31, 2009	35,657,743		100,594,087		4,567,962
Issued for mineral properties	300,000		81,000		-
Stock-based compensation	-		-		291,944
Balance as at December 31, 2010	35,957,743	$	100,675,087	$	4,859,906

On December 13, 2010 the Company issued 300,000 common shares, with a value of $81,000 as consideration towards the acquisition of mineral properties (see Note 5).

On December 14, 2009 the Company issued 16,967,628 common shares at a price of $0.40 per share as consideration towards the acquisition of its wholly owned subsidiary, Triex Minerals Corporation.

On December 9, 2009 the Company consolidated its share capital on a 10:1 basis, as approved by the shareholders of the Company. All share and per share amounts have been restated to reflect this share consolidation.

8. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

8. STOCK OPTIONS AND WARRANTS (continued)

Stock Options (continued)

As at December 31, 2010, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Options	Exercise Price	Expiry Date
174,250	$ 0.33	February 2, 2011 (subsequently expired)
308,000	$ 0.33	June 12, 2011
8,500	$ 0.33	August 11, 2011
174,250	$ 0.33	January 22, 2012
17,000	$ 0.33	July 27, 2012
31,000	$ 0.33	October 1, 2012
365,000	$ 0.33	October 9, 2012
187,000	$ 0.33	January 23, 2013
7,500	$ 0.33	February 6, 2013
233,750	$ 0.33	January 26, 2014
940,000	$ 0.25	April 14, 2015
250,000	$ 0.26	October 28, 2015
2,696,250		

Stock option transactions are summarized as follows:

	2010			2009		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	1,830,250	$	3.87	1,038,500	$	5.90
Assumed on acquisition of subsidiary	-		-	1,253,750		2.20
Granted	1,197,500		0.25	-		-
Exercised	-		-	-		-
Expired/cancelled	(331,500)		4.67	(462,000)		3.90
Balance, end of year	2,696,250	$	0.30	1,830,250	$	3.87
Options exercisable, end of year	2,696,250	$	0.30	1,830,250	$	3.87

Options - Stock-based compensation

During the year ended December 31, 2010, the Company granted 1,197,500 (2009 - Nil) stock options with a fair value under the Black-Scholes option-pricing model of $197,446 (2009 - $Nil) with a weighted average fair value of $0.16 (2009 - $Nil) per option.

During the year ended December 31, 2010, the Company repriced 1,506,250 outstanding stock options from exercise prices ranging from $0.41 to $7.50 to $0.33 per share resulting in additional stock-based compensation of $94,498.

During the year ended December 31, 2009, the Company assumed 1,253,750 previously granted stock options on the acquisition of Triex (Note 12) resulting in contributed surplus of $113,231.

8. STOCK OPTIONS AND WARRANTS (continued)

Stock Options (continued)

Options - Stock-based compensation (continued)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options assumed, granted and re-priced during the noted years:

	2010	**2009**
Risk-free interest rate	2.24%	1.60%
Expected life of options	2.70 years	2.21 years
Annualized volatility	97.24%	126.00%
Dividend rate	0.00%	0.00%

Warrants

As at December 31, 2010 and 2009, the Company had no outstanding share purchase warrants, enabling the holders to acquire further shares and there has been no warrant activity other than, during fiscal 2009, the expiry of 1,847,500 warrants with a weighted average exercise price of $6.30 per share.

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company entered into the following transactions with related parties:

a) Paid or accrued $17,149 (2009 - $16,562) for administrative fees included in management fees and corporate services to a company controlled by a director.

b) Paid or accrued $29,376 (2009 - $38,250) for geological consulting fees included in deferred exploration costs to a company controlled by a director.

c) Paid or accrued $191,464 (2009 - $218,790) for management fees to a company controlled by a director.

d) Paid or accrued $22,301 (2009 - $35,795) for consulting services included in management fees and corporate services, to a company controlled by an officer.

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

Included in receivables at December 31, 2010 is $108 (2009 - $4,488) due from companies with common directors.

Included in accounts payable and accrued liabilities at December 31, 2010 is $5,116 (2009 - $88,717) due to companies controlled by directors and officers.

During fiscal 2009, the Company received and repaid a $200,000 loan from a company controlled by a director.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year December 31, 2010 consisted of:

a) the accrual in accounts payable and accrued liabilities of $7,435 of deferred exploration;

b) the issuance of 300,000 common shares valued at $81,000 for mineral properties; and

c) the accrual in receivables of $22,922 in deferred exploration costs recovered.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

The significant non-cash transactions for the year December 31, 2009 consisted of:

a) the issuance of 16,967,628 common shares valued at $6,787,052 for the acquisition of Triex;

b) the accrual in accounts payable and accrued liabilities of $7,166 of deferred exploration;

c) the accrual in receivables of $22,922 in deferred exploration costs recovered; and

d) the recording of a charge to capital stock of $42,000 with a corresponding increase to future income tax liability for the same amount.

11. COMMITMENTS

As at December 31, 2010 the Company is committed to an operating lease on its premises expiring December 31, 2011 at annual lease commitments and estimated operating costs of $198,690.

12. ACQUISITION OF TRIEX

On December 11, 2009, the Company acquired a 100% interest in Triex Minerals Corporation ("Triex"), an exploration company and its wholly-owned subsidiary, Triex Minerals (US) Inc. The Company acquired Triex by way of a Plan of Arrangement, Triex became a wholly-owned subsidiary of the Company. Triex shareholders received 0.85 shares of the Company in exchange for each Triex share held.

As at the acquisition date, Triex had advanced $1,550,000 plus interest of $16,750 to the Company pursuant to a loan agreement.

The acquisition of Triex has been accounted for using the purchase method and accordingly, these consolidated financial statements include the results of operations of Triex from the date of acquisition.

The total purchase price of $6,900,282 has been allocated as follows:

Cash	3,581,612
Receivables	124,894
Loan receivable	1,566,750
AP & accrued liabilities	(66,311)
Equipment	116,316
Mineral properties	1,577,022
Net assets acquired	$ 6,900,283
Consideration	
Shares	6,787,052
Options	113,231
Total Consideration	$ 6,900,283

Through the acquisition of Triex, the Company acquired the following mineral properties: Dismal Lake, Kendall River, Mountain Lake, Tak, Riverlake, Mann Lake, Pasfield Lake and West Carswell (Note 5).

13. INCOME TAXES

A reconciliation of current income taxes at statutory rates with reported taxes follows:

		2010		2009
Income (loss) before income taxes	$	(42,420,437)	$	(3,829,858)
Income tax recovery (expense)	$	12,089,825	$	1,148,957
Other non deductible expenses		(11,780,355)		(710,641)
Non-capital losses and financing costs		427,530		1,497,684
Income tax (expense) recovery	$	737,000	$	1,936,000
Represented by:				
Income tax expense	$	-	$	-
Future income tax (expense) recovery	$	737,000	$	1,936,000

The tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

		2010		2009
Future income tax assets:				
Equipment	$	216,000	$	199,000
Financing costs		125,000		320,000
Investment tax credit		378,000		1,043,000
Mineral properties and deferred exploration costs		8,633,000		-
Losses available for future periods		3,052,000		3,053,000
		12,404,000		4,615,000
Less valuation allowance		(12,404,000)		(3,743,000)
Future income tax liabilities:		-		872,000
Mineral properties and deferred exploration costs		-		(1,609,000)
Net future income tax assets (liabilities)	$	-	$	(737,000)

Subject to certain restrictions, the Company has operating losses of approximately $12,207,000 available to reduce taxable income of future years. Unless utilized, these losses will expire through 2030. In addition, the Company has exploration and development expenditures of approximately $67,928,000 available to reduce taxable income of future years.

During the year ended December 31, 2009, the Company renounced exploration expenditures relating to flow-through shares of $169,995 resulting in a future income tax liability and a charge against capital stock of $42,000.

14. SEGMENTED INFORMATION

The Company conducts substantially all of its operations in Canada in one business segment, being the acquisition and exploration of mineral properties.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash is measured based on level 1 of the fair value hierarchy.

The fair values of receivables, exploration deposits and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Credit risk - Credit risk is the risk of a financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligation. The Company manages credit risk by carrying short-term investments with investment grade ratings. The Company's receivables consist primarily of sales tax receivables due from federal and provincial government agencies and receivables from exploration partners with whom the Company has established credit policies. The Company does not have a significant concentration of credit risk with any single counter-party. The Company's cash is invested in interest bearing accounts at major Canadian chartered banks. Because of these circumstances, the Company does not believe it has a material exposure to credit risk.

Interest rate risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The risk that the Company will realize a loss in cash is limited because the Company's deposits are redeemable on demand.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances, asset sales or a combination thereof. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk - The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of diamonds and precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

16. CAPITAL MANAGEMENT

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

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