STARFIRE MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2010

AUDITORS' REPORT

To the Shareholders of Starfire Minerals Inc.,

We have audited the consolidated balance sheets of Starfire Minerals Inc. as at October 31, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 23, 2011

STARFIRE MINERALS INC.
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT		
Cash	$ -	$ 36,853
Receivables (Note 9)	33,980	17,838
	33,980	54,691
MINERAL PROPERTIES (Notes 3and 9)	4,582,297	4,654,285
	$ 4,616,277	$ 4,708,976
LIABILITIES and SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	$ 213,716	$ 248,122
Due to related parties (Note 4)	810,337	150,074
	1,024,053	398,196
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	14,716,670	14,508,670
Shares to be issued (Note 5)	-	180,000
Contributed surplus (Note 5)	1,025,723	1,025,723
Deficit	(12,150,169)	(11,403,613)
	3,592,224	4,310,780
	$ 4,616,277	$ 4,708,976

CONTINGENCIES (Note 1)

COMMITMENTS (Note 3)

SUBSEQUENT EVENTS (Note 9)

ON BEHALF OF THE BOARD:

Director

Director

See accompanying summary of significant accounting policies and notes to the consolidated financial statements.

STARFIRE MINERALS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED OCTOBER 31, 2010 and 2009

		2010		2009
EXPENSES				
Bank Charges and Interest	$	368	$	724
Consulting				
Cash (Note 4)		259,110		273,667
Stock Based (Note 5)		-		64,083
Investor Relations		2,500		37,473
Office and Miscellaneous (Note 4)		167,101		245,542
Professional Fees (Note 4)		122,811		141,593
Rent (Note 4)		97,200		97,200
Renunciation Tax (Note 5)		-		630
LOSS BEFORE OTHER ITEMS		(649,090)		(860,912)
OTHER ITEMS				
Interest income		2		4,442
Mineral properties written off (Note 3)		(113,074)		(1,682,068)
Loss on mineral property settlement (Note 3)		-		(135,000)
Other income (Note 6)		15,606		-
		(97,466)		(1,812,626)
LOSS BEFORE INCOME TAXES		(746,556)		(2,673,538)
Future Income Tax Recovery (Note 6)		-		226,800
NET AND COMPREHENSIVE LOSS	$	(746,556)	$	(2,446,738)
LOSS PER SHARE – BASIC AND DILUTED	$	(0.01)	$	(0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED		84,866,963		79,151,347

See accompanying summary of significant accounting policies and notes to the consolidated financial statements.

STARFIRE MINERALS INC.
CONSOLIDATED STATEMENTS OF DEFICIT
YEARS ENDED OCTOBER 31, 2010 and 2009

	2010	2009
DEFICIT, BEGINNING OF YEAR	$ (11,403,613)	$ (8,956,875)
NET LOSS	(746,556)	(2,446,738)
DEFICIT, END OF YEAR	$ (12,150,169)	$ (11,403,613)

See accompanying summary of significant accounting policies and notes to the consolidated financial statements.

STARFIRE MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2010 and 2009

		2010		2009
CASH FLOW FROM OPERATING ACTIVITIES				
Net Loss	$	(746,556)	$	(2,446,738)
Items not involving cash:				
Future Income tax recovery		-		(226,800)
Stock based compensation		-		64,083
Mineral properties written off		113,074		1,682,068
Loss on mineral property settlement		-		105,000
Changes in non-cash operating working capital:				
Receivables		(16,142)		145,064
Accounts payable and accrued liabilities		(34,406)		30,329
Due to related parties		357,763		94,344
Net cash used in operating activities		(326,267)		(552,650)
Cash Flow from investing activities				
Mineral property settlement		-		(30,000)
Mineral property expenditure		(13,086)		(294,120)
Net cash used in investing activities		(13,086)		(324,120)
CASH FLOW FROM FINANCING ACTIVITIES				
Due to related parties		302,500		50,000
Subscription or Issuance of Capital Stock, net		-		180,000
Net cash provided by financing activities		302,500		230,000
NET CHANGE IN CASH		(36,853)		(646,770)
CASH – BEGINNING		36,853		683,623
CASH – ENDING	$	-	$	36,853
Supplementary Cash Flow Information:				
Cash Paid for:				
Income Taxes	$	-	$	-
Interest	$	-	$	-
Non Cash Transactions				
Shares Issued for acquisition of mineral properties	$	28,000	$	24,000

See accompanying summary of significant accounting policies and notes to the consolidated financial statements.

1 NATURE OF OPERATIONS

Starfire Minerals Inc. (the "Company") is incorporated in British Columbia, Canada and is listed on the TSX Venture Exchange ("TSX-V"). The Company is a resource exploration company that is acquiring and exploring mineral properties. At October 31, 2010, the Company's principal mineral property interests are located in the following provinces of Canada: British Columbia, Quebec and Ontario.

The Company is in the process of exploring its properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of these mineral properties. The amounts shown as exploration expenditures represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at October 31, 2010 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common stock. As at October 31, 2010 the Company had a working capital deficiency of $990,073 and has accumulated a deficit of $12,150,169 and continues to incur losses from operations.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

Principles of Consolidation

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries, Starfire Nickel Inc., Starfire Uranium Inc. and Starfire Precious Metals Inc., all inter company balances, revenues and expenditures have been eliminated on consolidation.

Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property interests, going concern assessments, expected tax rates for determining future income taxes, determining the fair value of stock-based payments, and financial instruments. Where estimates have been used, financial results as determined by actual events could differ from those estimates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties

The Company records its interests in mineral properties at cost. All direct and indirect costs relating to the acquisition and exploration of these properties are capitalized until the properties to which they relate are placed into production, sold or management has determined the property to be impaired. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties that are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral property interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Management evaluates the carrying value of each mineral property on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether capitalized costs are impaired. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Asset retirement obligations

The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3110, "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Mineral property related retirement obligations are capitalized as part of deferred exploration costs and are amortized over the estimated useful lives of the corresponding mineral properties.

Income taxes

The Company follows the CICA Handbook Section 3465 in accounting for 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 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 in which 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company has made the following designations of its financial instruments: receivables as loan and receivables, accounts payable and due to related parties as other financial liabilities.

CICA Handbook Section 3862 "Financial Instruments-Disclosure" requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

1. Level 1- fair values are based on quoted prices (unadjusted) in active markets for identical assets and liabilities;
2. Level 2- fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
3. Level 3- applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Stock-based compensation

The Company follows the accounting standards issued by the CICA, "Stock-Based Compensation and Other Stock-Based Payments", which requires a fair-value based method for measuring compensation costs. The Company determines the fair value of the stock-based compensation using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to share capital.

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 period.

Basic and diluted loss per common share is calculated using the weighted-average number of common shares outstanding during the period. For the years presented, dilutive loss per share is equal to basic loss per share as the effect of dilution is anti-dilutive.

Government assistance

Government assistance is recorded as either a reduction of the cost of the applicable asset or expenditure or credited in the statement of loss as determined by the terms and conditions of the agreement under which the assistance is provided to the Company. Claims for assistance are accrued upon the Company attaining reasonable assurance of collections from the Government Agency.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The Company renounces the qualifying expenditures upon the issuance of the respective flow-through common shares and accordingly is not entitled to the related taxable income deductions from such expenditures.

The Company has adopted the recommendation of the Emerging Issues Committee ("EIC") of the CICA relating to the recording of flow-through shares. EIC 146 stipulates that future income tax liabilities resulting from the renunciation of qualified resource expenditures by the Company from the issuance of flow-through shares are recorded as a reduction of share capital. Any corresponding realization of future income tax benefits resulting in the utilization of prior year losses available to the Company not previously recorded, whereby the Company did not previously meet the criteria for recognition, are reflected as part of the Company's operating results in the period the Company files the appropriate tax documents with the Canadian tax authorities.

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to prepare its comparative figures for the year ended October 31, 2011 in accordance with IFRS. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Business Combinations – Section 1582

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations", and replace the existing Handbook Section 1581, "Business Combinations". The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Handbook Section 1601, "Consolidated Financial Statements" and Handbook Section 1602, "Non-controlling Interests". The Company is reviewing the impact of the adoption of this standard.

Consolidated Financial Statements – Section 1601

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", which establishes standards for the preparation of consolidated financial statements and will replace the existing Handbook Section 1600, "Consolidated Financial Statements". The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Handbook Section 1582, "Business Combinations", and Handbook Section 1602, "Non-Controlling Interests". The Company is reviewing the impact of the adoption of this standard.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED (continued)

Non-Controlling Interests – Section 1602

In January 2009, the CICA issued Handbook Section 1602, "Non-Controlling Interests", which establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, "Business Combinations", and Section 1601, "Consolidated Financial Statements". The Company is reviewing the impact of the adoption of this standard.

Other accounting pronouncements issued by the CICA with future effective dates have been reviewed by management and determined to be either not applicable or are not expected to be significant to the financial statements of the Company.

3 MINERAL PROPERTIES

		October 31, 2010		October 31, 2009
Acquisition and staking costs	$	28,000	$	99,000
Exploration expenditures		13,086		249,121
Total cost incurred during the year		41,086		348,121
Mineral properties written down		(113,074)		(1,682,068)
	$	(71,988)	$	(1,333,947)
Balance, beginning of year		4,654,285		5,988,232
Balance, end of year	$	4,582,297	$	4,654,285

Allocated to resources properties as follows

	Note		October 31, 2010		October 31, 2009
			$		
Carman Township Property, Ontario	3(a)		9,802	$	9,802
Eldorado Township Property, Ontario	3(b)		21,915		19,715
Langmuir South Property, Ontario	3(c)		901,082		899,672
Porphyry Pearl Property, British Columbia	3(d)		3,649,496		3,612,020
Shaw Township Property, Ontario	3(e)		1		113,075
Lordeau Property, Quebec	3(f)		1		1
		$	4,582,297	$	4,654,285

3 MINERAL PROPERTIES (continued)

a) Carman Township Property, Ontario:

During the year ended October 31, 1999, the Company entered into an option agreement to acquire a 50% interest in mineral claims in the Carman Township within the Porcupine Mining Division, Ontario. To earn this interest, the Company paid $100,000. During the year ended October 31, 2000, the Company entered into an option agreement to acquire the additional 50% interest in these mineral claims for $75,000, subject to 3% net smelter return ("NSR") in favour of the Optionors, 1% of which may be purchased by the Company for a cash payment of $1,000,000 at any time prior to production. During the year ended October 31, 2005, the Company wrote down the property to $1. During the year ended 2006, the Company spent $9,801 reviewing the project for potential exploration work.

b) Eldorado Township Property, Ontario:

During the year ended October 31, 2001, the Company entered into an option agreement to acquire a 100% interest in a mineral claim in the Eldorado Township within the Porcupine Mining Division, Ontario. To earn this interest, the Company issued 75,000 shares, with a fair value of $7,500 plus cash, subject to a 2% NSR in favour of the Optionors, 1% of which may be purchased by the Company for a cash payment of $1,000,000. The Company wrote down the property to $1. During the year ended October 31, 2010, the Company spent $2,200 (2009 - $19,714) reviewing the project for potential exploration work.

c) Langmuir South Property, Ontario:

During the year ended October 31, 2001, the Company entered into an option agreement to acquire 4 claims in the Timmins Division, Ontario. To earn this interest, the Company issued 160,000 shares, with a fair value of $16,000 and paid $5,000, subject to a 2% NSR royalty in favour of the Optionors, 1% of which may be purchased by the Company for a cash payment of $1,000,000. Subsequent to October 31, 2001, the Company wrote down the Property to $1. During the year-ended October 31, 2006, the Company commenced an exploration program, which is ongoing as at October 31, 2010.

3 MINERAL PROPERTIES (continued)

d) Porphyry Pearl Property, British Columbia:

On February 21, 2006, as amended on August 15, 2006, July 30th, 2009, and November 16, 2010, the Company entered into a Mining Option Agreement to acquire a 100% interest in 10 mineral claims located in the Omineca Mining Division, BC called the Porphyry Pearl Claims ("Pearl Claims") (Note 9). Under the terms of the Agreement, the Company would acquire a 100% undivided interest in the Pearl Claims in consideration of cash payment of $730,000, issue 3,600,000 shares and incur $4,750,000 of exploration expenditure as follows:

Option Exercise Schedule	Issue Shares	Make Payment	Exploration Expenditure	3rd Party Payments
On Agreement execution date	-	$ 15,000(1)	$ -	$ 2,500(1)
Within 10 days of TSX-V approval	400,000(1)	-	-	-
On or before August 24, 2006				2,500(1)
On or before January 12, 2007	800,000(1)	-	-	-
First anniversary of the Agreement	-	-	400,000(1)	2,500(1)
On or before August 24, 2007	-	-	-	2,500(1)
On or before October 15, 2007	-	50,000(1)	-	-
On or before January 12, 2008	800,000(1)	-	-	-
Second anniversary of the Agreement	-	65,000(1)	750,000(1)	2,500(1)
On or before October 15, 2008	-	150,000(1)	-	-
On or before January 12, 2009	800,000(1)	-	-	-
Third anniversary of the Agreement	-	-	1,000,000(1)	-
On or before October 30, 2009	-	75,000(1)	-	-
On or before January 12, 2010	800,000(1)	-	-	-
On or before October 15, 2010	-	250,000(1)	-	-
Fifth anniversary of the Agreement	-	-	882,021(1)	-
On or before March 31, 2011	-	125,000	-	-
Sixth anniversary of the Agreement	-	-	1,717,979	-
Total	**3,600,000**	**$ 730,000**	**$ 4,750,000**	**$ 12,500**

(1) Shares have been delivered and payments made and exploration expenditures incurred

The Property is subject to 3% NSR of which 1.5% can be purchased within 30 days of the property being placed into commercial production for the sum of $3,000,000. Two claims units comprising part of the Pearl Claims are subject to cash payments to a third party. The Company would make a $12,500 payment to the third party for fulfillment of the cash payment requirement. The two claims are also subject to 2% NSR which can be purchased up to a 50% aggregate for a sum of $3,000,000. During the year ended October 31, 2010, the Company issued 800,000 shares with a fair value of $0.035 per share.

On October 22, 2010, the Company entered into a Memorandum of Understanding ("MOU") with Liaoning Eden Venture Investment Inc. ("Liaoning"), a Canadian resource company. The Company and Liaoning agreed to establish a new joint venture company to facilitate the exploration on the Porphyry Pearl Property. Liaoning will be able to earn up to 51% of the shares in the new joint venture company through investment of $9,000,000 over a period of 36 months, which funds will be used exclusively on the exploration and development of the Porphyry Pearl property.

In relation to the MOU, the Company entered into a Finder's Fee Agreement with Eden Investments Ltd. ("Eden"), a company incorporated in British Columbia, Canada, as Eden introduced Liaoning to the Company. The Company agreed to issue 5,000,000 shares to Eden on a prorated basis as funds are invested in the joint venture.

3 MINERAL PROPERTIES (continued)

d) Porphyry Pearl Property, British Columbia: (continued)

As at audit report date, the Company has not reached a definitive agreement with Liaoning and Liaoning has not advanced any fund to the Company for the exploration and development of the Porphyry Pearl property.

e) Shaw Township, Ontario:

On March 22, 2006, the Company signed a mineral property option agreement to acquire 100% interest in 2 claims located in the Shaw Township of Ontario. To earn this interest, the Company is to issue a total of 200,000 shares, make cash payment of $10,000 and is to incur $25,000 in exploration expenditures as follows:

Option Exercise Schedule	Issue Shares	Make Payment	Exploration Expenditures
Within 10 days of TSX-V approval	100,000(1)	$ 10,000(1)	-
On or before May 30, 2006	-	-	$ 25,000(1)
On or before March 22, 2007 (1st Anniversary)	100,000(1)	-	-
Total	200,000	$ 10,000	$ 25,000

(1) Shares have been delivered, payment made and exploration expenditures incurred.

The Property is subject to 2% NSR which 1.5% can be purchased by the Company for a purchase price of $1,500,000.

At October 31, 2010, the Company had no immediate plans to further explore this property. Consequently, capitalized cost of $113,074 was written off during the year ended October 31, 2010.

f) Lordeau Property, Quebec:

During the year ended October 31, 2008, the Company entered into an option agreement with Santos Resources Inc. ("Santos"), a company with a common director. Santos can earn a 75% interest in the mineral claims in the Lordeau property for $10,000 (received) cash payment, issuance of 75,000 Santos shares, and $50,000 of expenditures ($25,000 on or before September 30, 2008 and $25,000 before July 25, 2009). If Santos does not incur the exploration expenditures a cash payment, in the same amount, would be due to the Company. No value was attributed to the 75,000 shares as their fair value could not be reasonably determined. Santos made a payment of $25,000 to the Company for the $25,000 expenditures that were not incurred before September 30, 2008. The expenditure of $25,000 required by July 25, 2009 was amended to $10,260 on or before May 11, 2009 and $14,740 on or before April 1, 2010. The payment of $14,740 due April 10, 2010 was amended with due date extended to April 1, 2011. Payment of $10,260 was received during the year ended October 31, 2009. The Company retains a 3.0% NSR of which up to two-thirds (2.0% of the 3.0% NSR) (the "Re-purchasable NSR") can be purchased by Santos on the basis of $100,000 for each one-tenth percent of the initial half of the Re-purchasable NSR ($100,000 per 0.1% NSR up to 1.0% of the 3.0% NSR) and thereafter at $150,000 for each one-tenth percent of the balance of the Re-purchasable NSR ($150,000 per 0.1% NSR from 1.1% to 2.0% of the 3.0% NSR).

3 MINERAL PROPERTIES (continued)

g) Montreal River Property, Quebec:

On March 30, 2006, the Company signed a mineral property option agreement to acquire a 100% interest in 14 claims located in the Peever, Smilsky and Slater Townships of Ontario. To earn this interest, the Company made a cash payment totaling $10,000, and was required to issue 700,000 shares and incur $500,000 in exploration expenditures.

During the year ending October 31, 2008, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $251,287 was written off during the year ended October 31, 2008. On May 27, 2009, the Company settled certain claims with the owners of the Montreal River and Montreal River North properties pursuant to which the Company issued an aggregate of 3,000,000 common shares with a fair value of $105,000 and paid an aggregate of $30,000 cash to the owners.

h) Montreal North / Suganaqueb Property, Quebec:

On August 22, 2006, the Company signed a mineral property option agreement to acquire a 100% interest in 16 claims located in the Suganaqueb Township of Ontario. To earn this interest, the Company was required to make cash payments totaling $25,600, issue 600,000 shares and incur $285,000 in exploration expenditures.

During the year ending October 31, 2008, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $102,208 was written off during the year ended October 31, 2008. On May 27, 2009, the Company settled certain claims with the owners of the Montreal River and Montreal River North properties pursuant to which the Company issued an aggregate of 3,000,000 common shares with a fair value of $105,000 and paid an aggregate of $30,000 cash to the owners.

i) Black Township Property, Ontario:

During the year ended October 31, 1998, the Company entered into an option agreement to acquire a 50% interest in certain mineral claims in the Black Township, Ontario. To earn this interest, the Company paid $100,000. Subsequent to October 31, 1998 the Company acquired the remaining 50%. During the year ended October 2003, the Company wrote down the property to $50,000 with a further $25,000 write down during the year ended October 31, 2004 and during the year ended October 31, 2005, the Company wrote down the property to $1. During the year ended October 31, 2006, the Company staked further claims in the area at a cost of $1,400. During the year ended October 31, 2008, the Company performed preliminary exploratory work on the property. Subsequent to October 31, 2009, the Company decided not to pursue further exploration of this property and wrote off the capitalized cost of $21,476.

j) Capri Property, Quebec

On May 12, 2005, the Company signed a mineral property option agreement to acquire a 100% interest in 25 claims called the Capri Property located in western Quebec, this contract was amended March 13, 2006, August 10, 2007 and again on May 30, 2008. To earn this interest, the Company was to make cash payments totaling $250,000, issue 2,100,000 shares and incur $1,225,000 exploration expenditures.

Subsequent to October 31, 2009, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $975,159 was written off during the year ended October 31, 2009.

3 MINERAL PROPERTIES (continued)

l) Cross Structure Property, Quebec:

On March 4, 2005, the Company signed a mineral property option agreement to acquire a 100% interest in 37 claims called the Cross Structure Property located in east-central Quebec. This agreement was amended May 30, 2009. To earn this interest, the Company was to make cash payments totaling $90,000, issue 700,000 shares and incur $600,000 in exploration expenditures.

Subsequent to October 31, 2009, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $345,363 was written off during the year ended October 31, 2009.

m) Stobie Township Property, Ontario:

On February 25, 2005, the Company signed a mineral property option agreement to acquire 100% interest in 32 claims located in Stobie Lake in Grigg and Stobie Townships, situated northeast of Sudbury, Ontario. The Property is subject to 1% NSR which can be purchased for a purchase price of $1,000,000. To earn this interest, the Company issued a total of 400,000 shares.

Subsequent to October 31, 2009, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $268,940 was written off during the year ended October 31, 2009.

n) Otish Mountain Property, Quebec:

On February 19, 2007, the Company entered into an option agreement to acquire a 100% interest in two claims in the Otish Mountain region of Quebec. To earn this interest, the Company was required to make cash payments totaling $92,000, issue 600,000 shares and incur $150,000 in exploration expenditures.

During the year ended October 31, 2009, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $71,130 was written off during the year ended October 31, 2009

4. RELATED PARTY TRANSACTIONS

Amounts due to related parties are due to directors and a company with common directors. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The Company had the following transactions with parties related to the Company:

	October 31, 2010	October 31, 2009
Mineral properties	$ 2330	$ 41,098
Consulting fees	245,720	262,150
Office and miscellaneous	87,288	87,288
Professional fees	75,600	75,600
Rent	97,200	97,200
	$ 508,138	$ 563,336

Related party transactions are within the normal course of business and measured at the exchange amount agreed to by the related parties.

5. SHARE CAPITAL

(a) **Authorized** – unlimited common shares without par value

(b) **Issued and outstanding:**

	Number		Amount
Balance, October 31, 2008	77,537,100	$	14,606,470
Issued for Porphyry Pearl Property (Note 3)	800,000		24,000
Issued for Settlement on Mineral properties (Note 3)	3,000,000		105,000
Flow Through Tax Benefit Renounced	-		(226,800)
Balance, October 31, 2009	81,337,100		14,508,670
Private Placement @ $0.05	3,600,000		180,000
Issued for Porphyry Pearl Property (Note 3)	800,000		28,000
Balance, October 31, 2010	85,737,100	$	14,716,670

During the year ended October 31, 2010, the Company completed a non-brokered private placement of 3,600,000 units at $0.05 per unit for total proceeds of $180,000, which was received during the year ended October 31, 2009. Each unit consists of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share of the Company at $0.10 for a period of two years. The warrants contain an acceleration clause whereby if the Company's shares trade on the TSX-V at a price of $0.15 or higher for any 20 consecutive trading days, then the Company may provide written notice to the warrant holder requiring the warrant holder to exercise the warrants held by the warrant holder within 30 calendar days of receiving the notice, failing which the warrants will be cancelled.

(c) **Stock options outstanding:**

Under the Company stock option plan ("Plan"), stock options to purchase shares are granted by the Company's board of directors in accordance with the policies of the TSX-V. The maximum number of common shares issuable for all purposes under the Plan cannot exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of directors. The exercise price of an option is not less than the closing price on the TSX-V on the last trading day preceding the grant date or the minimum price as per TSX-V. Options are fully vested on the date of grant.

Expiry	Price ($)	Outstanding October 31, 2008	Granted	Exercised	Cancelled/ Expired	Outstanding October 31, 2009 and 2010	Exercisable October 31, 2009 and 2010
May 4, 2011	0.10	895,000	-	-	(75,000)	820,000	820,000
November 23, 2011	0.10	1,250,000	-	-	(75,000)	1,175,000	1,175,000
March 13, 2012	0.10	100,000	-	-	-	100,000	100,000
August 20, 2012	0.10	1,600,000	-	-	(50,000)	1,550,000	1,550,000
December 4, 2013	0.10	-	2,555,000	-	-	2,555,000	2,555,000
		3,845,000	2,555,000	-	(200,000)	6,200,000	6,200,000

5. SHARE CAPITAL (continued)

(c) Stock options outstanding: (continued)

The outstanding options have a weighted average price of $0.10 and a weighted average life of 2.02 years.

During the year ended October 31, 2009, the Company granted a total of 2,555,000 options. The Company recognized the associated stock-based compensation expense of $47,498 for fiscal 2009 in connection with the granting of these options. The fair value of the options granted was estimated at the date of granting using the Black-Scholes option pricing model with the following assumptions: average risk free interest rate of 1.69%, dividend yield of 0%, average volatility factor of 107% with an expected life of five years.

During the year ended October 31, 2009, the Company reduced the exercise price of 3,645,000 options to $0.10 per share. The fair value of stock based compensation in relation to this re-pricing was $16,585 and it was estimated at the date of re-pricing using the Black-Scholes option pricing model with the following assumptions: average risk free interest rate of 1.84%, dividend yield of 0%, average volatility factor of 103% with an expected life of three years.

(d) Flow-through shares:

During the year ended October 31, 2010, the Company renounced exploration expenditures of $Nil (2009 - $810,000) which resulted in future tax recovery of $Nil (2009 - $226,800) with a corresponding charge against share capital. Part 12.6 taxes of $Nil (2009 – $630) for unspent flow through expenditures were recorded in the year ended October 31, 2010.

(e) Share purchase warrants:

Expiry	Price ($)	Outstanding October 31, 2009	Cancelled/Expired/ Granted	Exercised	Outstanding October 31, 2010
September 25, 2010	0.30	4,050,000	(4,050,000)	-	-
September 25, 2010	0.30	750,000	(750,000)	-	-
January 13, 2012	0.10	-	3,600,000	-	3,600,000
		4,800,000	(1,200,000)	-	3,600,000

Expiry	Price ($)	Outstanding October 31, 2008	Cancelled/Expired/ Granted	Exercised	Outstanding October 31, 2009
July 11, 2009	0.75	1,817,641	(1,817,641)	-	-
July 16, 2009	0.75	714,285	(714,285)	-	-
July 16, 2009	0.75	1,503,057	(1,503,057)	-	-
July 25, 2009	0.75	2,030,131	(2,030,131)	-	-
September 25, 2010	0.30	4,050,000	-	-	4,050,000
September 25, 2010	0.30	750,000	-	-	750,000
		10,865,114	(6,065,114)	-	4,800,000

Certain warrants contain acceleration clauses whereby if the Company's shares trade above a specified price, the warrants will expire at an earlier date if unexercised.

The weighted average price of the warrants outstanding is $0.10 and the weighted average life is 1.2 years.

5. SHARE CAPITAL (continued)

(f) Contributed Surplus:

	2010	2009
Balance, October 31, 2009	$ 1,025,723	$ 961,640
Stock Options Granted	-	47,498
Stock Options Re-priced	-	16,585
Balance, October 31, 2010	$ 1,025,723	$ 1,025,723

6. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2010	2009
Loss before income taxes	$ 746,556	$ 2,673,538
Statutory tax rate	32%	33%
Expected tax recovery	(238,898)	(882,268)
Increase (decrease) resulting from:		
Non-deductible expenses	-	24,176
Change in valuation allowance	(24,923)	502,117
Impact of tax rate changes	221,582	130,165
Other	42,239	(990)
Future income tax recovery	$ -	$ 226,800

The Company's future income tax asserts are as follows:

	2010	2009
Mineral Properties	$ 141,156	$ 126,434
Non-capital losses	1,483,538	1,486,547
Unamortized share issue costs	16,962	53,598
Less: valuation allowance	(1,641,656)	(1,666,579)
Net future income tax asset	-	-

As at October 31, 2010, the Company had non-capital losses of $5,934,152 and resource pools of $5,146,921 available to reduce future taxable income. The non-capital losses will expire by 2030. Management has determined that the realization of the potential income tax benefits related to the non-capital losses and other tax pools is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has recorded a valuation allowance for the potential future income tax asset.

6. INCOME TAXES (continued)

During the year ended October 31, 2010, the Company received $15,606 in Quebec mining tax credits in relation to exploration expenditures incurred in the properties located in Quebec that have been written off during the year ended October 31, 2009. The mining tax credits were recorded in other income during the year ended October 31, 2010.

7. RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks, as follows:

Interest Risks

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash account affected by changes in short term interest rates will be minimal.

Credit Risks

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and accounts receivable. This risk in cash accounts is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies. The Company's receivables are mainly due from the Government of Canada and therefore, the credit risk exposure is low.

Foreign Exchange Risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates primary in Canada and therefore is not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company, from time to time, needs to raise equity financing to carry out its exploration programs. There is no assurance that financing will be available or, if available, that such financings will be on reasonable terms.

8. CAPITAL MANAGEMENT

The Company identifies capital as cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and exploration 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 properties in which the Company currently has interests are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended October 31, 2010. The Company is not subject to externally imposed capital requirements.

9. SUBSEQUENT EVENTS

a) Subsequent to the year ended October 31, 2010, the Company entered into a revised agreement with the optioner of the Porphyry Pearl property to provide a one year extension to February 21, 2012 to incur the required expenditures and to shorten the due date of the last cash installment from October 15, 2011 to March 31, 2011 (Note 3(d)).

b) Subsequent to the year ended October 31, 2010, the Company entered into a revised agreement with Santos to extend the due date of the last cash payment to April 1, 2011 (Note 3(f)).

c) Subsequent to the year ended October 31, 2010, the Company entered into a security agreement with a lender for a credit facility of $500,000. In term of the security agreement the Company granted the lender a security interest in all of the Company's assets. The terms of the credit facility has not been finalized. Subsequent to the year ended October 31, 2010, the Company was advanced $300,000 by the lender.