ETHOS CAPITAL CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

YEARS ENDED DECEMBER 31, 2010 AND 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ethos Capital Corp. are the responsibility of management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and where appropriate include management's best estimates and judgments.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and the majority of its members are independent directors. The Audit Committee meets periodically with management and the shareholders' auditors to review financial statements and reports prepared by management, internal controls, audit results, accounting principles and related matters. The Board of Directors approves the financial statements on recommendation from the Audit Committee.

Hay & Watson, an independent firm of Chartered Accountants, was appointed as auditor by the shareholders at the last annual meeting to examine the financial statements and provide an independent professional opinion.

"Gary Freeman"

Gary Freeman
Chief Executive Officer

"Peter G. Wong"

Peter G. Wong
Chief Financial Officer

April 20, 2011

HAY & WATSON | Chartered Accountants
1822 West 2nd Avenue, Vancouver, BC, Canada V6J 1H9
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AUDITORS' REPORT

To the Shareholders of Ethos Capital Corp.

We have audited the financial statements of Ethos Capital Corp., which comprise the balance sheets as at December 31, 2010 and 2009 and the statements of operations, comprehensive loss 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 financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements, and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company 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.

Hay + Watson

Chartered Accountants
Vancouver, British Columbia
April 20, 2011

ETHOS CAPITAL CORP.

Balance Sheets
December 31, 2010 and 2009

		2010		2009
Assets				
Current assets:				
Cash and cash equivalents	$	5,707,569	$	1,392,457
Amounts receivable		18,475		1,813
Prepaid expenses		16,454		-
		5,742,498		1,394,270
Mineral property interests (note 6)		2,002,692		268,893
	$	7,745,190	$	1,663,163
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	134,360	$	18,925
Due to related parties (note 10)		6,876		1,304
		141,236		20,229
Future income tax liabilities (note 11)		129,100		-
		270,336		20,229
Shareholders' Equity				
Share capital (note 8)		6,682,433		2,007,873
Contributed surplus (note 9)		2,289,505		322,808
Deficit		(1,497,084)		(687,747)
		7,474,854		1,642,934
	$	7,745,190	$	1,663,163

Commitments (notes 6 & 7)
Subsequent events (note 13)

APPROVED ON BEHALF OF THE BOARD:

"Chris Theodoropoulos" Director

"Peter Wong" Director

ETHOS CAPITAL CORP.

Statements of Operations, Comprehensive Loss and Deficit
For the years ended December 31, 2010 and 2009

		2010		2009
Expenses				
Bank charges	$	937	$	142
Business investigation costs		12,897		19,777
Consulting		215,774		68,500
Investor relations		79,893		13,500
Listing and filing fees		46,797		60,935
Office and administrative		79,931		31,715
Professional fees		47,016		26,144
Rent		21,150		13,800
Share-based compensation (note 8(d) and note 9)		291,505		7,458
Travel and expenses		22,671		-
Loss before the undernoted		(818,571)		(241,971)
Interest income		15,846		6,540
Foreign exchange loss		(6,612)		(3,125)
Net loss and comprehensive loss		(809,337)		(238,556)
Deficit, beginning of year		(687,747)		(449,191)
Deficit, end of year	$	(1,497,084)	$	(687,747)
Basic and fully diluted net loss per common share	$	0.05	$	0.02
Weighted average number of common shares outstanding		17,481,282		11,007,770

ETHOS CAPITAL CORP.

Statements of Cash Flows
For the years ended December 31, 2010 and 2009

		2010		2009
Cash provided by (used in)				
Operating activities				
Net loss	$	(809,337)	$	(238,556)
Item not affecting cash:				
Share-based compensation		291,505		7,458
Share-based compensation included in consulting and investor relation expenses		127,887		-
		(389,945)		(231,098)
Changes in non-cash working capital components				
Amounts receivable		(16,662)		(581)
Prepaid expenses		(4,436)		-
Accounts payable and accrued liabilities		60,731		(123,687)
Due to related parties		5,572		(7,153)
		(344,740)		(362,519)
Investing activities				
Mineral property expenditures		(1,135,113)		(100,000)
Financing activities				
Units and flow through shares issued pursuant to private placements		5,789,601		-
Share issue costs		(288,799)		-
Shares issued pursuant to exercises of options and warrants		294,163		24,000
		5,794,965		24,000
Increase (decrease) in cash and cash equivalents		4,315,112		(438,519)
Cash and Cash Equivalents, beginning of year		1,392,457		1,830,976
Cash and Cash Equivalents, end of year	$	5,707,569	$	1,392,457
Cash and Cash Equivalents, end of year, consisted of				
Cash on deposit with a Canadian chartered bank	$	1,084,285	$	191,980
Term deposits and Guaranteed Investment Certificates issued by a Canadian chartered bank	$	4,623,284	$	1,200,477
Supplemental cash flow information				
Interest received	$	15,846	$	6,540
Non-Cash Transactions				
Shares issued for mineral properties	$	556,000	$	30,750
Payments of finders fee through issue of warrants	$	147,600	$	-
Non-cash share issue costs on renouncement of exploration expenditures related to issue of flow-through shares	$	129,100	$	-
Transfer of contributed surplus upon exercise of options and warrants	$	186,753	$	39,396

1. OPERATIONS

Ethos Capital Corp. (the "Company") was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2007, the Company completed an initial public offering ("IPO") and was publicly listed as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "TSX-V" or "Exchange"). In 2008, the Company announced a proposed qualifying transaction ("Qualifying Transaction") (note 5). In 2009, the TSX-V accepted the Company's Qualifying Transaction and filing statement, and the Company began trading on the TSX-V as a Tier 2 company under the symbol ECC.

These financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing and if required through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations in the normal course of business.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and reflect the following significant policies:

(a) 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 the disclosure of contingent assets, liabilities, and commitments at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Significant items subject to such management estimates and assumptions include the recoverability of the carrying value of mineral property interests and the determination of the fair value measurement of share-based compensation. Actual results could differ from the estimates and assumptions made in the preparation of these financial statements.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

(c) Financial Assets and Liabilities

The Company's financial assets and liabilities, other than cash and cash equivalents, are classified as follows:

- Amounts receivable are classified as loans and receivables and are measured at amortized cost.
- Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities and are measured at amortized cost.

The carrying amount of these financial assets and financial liabilities as at December 31, 2010 and

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Assets and Liabilities (continued)

2009 approximates their fair value due to their short term maturities.

Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the carrying amount of the financial instrument, and are amortized to operations using the effective interest rate method.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

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

(d) Mineral Property Interests

Costs incurred related to the acquisition of, exploration for and development of mineral property interests are capitalized by property. All sales and option proceeds received are first credited against the costs of the related interest, with any excess credited to operations. No gains or losses are recognized on the partial sale or disposition of interests except in circumstances which result in significant dispositions of reserves. Once commercial production has commenced, these net costs are charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned property interests are charged to operations.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those interests is not recoverable and exceeds their fair value.

(e) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, and to losses and other deductions carried forward. Future tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates on future tax assets and liabilities is recognized in operations in the year in which the change occurs. A future income tax asset is recorded when the probability of the realization is more likely than not.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share-based Compensation

The Company uses the fair value method of accounting for options granted under its share-based compensation plan (note 8d). Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to contributed surplus. Options granted to non-employees are measured at fair value, which is charged to operations at the date the options are fully vested, with an offsetting credit to contributed surplus. Cash received on the exercise of share options is recorded in share capital and the related compensation included in contributed surplus is transferred to share capital to recognize the total consideration for the shares issued.

(g) Loss per common share

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares that were outstanding in the year. Diluted loss per common share includes the potential dilution from common share equivalents, such as share options and warrants, except when they are anti-dilutive. The treasury stock method is used to calculate potential dilution, whereby the assumed proceeds from the exercise of options or warrants are used for the repurchase of common shares at the average market price during the reporting period.

For the years ended December 31, 2010 and 2009, the diluted loss per share is the same as the basic loss per share as the effect of all outstanding options and warrants was anti-dilutive.

(h) New Accounting Standards

Convergence with International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed the mandatory changeover date to International Financial Reporting Standards (“IFRS”) for Canadian profit-oriented publicly accountable entities (“PAE’s”) such as the Company.

In 2010, the Company’s management began assessing the impact of the adoption of IFRS. The Company will adopt IFRS and will commence reporting under these standards for the period beginning January 1, 2011, with a January 1, 2010 date of transition (the “Transition Date”). Comparative periods for fiscal 2010 will also be restated under IFRS.

Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These sections replace the former CICA Handbook 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. These sections provide the Canadian equivalent to U.S. FASB Statements No. 141(R), Business Combinations and No. 160 Non-controlling Interests in Consolidated Financial Statements. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011. Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company is currently considering the impact of adopting these pronouncements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) New Accounting Standards (continued)

Comprehensive revaluation of assets and liabilities

In August 2009, the CICA amended Section 1625, Comprehensive revaluation of assets and liabilities. This section has been amended as a result of issuing Business Combinations, Section 1582, Consolidated financial statements, Section 1601, and Non-controlling interests, Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this standard is not expected to have a material impact on the Company's results of operations or its financial position.

3. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders' equity. The Company's primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required, but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through 2011. There are no external restrictions on the Company's capital.

4. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, which include credit, liquidity, currency and interest rate risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at a major financial institution. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and due to related parties are due within the current operating period. The Company manages liquidity risk through the management of its capital structure (note 3).

4. MANAGEMENT OF FINANCIAL RISK (continued)

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the fair value of or future cash flows from the Company's financial instruments. Some of the Company's mineral property interests are located in Mexico and the Company's financial instruments are denominated in Canadian dollars. The Company is therefore exposed to changes in the Canadian dollar/Mexican peso exchange rate, a risk which it does not actively manage.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

5. QUALIFYING TRANSACTION

On July 17, 2009, the TSX-V accepted the Company's Qualifying Transaction, as outlined below, and filing statement that allowed the Company to meet the Tier 2 Mining Issuer requirements of the TSX-V.

During 2008, the Company signed a Letter of Intent with Cardero Resource Corp. ("Cardero") pursuant to which the Company was granted an option to earn a 70% working interest in two of Cardero's mineral prospects in Mexico. The Company and Cardero also signed a Letter Agreement (the "Amending Agreement") in 2008 amending the terms of the Letter of Intent. In consideration of Cardero entering into the Amending Agreement, the Company issued 100,000 common shares of the Company to Cardero 5 days after the Letter of Intent and the Amending Agreement was accepted for filing by the TSX-V (the "Acceptance Date"). The Company also agreed to pay to an individual at arm's length to the Company a finder's fee of 200,000 common shares of the Company over a three year period, including 50,000 common shares issued on the Acceptance Date, in consideration of that individual identifying and assisting with the acquisition of the Cardero mineral properties in the Qualifying Transaction.

On December 1, 2010 the Company entered into an amending agreement (the "2nd Amending Agreement) with Cardero, which provided that the Company and Cardero agree to reduce the shares issuable by the Company to 1,000,300, from 1,334,000 shares, and to reduce the total cash payments to CDN$300,000 from CDN$500,000.

Pursuant to the Original Letter of Intent, the Amending Agreement and the 2nd Amending Agreement, the Company has an exclusive option (the "Option") to earn an undivided seventy (70%) percent right, title and working interest in two of Cardero's mineral properties in Mexico, the Santa Teresa and Corrales properties (the "Mineral Properties") respectively by:

(a) paying to Cardero the sum of $300,000, as follows:

- (i) $100,000 on the Acceptance Date (completed on July 20, 2009)
- (ii) an additional $75,000 on or before December 15, 2010 (completed December 10, 2010); and
- (iii) an additional $125,000 on or before July 17, 2011;

5. QUALIFYING TRANSACTION (continued)

(b) delivering to Cardero 1,000,300 fully-paid and non-assessable common shares of the Company as follows:

(i) 150,000 common shares of the Company on or before December 15, 2010 (completed December 3, 2010);

(ii) an additional 250,000 common shares of the Company by July 17, 2011; and

(iii) an additional 600,300 common shares of the Company on or before July 17, 2012;

(c) assuming all of the liabilities and performing, in a timely manner, all of the obligations pursuant to each of the third-party agreements to which Cardero or its subsidiaries hold their rights in and title to the Mineral Properties during the Option period; and

(d) otherwise complying with the terms and conditions of this Letter of Intent , Amending Agreement, and 2nd Amending Agreement during the Option period.

The Company reimbursed Cardero for the costs of an initial work program on the Mineral Properties to ensure they met the terms of the Qualifying Transaction.

6. MINERAL PROPERTY INTERESTS

Betty & Wolf Properties Option Agreements

On December 21, 2010, the TSX-V accepted for filing two Option Agreements dated November 30, 2010 between the Company and Shawn Ryan ("Ryan") and Wildwood Exploration Inc. ("Wildwood") whereby the Company has the option to acquire a 100% interest in the Betty and Wolf properties, located in the White Gold area, west-central Yukon by completing the following:

<u>Cash Payments</u>

Property	Within 5 business days of TSXV Acceptance	On or before January 15, 2012	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	$100,000	$100,000	$100,000	$100,000	$150,000
Betty	$150,000	$100,000	$100,000	$100,000	$150,000
Totals	$250,000	$200,000	$200,000	$200,000	$300,000
Cumulative	$250,000	$450,000	$650,000	$850,000	$1,150,000

6. MINERAL PROPERTY INTERESTS (continued)

Betty & Wolf Properties Option Agreements (continued)

Required Expenditures

Property	On or before January 15, 2012	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Wolf	$200,000	$300,000	$500,000	$750,000	$750,000
Betty	$200,000	$300,000	$500,000	$750,000	$750,000
Totals	$400,000	$600,000	$1,000,000	$1,500,000	$1,500,000
Cumulative	$400,000	$1,000,000	$2,000,000	$3,500,000	$5,000,000

Share Payments

Property	Within 5 business days of TSXV Acceptance	On or before January 15, 2012	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	250,000	250,000	250,000	250,000	250,000
Betty	250,000	250,000	250,000	250,000	250,000
Totals	500,000	500,000	500,000	500,000	500,000
Cumulative	500,000	1,000,000	1,500,000	2,000,000	2,500,000

The Company will also issue and deliver to Ryan 500,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on each of the Betty and Wolf properties, and issue and deliver to Ryan an additional 500,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on each of the Betty and Wolf properties.

In addition, the Company has the option to accelerate all of the above obligations and upon fulfilling all of these obligations, under both option agreements, the Company will make annual cash advance royalty payments of $30,000 to Ryan and Wildwood commencing October 30, 2015 and continuing each year thereafter until commencement of commercial production of each of the respective mineral properties. These advance royalty payments will be deducted from the royalty payable upon commencement of commercial production.

Each of the properties will be subject to a 2% Net Smelter Return (“NSR”) royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buyout 1% of the NSR royalty exercisable for CDN$2,500,000 per property.

6. MINERAL PROPERTY INTERESTS (continued)

Mineral property costs as December 31, 2010 and 2009 are composed of the following:

	Santa Teresa Mexico	Corrales Mexico	Betty and Wolf Yukon	Other	Total
Drilling and Analysis	$81,579	$7,819	-	-	$89,398
Field Expenses	10,977	6,761	-	-	17,738
Personnel	17,513	10,828	-	-	28,341
Travel	2,666	-	-	-	2,666
Total – December 31, 2008	**112,735**	**25,408**	**-**	**-**	**138,143**
Option payments - cash	50,000	50,000	-	-	100,000
Option payments – common shares	15,375	15,375	-	-	30,750
Total – December 31, 2009	**178,110**	**90,783**	**-**	**-**	**268,893**
Option payments - cash	37,500	37,500	250,000	-	325,000
Option payments – common shares	20,500	20,500	515,000	-	556,000
Geophysics	-	18,388	-	-	18,388
Geochemistry	6,255	94,320	-	-	100,575
Field Expenses	3,232	14,582	-	-	17,814
Environmental	-	8,632	-	-	8,632
Vehicle Rental	3,280	-	-	-	3,280
Travel	3,968	24,435	-	-	28,403
Personnel	54,257	91,847	280	-	146,384
Mining Rights	7,218	5,438	-	-	12,656
Drilling	81,661	237,413	-	-	319,074
Property Rent	8,164	90,070	-	-	98,234
Staking	-	-	20,750	-	20,750
Other	-	-	-	78,609	78,609
Total – December 31, 2010	**$ 404 145**	**$733,908**	**$786,030**	**$78,609**	**$ 2,002,692**

7. COMMITMENTS

The Company's exploration activities in Mexico are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. The Company makes, and expects to make in the future, expenditures to comply with such laws and regulations, including any reclamation at its mineral properties, on a continuous basis.

The Company's option agreements with Cardero, Wildwood, and Ryan require that the Company make all of the necessary payments to maintain the mineral properties titles in good standing. Estimated annual fixed fees for 2011 are $12,530 and minimum required exploration expenditures are $599,362.

7. COMMITMENTS (continued)

The Company has provided $20,000 (2009 - $Nil) in Guaranteed Investment Certificates as security for its Visa credit card with a Canadian financial institution. As at December 31, 2010, the amount payable to Visa was $361 (2009 - $Nil).

The Company leases its premises in Vancouver, British Columbia and the minimum annual rent in each of the next five years until the lease agreement's expiry on January 31, 2015 are as follows:

2011	$50,931
2012	$61,762
2013	$63,752
2014	$63,927
2015	$ 5,327

8. SHARE CAPITAL

(a) Authorized
Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares - Issued and outstanding

	Number of Shares	Amount
Balance, December 31, 2007 and 2008	**10,930,000**	**$ 1,913,727**
Issued pursuant to mineral property agreements	150,000	30,750
Exercise of Agent warrants	120,000	24,000
Transfer from contributed surplus on exercise of Agent warrants	-	39,396
Balance, December 31, 2009	**11,200,000**	**2,007,873**
Private placement	11,277,455	5,789,601
Transfer of fair value of warrants to contributed surplus	-	(1,586,458)
Share issue costs	-	(288,799)
Fair value of finder's warrants	-	(147,600)
Future income taxes related to exploration expenditures renounced at December 31, 2010	-	(129,100)
Issued pursuant to mineral property agreements	700,000	556,000
Exercise of stock options	250,000	55,000
Transfer from contributed surplus on exercise of stock options	-	79,735
Exercise of warrants	638,085	239,163
Transfer from contributed surplus on exercise of warrants	-	107,018
Balance, December 31, 2010	**24,065,540**	**$ 6,682,433**

As at December 31, 2010, the Company had 1,455,000 (2009 – 2,182,500) common shares issued and under escrow. Pursuant to an escrow agreement, in July 2009, the initial 10% of the original 2,425,000 escrowed common shares was released from escrow on the acceptance by TSX-V of a Qualifying Transaction completed by the Company. A total of 15% of the original number of escrowed common shares will be released every 6 months thereafter.

During the year 2010, the Company completed three private placements as follows:

8. SHARE CAPITAL (continued)

On January 28, 2010, the Company completed a private placement of 4,000,000 units at a price of $0.25 per unit for gross proceeds of $1 million, with each unit consisting of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $0.33 per common share until January 28, 2011. The Company paid a finder's fee of $6,875 in cash.

On May 21, 2010, the Company completed a private placement of 3,708,000 units at a price of $0.40 per unit for gross proceeds of $1,483,200, with unit consisting of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $0.55 per common share until November 21, 2011. The Company paid a finder's fee of $94,024 in cash and issued 235,060 finders' warrants, with each finder's warrant entitling the holder to purchase one common share at a price of $0.45 per common share until November 21, 2011.

On December 23, 2010, the Company completed a private placement of 3,100,000 units at a price of $0.90 per unit for gross proceeds of $2,790,000, and 469,455 flow through common shares (the "FT Shares") at a price of $1.10 per FT Share for gross proceeds of $516,401, for total aggregate gross proceeds of $3,306,401. Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $1.15 per common share until December 23, 2011 and at $1.40 per common share from December 24, 2011 to December 23, 2012. The warrants carry a forced conversion feature such that should the common shares of the Company trade, between April 24, 2011 and December 23, 2011, at or above $1.50 per share for 20 consecutive trading days, or if the common shares of the Company trade, between December 24, 2011 and December 23, 2012, at or above $1.80 per share for 20 consecutive trading days, the Company may (within 30 days of such occurrence) notify the warrant holders that the warrant must be exercised within 30 calendar days of the notice, subsequent to which any unexercised warrants will expire. The Company paid an aggregate of $136,899 in cash commission and issued 148,546 finders' warrants. Each finder's warrant is exercisable at a price of $1.05 per common share until December 23, 2012.

(c) Warrants - Issued and outstanding

	2010			2009		
	Number of shares	Weighted Exercise price	Expiry Date	Number of shares	Weighted Exercise price	Expiry Date
Outstanding at beginning of year				120,000	$0.20	Dec 14/09
Exercised				(120,000)	$0.20	Dec 14/09
Issued	2,000,000	$0.33	Jan 28/11			
Exercised	(475,000)	$0.33	Jan 28/11			
Issued	1,854,000	$0.55	Nov 21/11			
Exercised	(90,250)	$0.55	Nov 21/11			
Issued	235,060	$0.45	Nov 21/11			
Exercised	(72,835)	$0.45	Nov 21/11			
Issued	1,549,998	$1.15	Dec 23/11			
		$1.40	Dec 23/12			
Issued	148,546	$1.05	Dec 23/12			
Outstanding at end of year	5,149,519	$0.68		-	$ -	

8. SHARE CAPITAL (continued)

The Company determined the fair value of the warrants issued using the Black-Scholes pricing model, using the following weighted average assumptions:

	2010	2009
Risk-free interest rate	1.61%	Nil
Expected life	1.59 years	Nil
Expected volatility	119%	Nil
Expected dividend yield	Nil	Nil

The following summarizes information concerning outstanding warrants at December 31, 2010:

Grant date	Expiry date	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life (in years)
Jan 28, 2010	Jan 28, 2011	1,525,000	$0.33	0.08
May 21, 2010	Nov 21, 2011	1,763,750	$0.55	0.89
May 21, 2010	Nov 21, 2011	162,225	$0.45	0.89
Dec 23, 2010	Dec 23, 2012	1,549,998	$1.15, $1.40	1.98
Dec 23, 2010	Dec 23, 2012	148,546	$1.05	1.98
Total		5,149,519	$0.68	1.01

(d) Share options

During 2007, the Company adopted an incentive share option plan which provides that the Board of Directors may from time to time, at its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non transferrable options to purchase common shares of the Company, provided that the number of common shares reserved for issuance does not exceed 1,090,000, representing 10% of the issued and outstanding common shares of the Company at the closing of the IPO. Such options will be exercisable up to five years from the date of grant and subject to vesting. In connection with the foregoing, the number of common shares reserved for issuance to any individual director, officer or employee shall not exceed 5% of the issued and outstanding common shares of the Company and the number of common shares reserved for issuance to any consultant shall not exceed 2% of the issued and outstanding common shares of the Company. Options may be exercised no later than 90 days following the cessation of the optionee’s position with the Company. If the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

8. SHARE CAPITAL (continued)

The Company determined the fair value of the options granted using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.00%	2.4%
Expected life	2.95 years	3 years
Expected volatility	124%	79%
Expected dividend yield	Nil	Nil

The weighted average fair value of options issued during the year was $0.44 (2009 - $0.17) per option and $419,392 (2009 - $7,458) in share-based compensation expense was recorded in the statements of operations for the year.

A summary of share option activity during the years ended December 31, 2010 and December 31, 2009 is as follows:

	Options granted	Weighted average exercise price
Balance, December 31, 2008 and 2007	850,000	$0.20
Options granted	250,000	$0.25
Balance, December 31, 2009	1,100,000	$0.21
Options granted	1,060,000	$0.47
Options cancelled	(50,000)	$0.20
Options exercised	(250,000)	$0.22
Balance, December 31, 2010	1,860,000	$0.36

The following summarizes information concerning outstanding options at December 31, 2010:

					Vested and exercisable	
Grant date	Expiry date	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number	Weighted average exercise price
Dec 12, 2007	Dec 12, 2012	650,000	$0.20	1.95	650,000	$0.20
Sep 24, 2009	Sep 24, 2014	150,000	$0.25	3.73	100,000	$0.25
Apr 1, 2010	Apr 1, 2015	50,000	$0.39	4.25	16,667	$0.39
May 4, 2010	May 4, 2015	160,000	$0.43	4.34	53,333	$0.43
Sep 22, 2010	Sep 2, 2015	750,000	$0.42	4.73	720,000	$0.42
Nov 23, 2010	Nov 23, 2015	100,000	$0.90	4.90	100,000	$0.90
Total		1,860,000	$0.36	3.64	1,640,000	$0.35

9. CONTRIBUTED SURPLUS

Balance, December 31, 2007 and 2008	$354,746
Transfer to share capital on exercise of Agent warrants	(39,396)
Share-based compensation	7,458
Balance, December 31, 2009	322,808
Fair value of warrants issued from private placements	1,586,458
Transfer to share capital on exercise of stock options	(79,735)
Transfer to share capital on exercise of warrants	(107,018)
Fair value of finder's fee warrants	147,600
Share-based compensation	419,392
Balance, December 31, 2010	$2,289,505

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company paid $44,076 (2009 – $14,518) to a publicly listed company with a common Chief Executive Officer, for office rent and reimbursement of certain office costs including office improvements, of which $567 (2009- $1,304) was payable at December 31, 2010.

The Company paid $144,955 (2009 – Nil) for option agreement payments and reimbursement for certain mineral exploration costs, of which $5,204 (2009 – Nil) was payable at December 31, 2010 to a company, of which one of the directors is the President and Chief Executive Officer.

The Company also paid $107,597 (2009 – $68,500) in consulting fees to private companies controlled by certain directors of the Company, of which $1,105 (2009 – Nil) was payable at December 31, 2010.

The above transactions were measured at the agreed exchange amount between the parties.

11. INCOME TAXES

		2010		2009
Future income tax assets:				
Losses carried forward	$	200,293	$	111,719
Valuation allowance		(200,293)		(111,719)
		-		-
Future income tax liabilities:				
Renounced mineral property expenditures		129,100		-
Net future income tax liabilities	$	129,100	$	-

11. INCOME TAXES (continued)

The reconciliation of the provision for income taxes is as follows:

		2010		2009
Loss before income taxes	$	809,337	$	238,556
Statutory income tax rates		28.5%		30.0%
Income tax recovery based on statutory income tax rates		230,662		71,567
Adjustments:				
Expenses deductible for tax purposes		14,440		-
Amounts not deductible for tax purposes		(107,703)		(2,237)
Unrecognized losses of the year		(137,399)		(69,330)
Income tax (recovery) expense	$	-	$	-

At December 31, 2010, the Company had unrecognized non-capital losses for income tax purposes of $801,172 (2009 - $372,397) that may be used to offset future taxable income. These losses, if not utilized, will expire between 2027 and 2030. The Company also has expenditures of approximately $786,000 in Canada and approximately $1,200,000 in Mexico which may be available for deduction against future taxable incomes and which have no expiry date.

12. SEGMENTED INFORMATION

The Company operates in one industry segment within two geographical areas, Mexico and Canada. The following table shows the mineral property interests attributable to each geographical segment:

		2010		2009
Mexico	$	1,216,662	$	268,893
Canada		786,030		-
	$	2,002,692	$	268,893

The Company's other assets and liabilities and net expenses are attributable to its corporate office activities in Canada.

13. SUBSEQUENT EVENTS

Mineral Property Interests

In March 2011, the TSX-V provided conditionally accepted for filing two Option Agreements dated March 1, 2011 between the Company and Shawn Ryan ("Ryan") and Wildwood Exploration Inc. ("Wildwood") whereby the Company has the option to acquire a 100% interest in the Bridget and Hen properties, located in the White Gold area. Following are the requirements to fulfill the option:

Cash Payments

Property	Within 5 business days of TSXV Acceptance	On or before 1st Anniversary of Agreement	On or before 2nd Anniversary of Agreement	On or before 3rd Anniversary of Agreement	On or before 4th Anniversary of Agreement
Bridget	\$100,000	\$100,000	\$100,000	\$100,000	\$150,000
Hen	\$125,000	\$150,000	\$125,000	\$100,000	\$150,000
Totals	\$225,000	\$250,000	\$225,000	\$200,000	\$300,000
Cumulative	\$225,000	\$475,000	\$700,000	\$900,000	\$1,200,000

Required Expenditures

Property	On or before October 15, 2011	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Bridget	\$200,000	\$300,000	\$500,000	\$750,000	\$750,000
Hen	\$300,000	\$350,000	\$500,000	\$650,000	\$750,000
Totals	\$500,000	\$650,000	\$1,000,000	\$1,400,000	\$1,500,000
Cumulative	\$500,000	\$1,150,000	\$2,150,000	\$3,550,000	\$5,050,000

Share Payments

Property	Within 5 business days of TSXV Acceptance	On or before 1st Anniversary of Agreement	On or before 2nd Anniversary of Agreement	On or before 3rd Anniversary of Agreement	On or before 4th Anniversary of Agreement
Bridget	250,000	250,000	250,000	250,000	250,000
Hen	350,000	350,000	350,000	350,000	350,000
Totals	600,000	600,000	600,000	600,000	600,000
Cumulative	600,000	1,200,000	1,800,000	2,400,000	3,000,000

The Company will also issue and deliver to Ryan 250,000 common shares upon the Company having incurred expenditures of a total of \$4,000,000 on the Bridget property, and issue and deliver to Ryan an additional 250,000 common shares upon the Company having incurred expenditures of a total of \$7,500,000 on the Bridget property.

The Company will also issue and deliver to Ryan 350,000 common shares upon the Company having incurred expenditures of a total of \$4,000,000 on the Hen property, and issue and deliver to Ryan an additional 350,000 common shares upon the Company having incurred expenditures of a total of \$7,500,000 on the Hen property.

13. SUBSEQUENT EVENTS (continued)

Each of the properties will be subject to a 2% Net Smelter Return ("NSR") royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buyout 1% of the NSR royalty exercisable for CDN$2,500,000 per property.

The Bridget and Hen option agreements, taken together with the Betty and Wolf option agreements are being treated by the TSX Venture Exchange as a Fundamental Acquisition. Consequently, the property acquisitions pursuant to the Bridget and Hen option agreements are subject to the acceptance of the TSX Venture Exchange, which acceptance is, among other things, subject to the Company completing and filing NI 43-101 compliant technical reports on each of the Bridget, Hen, Betty and Wolf properties. The Company has engaged Jean Paulter, P.Geo, JP Exploration Service Inc., to prepare these technical reports. The Company will not make any cash payments or share issuances under the Bridget and Hen option agreements until they have been accepted for filing by the TSX Venture Exchange. Any shares subsequently issued by the Company under these option agreements will be subject to a four-month hold period.

Warrants and Options
Subsequent to December 31, 2010, 1,925,431 warrants were exercised at prices of $0.33, $0.45, and $0.55 per common share for aggregate cash proceeds of $720,044 and 820,500 options were granted at a price of $0.93 and $0.94 per common share. As well, 39,000 options were exercised at a price of $0.20 per common share for aggregate cash proceeds of $7,800.

Private placement
In April 2011, the Company engaged Canaccord Genuity Corp. (the "Agent") to act as agent in connection with a proposed private placement, subject to regulatory approval, of up to $15,000,000 (the "Offering"). The proceeds will be raised by the issuance of any combination of units and flow-through shares of the Company at a price of $1.00 per unit (the "Unit Offering Price") and $1.20 per flow-through share, subject to a maximum of $6,500,400 issued in flow-through shares. Each unit will consist of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional share at a price of $1.35 per share, for a period of 18 months following the date of closing. The proceeds of this Offering will be used to advance the Company's Canadian and Mexican projects and for general working capital purposes. In connection with the Offering, the Company will pay to the Agent a cash commission equal to 6% of the aggregate proceeds from the offering of the units and flow-through shares and issue to the Agent broker warrants, exercisable for a period of 18 months from the closing date of the Offering, to acquire in aggregate that number of units of the Company which is equal to 6% of the number of units and flow-through shares sold pursuant to the Offering exercisable at the Unit Offering Price.

14. COMPARATIVE FIGURES

The comparative amounts have been reclassified where necessary to conform to the presentation used in the current year.