Financial Statements of

# YORBEAU RESOURCES INC.

Years ended December 31, 2010 and 2009

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Yorbeau Ressources Inc.

We have audited the accompanying financial statements of Yorbeau Resources Inc., which comprise the balance sheets as at December 31, 2010 and 2009, the statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.

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KPMG Canada provides services to KPMG LLP.

KPMG

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yorbeau Resources Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Emphasis of matter*

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that the Company is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, the Company depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP*

Chartered Accountants

February 25, 2011

Montréal, Canada

*CA Auditor permit no 18146

# YORBEAU RESOURCES INC.

Financial Statements

Years ended December 31, 2010 and 2009

**Financial Statements**

# YORBEAU RESOURCES INC.

Balance Sheets

December 31, 2010 and 2009

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,602,862 | $ 2,048,254 |
| Taxes receivable (note 4) | 712,112 | 481,278 |
| Prepaid expenses and deposits | 56,056 | 71,121 |
| | 3,371,030 | 2,600,653 |
| Mining and exploration assets (note 5) | 14,897,555 | 13,978,414 |
| | $ 18,268,585 | $ 16,579,067 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 416,406 | $ 504,037 |
| Shareholders' equity: | | |
| Capital stock (note 6) | 40,190,999 | 37,103,049 |
| Contributed surplus (note 8) | 1,644,414 | 1,519,294 |
| Deficit | (23,983,234) | (22,547,313) |
| | 17,852,179 | 16,075,030 |
| Commitments (note 13) | | |
| | $ 18,268,585 | $ 16,579,067 |

See accompanying notes to financial statements.

On behalf of the Board:

(s) David Crevier Director

(s) Thomas Robyn Director

# YORBEAU RESOURCES INC.

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2010 and 2009

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Interest revenue | $ | 5,207 | $ | 1,188 |
| Expenses: | | | | |
| Administrative charges | | 1,018,802 | | 1,240,299 |
| Stock-based compensation (note 7) | | 76,353 | | 300,834 |
| Tax on capital | | 19,000 | | 84,000 |
| Property maintenance | | 6,983 | | 21,222 |
| Financial expenses | | 1,343 | | 4,877 |
| | | 1,122,481 | | 1,651,232 |
| Loss before income taxes | | (1,117,274) | | (1,650,044) |
| Future income taxes (note 10) | | 371,442 | | 296,000 |
| Net loss and comprehensive loss | | (745,832) | | (1,354,044) |
| Deficit, beginning of year | | (22,547,313) | | (20,394,572) |
| Share issue expenses | | (318,647) | | (502,697) |
| Future income taxes arising from flow-through shares | | (371,442) | | (296,000) |
| Deficit, end of year | | $(23,983,234) | | $(22,547,313) |
| Net loss per share, basic and diluted | $ | (0.01) | $ | (0.01) |

See accompanying notes to financial statements.

# YORBEAU RESOURCES INC.

Statements of Cash Flows

Years ended December 31, 2010 and 2009

| | 2010 | 2009 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (745,832) | $(1,354,044) |
| Stock-based compensation | 76,353 | 300,834 |
| Future income taxes | (371,442) | (296,000) |
| Changes in non-cash operating working capital: | | |
| Taxes receivable | (230,834) | 275,406 |
| Prepaid expenses | 15,065 | 19,151 |
| Accounts payable and accrued liabilities | (87,631) | (302,633) |
| | (1,344,321) | (1,357,286) |
| Cash flows from financing activities: | | |
| Issuance of capital stock | 3,087,950 | 4,393,277 |
| Share issue expenses | (269,880) | (426,456) |
| | 2,818,070 | 3,966,821 |
| Cash flows from investing activities: | | |
| Mining and exploration assets (net from credit on mining duties and resource tax credits of $695,991 (2009 - $420,720)) | (919,141) | (1,263,874) |
| Increase in cash and cash equivalents | 554,608 | 1,345,661 |
| Cash and cash equivalents, beginning of year | 2,048,254 | 702,593 |
| Cash and cash equivalents, end of year | $ 2,602,862 | $ 2,048,254 |
| Cash and cash equivalents are composed of cash and short-term investments, maturing within 90 days and bearing interest at 0.5% (2009 - 0.5%) | $ 2,602,862 | $ 2,048,254 |
| Additional information concerning amounts paid during the year: | | |
| Non-cash financing activity: | | |
| Share issue expenses representing cost of compensation warrants | 48,767 | 76,241 |

See accompanying notes to financial statements.

Yorbeau Resources Inc. ("Yorbeau" or the "Company") is incorporated under the laws of the Province of Québec. The Company owns mining and exploration properties in the Province of Québec.

## 1. Nature of operations and going concern:

The Company is in a development stage and has mineral exploration and development properties in the province of Québec. Substantially, all of the Company's efforts are currently devoted to financing and developing of its Rouyn property. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Operating activities have not generated yet any revenues. The ability of the Company to meet its commitments as they become payable, including the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the going concern assumption is not appropriate.

## 2. Change in accounting policies:

*Future accounting pronouncements:*

International Financial Reporting Standards:

In February 2008, the AcSB announced that accounting standards in Canada would converge with International Financial Reporting Standards ("IFRS") and that public companies would be required to present their financial statements, with comparative data, under these standards for fiscal years beginning on or after January 1, 2011. The Company has elaborated a plan of action to be ready for the conversion for the year 2011. The Company is currently evaluating the impact of these requirements on its financial statements.

### 3. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(b) Cash and cash equivalents:

Cash and cash equivalents include cash balances and temporary investments, with a maturity date of three months or less from the date of purchase, and are stated at cost which approximates market value.

(c) Mining and exploration assets:

Exploration assets are carried at cost. Exploration and development expenses relating to a non-producing property are deferred until the property is brought into production or abandoned. If exploration work does not provide positive results or upon abandonment, these costs are charged to earnings. Management reviews the carrying values of assets on a regular basis to determine whether depreciation is required.

Recovery of the cost of mining and exploration assets depends on the discovery of economically recoverable ore reserves (for the exploration assets), the Company's ability to obtain the necessary financing to complete the exploration and development of the properties and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

(d) Stock option plan:

The Company records stock-based compensation to its participants at fair value. According to the fair value method, a compensation expense is charged to operating expenses based on the fair value of the stock options issued over their vesting period. Upon the exercise of stock options, capital stock is credited in the amount paid plus the corresponding compensation amount previously recorded in contributed surplus.

(e) Income and mining taxes:

The Company uses the asset and liability method of accounting for income taxes.

Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment or substantively enacted date.

**3. Significant accounting policies (continued):**

(e) Income and mining taxes (continued):

The Company renounces tax deductions relating to resource expenditures that are financed by the issuance of flow-through shares for the benefit of the subscribers thereof, as permitted by the tax legislation. Under the asset and liability method used to account for income taxes, future income taxes related to the temporary differences created by this renouncement are recorded in accordance with EIC-146 when the Company renounces these deductions and a corresponding cost of issuing the securities is also recorded.

(f) Refundable credit on mining duties and tax credit for resources:

The Company incurs exploration expenses that are eligible for refundable credit on mining duties and tax credit for resources. The tax credits are recorded based on the estimated amounts to be recovered. The amounts claimed are subject to an audit by the tax authorities.

These credits are deducted from the mining and exploration assets.

(g) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates relate to assessing the realizable values of mining and exploration assets, the recovery of refundable credit on mining duties and tax credit for resources as well as the fair value of stock-based compensation and warrants. Consequently, actual results could differ from those estimates.

(h) Financial instruments:

CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. Under these standards, financial instruments are classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. They are initially recorded at fair value and measurement in subsequent periods depends on their classification. Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income.

Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

## 3. Significant accounting policies (continued):

(h) Financial instruments (continued):

The Company has classified its cash and cash equivalents as held-for-trading and its account payable and accrued liabilities as other financial liabilities.

## 4. Taxes receivable:

| | 2010 | 2009 |
|---|---|---|
| Sales tax and other | $ 34,505 | $ 60,102 |
| Tax credit for resources | 575,000 | 191,182 |
| Refundable credit on mining duties | 102,607 | 229,994 |
| | $ 712,112 | $ 481,278 |

## 5. Mining and exploration assets:

| | Rouyn | |
|---|---|---|
| | 2010 | 2009 |
| Balance, beginning of year | $ 13,978,414 | $ 12,714,540 |
| Additions | 1,615,132 | 1,684,594 |
| Credit on mining duties and tax credit for resources | (695,991) | (420,720) |
| Balance, end of year | $ 14,897,555 | $ 13,978,414 |

(a) Rouyn property:

Yorbeau owns a 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel Townships, Quebec. The Rouyn property is composed of one mining lease, one mining concession and a group of 90 mining claims. Twelve of these mining claims are subject to a $50,000 per annum royalty payable to Société Minière Alta Inc., a company controlled by a director of Yorbeau.

## 5. Mining and exploration assets (continued):

(b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 mining claims in consideration of the issuance to Explorers of 350,000 Class A common shares of Yorbeau. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in the property in consideration of either a cash payment of $500,000 or the issuance to Explorers of 1,800,000 additional Class A common shares of Yorbeau, as determined by Explorers.

The Beschefer property consists of 257 claims located in the Bapst and Beschefer Townships. Yorbeau owns a 100% interest in 120 of these claims and an 80% interest in the remaining 137 claims. The mining and exploration assets related to this property have been written off.

(c) Ellison property:

In 2002, Yorbeau entered into an agreement with Agnico-Eagle Mines Limited ("Agnico"), pursuant to which Yorbeau transferred to Agnico all of its interests in the Ellison property in consideration of a cash payment of $1,000,000, of which $500,000 was paid on closing and $500,000 is payable upon commencement of commercial production. Yorbeau also retains a net smelter return royalty on the Ellison property ranging from 1.5% to 2.5%, based on the current gold price as established by the London Bullion Market Association.

## 6. Capital stock:

Authorized:

An unlimited number of Class A common shares, without nominal value or par value

| | 2010 | 2009 |
|---|---|---|
| Issued: | | |
| 163,996,040 common shares (2009 - 149,882,946) | $ 40,190,999 | $ 37,103,049 |
| Weighted average number of shares outstanding during the year | 153,057,750 | 134,599,115 |

**6. Capital stock (continued):**

Issuance during the year:

| | 2010 | 2009 |
|---|---|---|
| For cash: | | |
| 14,113,094 shares (2009 - 13,816,000) pursuant to private placements | $ 3,087,950 | $ 3,541,000 |
| No shares (2009 - 6,087,696) pursuant to rights offering | – | 852,277 |
| | $ 3,087,950 | $ 4,393,277 |

In January 2010, the Company closed the third tranche of an equity private placement and issued 3,105,000 common shares at $0.25 per share for gross proceeds of $776,250, as well as 155,250 compensation warrants for the finders exercisable at $0.40 per share until July 25, 2011. The Company accounted for this compensation warrants issued by using the Black-Scholes pricing model. At the date of issue the fair value of each warrant was $0.145 totaling $22,511.

In December 2010, the Company completed a private placement financing and issued 11,008,094 units at $0.21 per unit for gross proceeds of $2,311,700. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.35 for a period of 18 months, provided that, if the closing price of the common shares on the Toronto Stock Exchange is equal to or greater than $0.45 for 20 consecutive trading days, Yorbeau will be entitled to accelerate the expiry of the warrants to a date ending 30 days from the date on which such acceleration is given to the warrant holders.

In connection with the above financing, Yorbeau issued 618,171 finders' share purchase warrants exercisable at $0.35 per share until June 22, 2012, subject to the same terms as the above-mentioned warrants with respect to the acceleration of the expiry date. The Company accounted for these compensation warrants by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was $0.042474 per warrant for a total value of $26,256.

As at December 31, 2010, the following were share purchase warrants outstanding:

- 681,050 warrants at $0.40 expiring from June 17 to July 25, 2011
- 100,000 warrants at $0.25 expiring on July 22, 2012
- 100,000 warrants at $0.25 expiring on October 29, 2012
- 6,122,216 warrants at $0.35 expiring from June 20 to June 22, 2012 or as described above

**6. Capital stock (continued):**

The cost of warrants is presented in the contributed surplus.

**7. Stock option plan:**

As at December 31, 2010, 7,389,499 Class A common shares were reserved for future issuances under the stock option plan for the benefit of the directors, employees and service providers of the Company. Options are issued at an exercise price corresponding to the latest closing price of the Class A common shares on the Toronto Stock Exchange prior to the grant of the option. They vest over a period of 3 years and expire after a period of 5 years.

The number of stock options outstanding fluctuated as follows:

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Number of stock | | Weighted average exercise price | Number of stock | | Weighted average exercise price |
| Balance, beginning of year | 6,465,000 | $ | 0.25 | 5,225,000 | $ | 0.21 |
| Granted | 1,000,000 | | 0.26 | 2,000,000 | | 0.16 |
| Expired | (1,735,000) | | 0.26 | (760,000) | | 0.27 |
| Balance, end of year | 5,730,000 | $ | 0.25 | 6,465,000 | $ | 0.25 |
| Exercisable options, end of year | 3,576,667 | $ | 0.28 | 3,358,333 | $ | 0.21 |

As at December 31, 2010, the following options were outstanding:

- 250,000 options at $0.35 per share until June 14, 2011
- 2,750,000 options at $0.30 per share until October 29, 2012
- 1,730,000 options at $0.16 per share until June 9, 2014
- 250,000 options at $0.28 per share until March 11, 2015
- 750,000 options at $0.25 per share until November 3, 2015

The fair value of the options granted during the year was determined using the Black-Scholes option pricing model. The weighted average grant date fair value was $0.19 per option (2009 - $0.11).

## 7. Stock option plan (continued):

The following weighted average assumptions were used in these calculations:

| | 2010 | 2009 |
|---|---|---|
| Risk-free interest rate | 2.32% | 3.2% |
| Expected life | 5 years | 3 years |
| Expected volatility | 101.68% | 113.18% |

## 8. Contributed surplus:

| | 2010 | 2009 |
|---|---|---|
| Balance, beginning of year | $ 1,519,294 | $ 1,142,219 |
| Cost of stock options | 56,953 | 300,834 |
| Cost of warrants with respect to service providers | 19,400 | – |
| Cost of warrants with respect to share issue expenses | 48,767 | 76,241 |
| Balance, end of year | $ 1,644,414 | $ 1,519,294 |

## 9. Related party transactions:

During the year, a law firm, in which a director of the Company is a Partner, rendered legal and consulting services in the amount of $231,950 (2009 - $266,178), as well as with respect to financing in the amount of $73,149 (2009 - $178,279) (share issue expenses), totaling an aggregate amount of $305,099 (2009 - $444,997). As at December 31, 2010, the accounts payable include $137,510 (2009 - $152,820) owed to this legal firm.

"Administrative charges" in the Statement of Operations, Comprehensive Loss and Deficit include an amount of $50,000 (2009 - $50,000) paid as a royalty to Société Minière Alta Inc., of which a director of Yorbeau is the sole shareholder (note 5 (a)).

In addition, consulting services were charged to Yorbeau in the amount of $66,896 (2009 - $174,825) by a company, in which the president and chief executive officer of Yorbeau is the president as well as the controlling shareholder. This amount was charged to administrative expenses. As at December 31, 2010, the accounts payable include nil (2009 - $13,616) payable to this company.

Furthermore, mining and exploration assets additions include consulting fees in the amount of $21,600 (2009 - $21,600) charged by a director.

**9. Related party transactions (continued):**

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

**10. Income taxes:**

Effective income tax expense (recovery) differs from the income tax expenses (recovery) computed based on the statutory combined federal and provincial income tax rate of 29.9% (2009 - 30.9%) as a result of the following:

| | 2010 | 2009 |
|---|---|---|
| Loss before taxes | $ (1,117,274) | $ (1,650,044) |
| Tax recovery at statutory rate | $ (334,065) | $ (509,863) |
| Increase in income taxes resulting from: | | |
| Stock-based compensation non-deductible expenses | 22,830 | 92,958 |
| Income tax rates variation and other | 2,235 | 66,905 |
| Valuation allowance | (62,442) | 721,442 |
| Flow-through shares | – | (667,442) |
| Total income tax credit | $ (371,442) | $ (296,000) |

The income tax effects of temporary differences that give rise to the future tax assets and future tax liabilities are presented below:

| | 2010 | 2009 |
|---|---|---|
| Future income tax assets: | | |
| Loss carried forward | $ 1,898,000 | $ 1,609,000 |
| Mining properties | 5,725,000 | 5,434,000 |
| Financing costs | 173,000 | 175,000 |
| Fixed assets and other | 144,000 | 165,000 |
| Total gross future income tax assets | 7,940,000 | 7,383,000 |
| Less valuation allowance | (3,918,000) | (3,980,442) |
| Net future income tax assets | 4,022,000 | 3,402,558 |
| Future income tax liabilities: | | |
| Deferred exploration expenditures | (4,022,000) | (3,402,558) |
| Net future income tax | $ – | $ – |

**10. Income taxes (continued):**

As at December 31, 2010, the Company has exploration expenditures of approximately $21,204,000 which are being carried forward for income tax purposes on an indefinite period and which may be deducted from future taxable income. Also it has tax losses available to reduce future years' income. These losses, for which the tax effect has not been recorded in the financial statements, expire as follows:

| | |
|---|---|
| 2014 | $ 480,000 |
| 2015 | 525,000 |
| 2026 | 744,000 |
| 2027 | 977,000 |
| 2028 | 1,354,000 |
| 2029 | 1,591,000 |
| 2030 | 1,324,000 |
| | $ 6,995,000 |

**11. Financial instruments and risk management:**

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions. Cash equivalents consist of bank deposits.

(b) Interest rate risk:

The cash and cash equivalents bear interest at a variable rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

**11. Financial instruments and risk management (continued):**

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

(d) Fair value:

The fair value of cash and accounts payable and accrued liabilities approximates their carrying amount because of the short-term nature of those instruments.

**12. Capital disclosures:**

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company includes the components of shareholders' equity. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. The Company does not use long-term debts since it does not generate operating revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.

**13. Commitments:**

The Company has lease commitments for premises, trailers and a surface vehicle.

As at December 31, 2010, minimum lease payments are as follows:

| | |
|---|---|
| 2011 | $ 71,173 |
| 2012 | 35,572 |
| 2013 | 21,441 |
| | $ 128,186 |

**14. Comparative figures:**

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2010.