GGL RESOURCES CORP.

Consolidated Financial Statements

November 30, 2010 and 2009

Index

Auditors' Report

Consolidated Balance Sheets

Consolidated Statements of Operations, Comprehensive Loss and Deficit

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholders of
GGL Resources Corp.

We have audited the consolidated balance sheets of GGL Resources Corp. as at November 30, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and 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 November 30, 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.

Vancouver, B.C.
March 15, 2011

"D&H Group LLP"
Chartered Accountants

GGL RESOURCES CORP.
Consolidated Balance Sheets
November 30, 2010 and 2009

	2010	2009
ASSETS		
Current		
Cash	$ 184,680	$ 162,962
Amounts receivable	90,899	25,052
Prepaid expenses	3,316	3,217
	278,895	191,231
Unproven mineral interests (Note 4)	15,903,671	16,842,998
Property and equipment (Note 5)	198,508	198,117
	$ 16,381,074	$ 17,232,346
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 500,036	$ 345,993
Deferred revenues (Note 4(f))	-	44,700
	500,036	390,693
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	35,668,860	35,522,814
Contributed surplus (Note 8)	4,133,619	4,094,639
Deficit	(23,921,441)	(22,775,800)
	15,881,038	16,841,653
	$ 16,381,074	$ 17,232,346

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 15)

On behalf of the Board:

"Raymond A. Hrkac"
Raymond A. Hrkac

"Nick DeMare"
Nick DeMare

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

GGL RESOURCES CORP.

Consolidated Statements of Operations, Comprehensive Loss and Deficit
Years Ended November 30, 2010 and 2009

	2010	2009
Expenses		
Amortization of property and equipment	$ 1,230	$ 1,894
Consulting fees	100,319	99,447
Corporate relations	1,860	-
Exploration costs – general	84,997	172,252
Legal and audit	29,612	37,788
Licences, taxes, insurance and fees	29,261	30,244
Office services and expenses	93,753	160,699
Shareholders' meetings and reports	16,787	23,101
Stock-based compensation	38,980	272,068
Travel	1,610	3,798
Operating loss	(398,409)	(801,291)
Other income (expenses)		
Interest income	760	744
Foreign exchange loss	(59)	(898)
Gain on sale of property and equipment	1,479	230,368
Interest expense	(1,237)	(1,798)
Operator's fee	79,219	7,526
Other tax expense	-	100
Recoveries from government grant and insurance claim (Note 5)	56,751	-
Sale of data set and technical support (Note 4(f))	44,700	105,300
Write-off of property and equipment (Note 5)	(4,213)	(1,534)
Write-off of exploration and unproven mineral interests	(924,632)	(3,467,154)
	(747,232)	(3,127,346)
Loss for the year before income taxes	(1,145,641)	(3,928,637)
Future income tax recovery	-	25,347
Net loss and comprehensive loss for the year	(1,145,641)	(3,903,290)
Deficit, beginning of year	(22,775,800)	(18,872,510)
Deficit, end of year	$ (23,921,441)	$ (22,775,800)
Loss per share - basic and diluted	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	151,040,131	145,894,191

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

GGL RESOURCES CORP.

Consolidated Statements of Cash Flows
Years Ended November 30, 2010 and 2009

	2010	2009
Cash flows from (used in) operating activities		
Net loss for the year	$ (1,145,641)	$ (3,903,290)
Adjustment for items not involving cash:		
- amortization of property and equipment	1,230	1,894
- amortization of exploration property and equipment	48,397	48,085
- future income tax recovery	-	(25,347)
- gain on sale of property and equipment	(1,479)	(230,368)
- stock-based compensation	38,980	272,068
- write-off of property and equipment	4,213	1,534
- write-off of exploration and unproven mineral interests	924,632	3,467,154
	(129,668)	(368,270)
Changes in non-cash working capital items:		
- amounts receivable	(65,847)	103,613
- prepaid expenses	(99)	18,545
- accounts payable and accrued liabilities	119,957	(669,751)
- deferred revenues	(44,700)	44,700
	(120,357)	(871,163)
Cash flows from financing activities		
Shares issued for cash, net of share issuance costs	146,046	255,577
Shares issued for cash – flow-through shares, net of share issuance costs	-	80,802
	146,046	336,379
Cash flows from (used in) investing activities		
Recoveries from (additions to) deferred exploration costs	48,780	(65,019)
Option payment received	-	25,000
Proceeds from sale of property and equipment	4,000	405,100
Purchase of property and equipment	(56,751)	-
	(3,971)	365,081
Increase (decrease) in cash	21,718	(169,703)
Cash, beginning of year	162,962	332,665
Cash, end of year	$ 184,680	$ 162,962

See also Note 13.

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

1. Nature and Continuance of Operations

The Company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent upon the existence of such reserves, the ability of the Company to obtain the necessary financing to develop the reserves and upon future profitable production.

The Company intends to continue its exploration programs. In light of negative cash flows from operating activities, operating losses accrued in the past years and a negative working capital, the Company's ability to continue its exploration programs is dependent on its ability to secure additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is actively pursuing such additional sources of financing.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V"). The TSX-V's policies impose certain minimum capital requirements upon the Company. Due to current market conditions, the TSX-V was granting temporary relief from certain policy requirements on a case by case basis to listed issuers which were facing conditions of immediate or imminent financial hardship. The Company applied and received approval from the TSX-V for temporary relief from the minimum six month working capital requirement.

2. Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its 86.8%-owned subsidiary Rio Sonora Resources Ltd. ("Rio Sonora") and its wholly-owned U.S. subsidiary, Gerle Gold (U.S.) Inc. ("Gerle Gold"). Both Rio Sonora and Gerle Gold are presently inactive. All inter-company transactions and balances have been eliminated.

2. Significant Accounting Policies, continued

(b) Unproven Mineral Interests

The cost of unproven mineral interests and the related exploration costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned. Management reviews the carrying values of unproven mineral interests with a view to assessing whether there has been any impairment of value. When it is determined that an unproven mineral interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

The amounts shown for unproven mineral interests represent costs, less write-offs, incurred to date, and do not necessarily reflect present or future values. The recoverability of amounts shown for unproven mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects, and on future profitable production or proceeds from the disposition thereof.

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

(c) Property Option Agreements

From time to time, the Company may acquire or dispose of unproven mineral interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are accounted for as payments are made or received. Amounts received under option agreements reduce the carrying amount of the unproven mineral interest under option.

(d) Property and Equipment

Property and equipment are carried at cost. Amortization of the property and equipment is provided over the estimated useful lives of the assets on a declining-balance basis, unless otherwise noted, at the following annual rates:

Exploration equipment	20%
Office furniture and fixtures	20%

2. Significant Accounting Policies, continued

(e) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The estimated income tax benefits transferred to shareholders are recorded as a future income tax liability and a reduction to share capital at the time of renunciation.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts, if applicable, are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

(g) Foreign Currency Transactions

The Company uses the temporal method for translating its foreign currency transactions to Canadian dollars. Under this method, monetary assets and liabilities have been converted at the exchange rate prevailing at the balance sheet dates. Income and expenses are translated at the rates prevailing at dates of the related transactions. Non-monetary assets, liabilities and equity are translated at historical rates. Gains and losses on foreign exchange are included in earnings for the year.

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the amount of expenses reported during the reporting period. Examples of significant estimates include amortization, the provision for future income tax recoveries and composition of future income tax assets and liabilities, valuation of unproven mineral interests and asset retirement obligations. Actual results could differ from those reported.

2. Significant Accounting Policies, continued

(i) Income Taxes

Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. The effect of changes in effective income tax rates is recognized in income in the period in which the change is substantively enacted. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

(j) Stock-Based Compensation

The fair value of stock options and share purchase warrants issued as compensation is determined by the widely used Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company’s common shares and the expected life of the options. The estimated fair value of awards of stock-based compensation is charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. The fair value of direct awards of common shares is determined by the quoted market price of the Company’s stock.

(k) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect revision to either timing or the amount of the original estimate of the undiscounted cash flow. As at November 30, 2010, the Company does not have any asset retirement obligations.

(l) Long-lived Assets Impairment

Long-lived assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is determined to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

3. Adoption of New Accounting Policies

Current Changes in Accounting Policies

(a) Financial instruments - Disclosures Section 3862

In June 2009, the Canadian Institute of Chartered Accountants ("CICA") amended Section 3862 to include additional disclosure requirements about fair value measurements of financial instruments and enhanced liquidity risk disclosure requirements for publicly accountable enterprises and other entities that choose to apply this section. The amendments are applicable for the Company's annual consolidated financial statements for its fiscal year ended November 30, 2010.

The CICA establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs that are not based on observable market data.

Future Changes in Accounting Policies

(b) Business combinations, consolidated financial statements and non-controlling interests - Sections 1582, 1601 and 1602

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, Business Combinations, and establishes standards for the accounting for a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards of accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. Adoption of New Accounting Policies, continued

Future Changes in Accounting Policies, continued

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. Unproven Mineral Interests

	Balance November 30, 2009	2010 Mineral Interests Additions	2010 Exploration Cost Additions (Recoveries)		2010 Written Off	Balance November 30, 2010
Doyle Lake	$ 1,298,973	$ -	$ 21,459		$(83,848)	$ 1,236,584
Fishback Lake	829,945	-	2,431		(18,844)	813,532
CH	7,078,117	-	(17,501)	*	(632,185)	6,428,431
Providence Greenstone Belt	4,793,338	-	(32,612)	*	(189,755)	4,570,971
McConnell Creek	2,842,625	-	11,528	*	-	2,854,153
	$ 16,842,998	**$ -**	**$ (14,695)**		**$(924,632)**	**$ 15,903,671**

* See Notes 4 (c), (d), (e)

	Balance November 30, 2009	2010 Additions (Recoveries)	2010 Written Off	Balance November 30, 2010
Unproven mineral interests	$ 541,132	$ -	$ (59,933)	$ 481,199
Deferred exploration costs	16,301,866	(14,695)	(864,699)	15,422,472
	$ 16,842,998	**$ (14,695)**	**$(924,632)**	**$ 15,903,671**

4. **Unproven Mineral Interests**, continued

	Balance November 30, 2008	2009 Mineral Interests Additions	2009 Exploration Cost Additions (Recoveries)	2009 Written Off	Balance November 30, 2009
Doyle Lake	$ 3,491,801	$ -	$ (3,093)	$(2,189,735)	$ 1,298,973
Fishback Lake	1,226,657	-	5,663	(402,375)	829,945
CH	7,734,437	-	(22,070)	(634,250)	7,078,117
Providence Greenstone Belt	4,735,107	-	299,025	(240,794)	4,793,338
McConnell Creek	2,766,320	-	76,305	-	2,842,625
	$ 19,954,322	**$ -**	**$ 355,830**	**$(3,467,154)**	**$ 16,842,998**

	Balance November 30, 2008	2009 Additions	2009 Written Off	Balance November 30, 2009
Unproven Mineral Interests	$ 631,254	$ -	$ (90,122)	$ 541,132
Deferred exploration costs	19,323,068	355,830	(3,377,032)	16,301,866
	$ 19,954,322	**$ 355,830**	**$(3,467,154)**	**$ 16,842,998**

Exploration costs (recoveries) incurred during the year are as follows:

	2010	2009
Chartered aircraft	$ 1,111	$ 13,114
Licences, recording fees, lease payments	(12,529)	32,552
Option payment received	-	(25,000)
Project supplies	(99,140)	12,277
Land use permit fee refunded	-	(25,000)
Salaries and wages	215	37,592
Sampling	636	4,466
Surveys	-	6,500
Technical and professional services	99,493	287,375
Transportation	(4,481)	11,954
	$ (14,695)	$ 355,830

4. **Unproven Mineral Interests**, continued

(a) Doyle Lake, Northwest Territories, Canada

Under the De Beers Agreement ("the Agreement") dated May 25, 1995, De Beers has earned a 60% interest in the Doyle Lake Properties ("the Properties"), which consist of 5 claims and 3 fractional claims (12,972 acres) (2009 – 5 claims and 3 fractional claims, 12,972 acres), by completing exploration expenditures of $4.65 million. To November 30, 2010, De Beers has spent over $7.5 million.

Under the Agreement, De Beers will recover all of the Company's costs of prospecting, exploration, development and construction incurred preproduction, financed by De Beers or by way of third party borrowings, out of 90% of the annual available cash flow (i.e. cash flow after provision for ongoing operating and non-operating costs) from any mine constructed on the Properties with interest at LIBOR plus 3% or the actual interest rates agreed to be paid, whichever is applicable. The remaining 10% of such available cash flow will be distributed to the members in the Agreement in proportion to their interests in the Properties. If after the completion of a feasibility study and prior to the commencement of commercial production from the first mine, the members in the Agreement cease to carry on development work on the Properties other than by reason of force majeure for a period of more than two years, interest other than interest on third party borrowings, will not be accrued for the period exceeding two years. When development work resumes, the Company will continue to accrue the interest.

In addition, the Company holds 15 claims (16,131 acres) (2009 - 17 claims; 16,206 acres) in the Doyle Lake area that are not subject to the Agreement. 14 of these claims are leases. In 2010 two mining leases (75 acres) were allowed to lapse and the related costs of $83,848 were written off.

(b) Fishback Lake, Northwest Territories, Canada

The Company owns 6 claims, 12,526 acres, (2009 - 7 claims; 13,301 acres). One of these claims is a mining lease. During 2010 one claim (775 acres) was allowed to lapse and the related costs of $18,844 were written off.

(c) CH, Northwest Territories, Canada

The Company owns 103 claims (227,076 acres) (2009 - 111 claims; 246,315 acres), north-northeast of Yellowknife, acquired by staking during the years 2000 to 2003. These claims include the Courageous, Mackay, Seahorse, Starfish, Winterlake North, GDC, Winterlake South, BP, Zip, G and Mill claims. In 2010 eight claims (19,239 acres) were allowed to lapse and the related costs of $632,185 were written off. See Note 15.

4. Unproven Mineral Interests, continued

(c) CH, Northwest Territories, Canada, continued

56 of the claims are subject to a February 11, 2009 exploration and option agreement with Rio Tinto Exploration Canada Inc. ("Rio"). Rio must make payments totalling $1,000,000 and incur cumulative expenditures of $10,000,000 in order to earn a 100% interest, subject to a gross overriding royalty of 1.5% of the appraised value of all gem and industrial diamonds recovered, sorted and graded from the property and a 1.5% net smelter returns royalty on the net value of all ores, minerals, metals and materials except diamonds, mined and removed from the property and sold or deemed to have been sold. See Note 15.

The payments and both royalties are payable to the Company. In 2009, the Company received the first payment of $25,000.

During the year, the Company received a refund of $24,448 of extension deposits previously filed with the Mining Recorder for assessment work.

(d) Providence Greenstone Belt, Northwest Territories, Canada.

The Company owns 106 claims (234,172 acres) (2009 - 130 claims; 285,889 acres) in the Providence Greenstone Belt area of the Northwest Territories. These claims lie within an extensive belt of rocks previously identified by a mapping project funded by the Geological Survey of Canada and reported as having the potential for hosting magmatic nickel mineralization. During 2010 twenty-four claims (51,717 acres) were allowed to lapse and the related costs of $189,755 were written off. See Note 15.

During the year, the Company sold some of its fuel inventory and field supplies for $107,305. This amount was recorded as exploration cost recoveries on unproven mineral interests on the balance sheet.

(e) McConnell Creek, British Columbia, Canada

The Company owns 2 mineral tenures (4,878 hectares) (2009 – 2 mineral tenures; 4,878 hectares) in the Omineca Mining Division of British Columbia. During 2010 the Company received $21,335 in BC Mineral Exploration Tax Credits for some of its 2009 exploration work in BC. This amount was recorded as exploration cost recoveries on unproven mineral interests on the balance sheet.

(f) General exploration, Northwest Territories, Canada

In 2009, the Company signed a non-exclusive license agreement for the use of its Slave Geological Province data set for diamond exploration for $100,000 and would provide 500 hours of technical support over an 18 month period at a price of $50,000. During the year, the agreement expired and the balance of $44,700 was forfeited to the Company and recognized as other income in the statement of operations.

5. Property and Equipment

	2010		
	Cost	Accumulated Amortization	Net book Value
Exploration equipment	$ 663,959	$ 480,876	$ 183,083
Office furniture and fixtures	58,953	43,528	15,425
	$ 722,912	**$ 524,404**	**$ 198,508**

	2009		
	Cost	Accumulated Amortization	Net book Value
Exploration equipment	$ 626,889	$ 452,001	$174,888
Vehicle	10,500	7,979	2,521
Office furniture and fixtures	61,741	41,033	20,708
	$ 699,130	**$ 501,013**	**$ 198,117**

During 2010, the Company sold its vehicle in Yellowknife for $4,000. The gain on the sale of vehicle was $1,479.

In 2010 the Company also wrote off $4,213 for a laptop computer and the solar and wind power generating equipment which were struck by lightning during the year. The Company was able to complete repairs and replace the damaged equipment before the end of the year. The Company applied for and received a Government of the Northwest Territories Alternate Renewable Energy grant of $15,000 and the balance of costs $41,751 were covered under the Company's insurance policy.

6. Share Capital

(a) Authorized: unlimited common shares without par value.

(b) Issued:

	Number of Shares	Amount
Balance, November 30, 2008	**144,607,025**	**$ 35,211,782**
Private placement, net of share issuance costs	4,396,668	256,327
Private placement - flow-through shares, net of share issuance costs of $4,398	1,420,000	80,802
Less: flow-through share renunciation	-	(25,347)
Other share issue costs	-	(750)
Balance, November 30, 2009	**150,423,693**	**$ 35,522,814**
Private placement, net of share issuance costs (Note 6(c))	3,000,000	147,128
Other share issue costs	-	(1,082)
Balance, November 30, 2010	**153,423,693**	**$ 35,668,860**

(c) During the year ended November 30, 2010:

The Company completed a private placement of 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share for two years from the closing date at $0.10 per share.

If the common shares trade on the TSX Venture Exchange at a closing price greater than $0.50 per share for twenty consecutive trading days at any time after four months and one day from the closing date, the Company may accelerate the expiry of the warrants by giving notice to the holders thereof, and in such case the warrants will expire on the 30th day after the date on which such notice is given.

6. Share Capital, continued

(d) Changes in warrants during the years ended November 30, 2010 and 2009 are as follows:

	2010		2009	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	5,783,334	$0.25	5,605,000	$0.24
Issued	3,000,000	$0.10	2,908,334	$0.10
Expired	(3,585,000)	$0.34	(2,730,000)	$0.18
Outstanding, end of year	5,198,334	$0.14	5,783,334	$0.25

The Company has the following share purchase warrants outstanding as at November 30, 2010:

Number of warrants	Exercise Price	Expiry Date
888,000	$0.20/ $0.30	Aug. 20, 2012
3,000,000	$0.10	Sept. 17, 2012
1,310,334	$0.20/ $0.30	Sept. 21, 2012
5,198,334		

7. Stock Options

In 2006, the Company amended its Stock Option Plan to a 10% rolling plan whereby the Company may grant stock options to purchase up to 10% of the issued capital of the Company at the time of the grant of any option. Under the policies of the TSX Venture Exchange, options granted under the 10% rolling plan will not be required to include the mandatory vesting provisions required by the Exchange for fixed number stock option plans, except for stock options granted to investor relations consultants. Awarded stock options are exercisable over a period not exceeding five years at exercise prices determined by the Board of Directors.

Under this plan, the number of shares available for grant increases as the issued capital of the Company increases.

7. Stock Options, continued

During the year ended November 30, 2010:

(a) 1,178,333 stock options expired unexercised;

(b) 60,000 stock options granted May 23, 2008 at an exercise price of $0.20 were repriced to $0.10 per share;

(c) 300,000 stock options granted July 31, 2007 at an exercise price of $0.56 were repriced to $0.10 per share;

(d) 50,000 stock options granted May 12, 2006 at an exercise price of $0.26 were repriced to $0.10 per share;

(e) the Company's Board of Directors approved and granted 930,000 stock options to consultants (2009 – 4,475,000). Neither of the directors nor officers received stock option grants in 2010. Each option entitles its holder to acquire one common share of the Company at $0.10 per common share exercisable until June 24, 2015 (50,000 of these stock options will expire on August 11, 2011); and

(f) the Company recorded $38,980 (2009 - $272,068) of stock-based compensation expense for stock options granted and repriced.

	Shares	Weighted Average Exercise Price
Options outstanding as at November 30, 2008	**11,023,333**	**$0.35**
Granted	4,475,000	$0.10
Expired	(1,365,000)	$0.39
Options outstanding as at November 30, 2009	**14,133,333**	**$0.21**
Granted	930,000	$0.10
Expired	(1,178,333)	$0.21
Options outstanding as at November 30, 2010	**13,885,000**	**$0.19**

	2010	2009
Weighted average remaining contractual life	2.56 years	3.27 years
Weighted average fair value of options granted during the year	$0.04	$0.07

7. Stock Options, continued

The following table sets forth information relating to stock options outstanding as at November 30, 2010:

Expiry	Exercise prices	Number outstanding and exercisable at Nov. 30, 2010	Weighted average remaining contractual life (years)
Mar. 23/11	$0.20	775,000	0.31
May 12/11	$0.10 and $0.26	455,000	0.45
Aug. 11/11	$0.10 and $0.20	250,000	0.70
May 1/12	$0.10	650,000	1.42
July 31/12	$0.10 and $0.56	2,775,000	1.67
May 01/13	$0.20	450,000	2.42
May 23/13	$0.10 and $0.20	3,350,000	2.48
July 31/13	$0.20	25,000	2.67
Aug. 19/14	$0.10	4,275,000	3.72
June 24/15	$0.10	880,000	4.57
		13,885,000	

The fair value of each option granted was estimated as of the date of grant using the *Black-Scholes option pricing model* with the following assumptions:

	2010	2009
Risk-free interest rate	2.58%	2.63%
Dividend yield	0%	0%
Volatility	189.48%	131.44%
Expected lives	5 years	5 years
Estimated forfeiture rate	0%	0%

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

8. Contributed Surplus

Contributed surplus for 2010 and 2009 is comprised of:

	2010	2009
Balance, beginning of year	$ 4,094,639	$ 3,822,571
Stock-based compensation on stock options	38,980	272,068
Balance, end of year	$ 4,133,619	$ 4,094,639

9. Related Party Transactions

During the year, the Company was billed $150,000 by a director (2009 - $150,000), including $99,805 (2009 - $88,945) for consulting fees and $50,195 (2009 – $61,055) for technical and professional services. Included in the November 30, 2010 accounts payable is $348,449 (2009 – $210,447) owed by the Company to the director. Transactions with related parties are measured at the exchange amount which is the amount agreed to by transacting parties.

10. Income Taxes

	2010	2009
Loss before income taxes	$ 1,145,641	$ 3,928,637
Combined federal and provincial income tax rate	29.5%	30%
Expected recovery for income taxes	337,960	1,178,591
Non-deductible expenses and other	(259,814)	(1,076,577)
Loss expiry	(80,950)	(70,979)
Tax rate changes	22,655	12,964
Recovery of valuation allowance	(19,851)	(18,652)
	$ -	$ 25,347

10. Income Taxes, continued

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

Future income tax assets and liabilities are as follows:	2010	2009
Future Income Tax assets		
Property, plant and equipment	$ 159,520	$ 146,430
Non-capital losses carry-forwards	1,022,472	1,024,546
Capital losses	253	3,615
Share issue costs	39,403	66,908
	1,221,648	1,241,499
Future Income Tax liabilities		
Unproven mineral interests	156,424	(76,678)
Total gross future income tax assets	1,378,072	1,164,821
Valuation allowance	(1,378,072)	(1,164,821)
	$ -	$ -

The Company has non-capital losses for income tax purposes of approximately $4,082,463 (2009 - $3,574,217), available to reduce future years' taxable income. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses become no longer available to reduce taxable income after the end of the following taxation years:

Year	**Non-capital Losses**
2014	$ 229,883
2015	547,542
2026	719,104
2027	1,124,630
2028	757,479
2029	458,194
2030	245,631
	$ 4,082,463

Certain events may result in the earlier expiry of the non-capital losses. Management, however, does not anticipate any such events.

11. Segmented Information

The Company is involved in mineral exploration and development activities, which are conducted entirely in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the years ended November 30, 2010 and 2009.

12. Financial Instruments

The Company classifies all financial instruments as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Financial instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the statement of operations. Financial instruments held as available-for-sale are marked-to-market with unrealized gains and losses being recognized in other comprehensive income. Financial instruments held-to-maturity, loans and receivables and financial liabilities are measured at amortized cost.

(a) **Fair Value**

The fair value of financial instruments at November 30, 2010 and 2009 is summarized as follows:

	November 30, 2010		November 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Held for trading				
Cash	$184,680	$184,680	$ 162,962	$ 162,962
Loans and receivables				
Amounts receivable	$53,255	$53,255	$ 1,044	$ 1,044
Financial Liabilities				
Other Financial liabilities				
Accounts payable and accrued liabilities	$500,036	$500,036	$ 390,693	$ 390,693

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. The Company's carrying value and fair value of cash and cash equivalents under the fair value hierarchy is measured using Level 1 inputs. See Note 3 (a).

(b) **Financial Risk Management**

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange (currency) risk and liquidity risk.

.

12. Financial Instruments, continued

(b) **Financial Risk Management**, continued

Credit risk

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. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company deposits the majority of its cash and cash equivalents with high credit quality financial institutions in Canada.

Currency risk

The Company operates in Canada and transacts business with foreign vendors and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Company manages liquidity by carefully monitoring its operating requirements.

13. Supplementary Cash flow information

Non-cash operating, financing, and investing activities were conducted by the Company during fiscal years 2010 and 2009 as follows:

	2010	2009
Operating activities		
Accounts payable for deferred exploration costs	$ 207,289	$ 173,203
Financing activities		
Issuance of common shares as finder's fee	$ -	$ -
Investing activities		
Accounts payable for deferred exploration costs	$ (207,289)	$ (173,203)
Other supplementary cash flow information:		
Cash paid for interest charges	$ 1,237	$ 1,798
Cash paid for income taxes	$ -	$ -

14. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

See Note 1.

15. Subsequent Events

Subsequent to November 30, 2010:

(a) Rio Tinto returned four CH claims to the Company which were subject to a February 11, 2009 exploration and option agreement. See Note 4(c).; and

(b) two PGB claims were allowed to lapse.