Audited Financial Statements of

COPPER FOX METALS INC.

Years ended October 31, 2010 and 2009

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Copper Fox Metals Inc. as at October 31, 2010 and 2009 and the statements of loss and 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 financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 15, 2011

COPPER FOX METALS INC.

Balance sheets
As at October 31, 2010 and 2009

		2010		2009
Assets				
Current assets:				
Cash and cash equivalents	$	464,572	$	2,638,927
Accounts receivable		485,256		62,933
Prepaid expenses and deposits		826,801		349,603
		1,776,629		3,051,463
Mineral properties (note 5)		21,423,389		9,855,549
Property and equipment (note 4)		549,485		648,751
	$	23,749,503	$	13,555,763
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	2,613,384	$	507,122
Asset retirement obligations (note 9)		423,479		345,055
Shareholders' equity:				
Share capital (note 6)		49,901,521		37,182,648
Share purchase warrants (note 6)		-		3,216,446
Contributed surplus (note 6)		8,423,336		8,302,682
Deficit		(37,612,217)		(35,998,190)
		20,712,640		12,703,586
	$	23,749,503	$	13,555,763
Going concern (note 2)				
Commitments (note 13)				
Subsequent event (note 14)				

See accompanying notes to financial statements.

On behalf of the Board:

(Signed)
Elmer Stewart, Director

(Signed)
J. Michael Smith, Director

COPPER FOX METALS INC.

Statements of loss and comprehensive loss and deficit
Years ended October 31, 2010 and 2009

		2010		2009
Expenses:				
Administration	$	789,284	$	904,285
Amortization and accretion		137,365		166,782
Professional fees		368,919		533,176
Processing fees		49,676		86,419
Mineral property write-down (note 5)		-		31,000,000
Rent		29,190		30,710
Stock based compensation (note 6)		133,981		340,688
Travel		106,679		91,230
Exchange gain		(737)		(9,774)
Interest income		(330)		-
Loss before income taxes		1,614,027		33,143,516
Future income tax (reduction)		-		(4,618,912)
Net loss and comprehensive loss		1,614,027		28,524,604
Deficit, beginning of year		35,998,190		7,473,586
Deficit, end of year	$	37,612,217	$	35,998,190
Loss per share – basic and diluted (note 7)	$	(0.01)	$	(0.19)

See accompanying notes to financial statements.

COPPER FOX METALS INC.

Statements of cash flows
Years ended October 31, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net loss for the year	$ (1,614,027)	$ (28,524,604)
Items not involving cash:		
Amortization and accretion	137,366	166,782
Mineral property write-down	-	31,000,000
Stock-based compensation	133,981	340,688
Future income tax reduction	-	(4,618,912)
Change in non-cash working capital	(1,003,525)	688,691
	(2,346,205)	(947,355)
Financing:		
Issue of shares and warrants, net of issue costs	9,489,100	7,752,698
Investing:		
Mineral property expenditures	(11,517,504)	(1,507,758)
Additions to property and equipment	(10,010)	(5,527)
Net change in non-cash working capital	2,210,264	(3,592,593)
	(9,317,250)	(5,105,878)
Increase/(decrease) in cash during year	(2,174,355)	1,699,465
Cash and cash equivalents, beginning of year	2,638,927	939,462
Cash and cash equivalents, end of year	$ 464,572	$ 2,638,927
Supplementary information:		
Interest received	$ 330	$ -

See accompanying notes to financial statements.

1. COMPANY OPERATIONS

Copper Fox Metals Inc. ("Copper Fox" or the "Company") was incorporated under the Business Corporations Act of Alberta. On July 14, 2010 the Company transferred its registration from Alberta and became incorporated under the Business Corporations Act of British Columbia. The Company is engaged in the exploration for and development of porphyry copper mineral properties in Western Canada. Since inception, the efforts of the Company have been devoted to verifying the historical exploration information and completion of a feasibility study of the Schaft Creek copper-molybdenum-gold-silver porphyry deposit located in northwest British Columbia. To date, the Company has not earned any revenue from these operations and is considered to be in the exploration and development stage. The Company's mineral license is in the advanced exploration stage.

2. GOING CONCERN

These financial statements have been prepared by management in accordance with accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

At October 31, 2010, the Company had a working capital deficiency, defined as current assets less current liabilities, of $836,755 and a deficit of $37,612,217 and had incurred a net loss of $1,614,027 for the year ended October 31, 2010. During the year ended October 31, 2010 the Company received $9,489,100 in proceeds on the exercise of warrants and options. In November and December 2010 the Company completed private placements for total proceeds of $4,005,000 (see note 14). While these funds may be sufficient to complete the current planned activities in the next year, the Company will need additional equity in order to develop the property and realize in its amount.

These financial statements have been prepared on the basis that the Company will be able to discharge its obligations and realize its asset in the normal course of business at the values at which they are carried in these financial statements, and that the Company will be able to continue its business activities. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption be determined to be inappropriate, and these adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in Management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant policies summarized below:

(a) Property and equipment:

Property and equipment is recorded at cost and is depreciated using the declining balance method at 10 to 30 percent per annum.

(b) Mineral properties:

Mineral properties are recorded at cost less provisions for impairment and will be depleted on the unit-of-production method over the estimated economic life of the mine to which they relate. Development costs incurred to develop new ore bodies and to expand existing capacity are capitalized.

General exploration expenditures are charged to earnings in the period incurred except costs related to specific properties are capitalized. Significant property payments for active exploration properties are capitalized. If no mineable ore body is discovered, previously capitalized costs are expensed.

Mineral property costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future potential cash flows expected to result from the development of properties and their eventual disposition are less than the carrying amount, then these properties are written down to their estimated recoverable amount.

Amounts recorded for the mineral properties represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and the future production or proceeds from the disposition thereof.

(c) Asset retirement obligations:

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred or when a reasonable estimate of fair value can be made. The fair value of an asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties and will be depleted based on the unit-of-production method. The liability increases and accretion expense is recognized each period due to the passage of time. Subsequent to initial measurement, period-to-period changes in the liability are recognized for revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Actual costs incurred upon settlement are charged against the asset retirement obligation. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in earnings in the period in which the settlement occurs.

(d) Foreign currency translation:

Monetary items denominated in a foreign currency are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in earnings.

(e) Income taxes:

The Company uses the asset and liability method of accounting for future income taxes. Under the asset and liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

(f) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The provision for future income taxes is increased and share capital is reduced when the tax deductions are renounced.

(g) Stock-based compensation:

The Company uses the fair value method of accounting for the cost of stock-based compensation granted to employees, and directors. The Company records the expense associated with such compensation on a straight-line basis over the vesting period of such compensation payments with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

(h) Per share amounts:

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities of other contracts to issue common shares were exercised or converted to common shares. The treasury-stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents:

Cash and cash equivalents consist of bank balances and term deposits with original maturities of three months or less.

(j) Financial instruments:

The Company's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The Company has designated its cash and cash equivalents as held for trading which is measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities which are measured at amortized cost.

(k) Measurement uncertainty:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimate relates to determining the recoverable amount of mineral properties. By its nature this estimate is subject to measurement uncertainty, and the effect on the financial statements from changes in such estimate in future periods could be significant.

4. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and amortization is determined using the declining balance method using the rates below which approximate the estimated useful life of the asset. Property and equipment consist of the following:

	Rate	Cost	Accumulated Amortization	Net Book Value October 31, 2010
Buildings	10%	$ 549,000	$ 168,710	$ 380,290
Furniture & equipment	20%	42,583	22,342	20,241
Heavy equipment	30%	566,020	432,181	133,839
Leasehold improvements	20%	1,197	903	294
Computer equipment	30%	47,404	32,584	14,820
		$ 1,206,204	$ 656,720	$ 549,484

PROPERTY AND EQUIPMENT (continued)

	Rate	Cost	Accumulated Amortization	Net Book Value October 31, 2009
Buildings	10%	$ 549,000	$ 126,456	$ 422,544
Furniture & equipment	20%	35,578	18,402	17,176
Heavy equipment	30%	566,020	374,820	191,200
Leasehold improvements	20%	1,197	830	367
Computer equipment	30%	44,399	26,935	17,464
		$ 1,196,194	$ 547,443	$ 648,751

5. MINERAL PROPERTIES

	Balance October 31, 2009	Expenditures	Balance October 31, 2010
Acquisition of property rights	$ 100	$ -	$ 100
Technical analysis	40,474,700	11,517,504	51,992,204
Licenses and permits	106,623	-	106,623
Asset retirement costs	274,126	50,336	324,462
	40,855,549	11,567,840	52,423,389
Mineral property write-down	(31,000,000)	-	(31,000,000)
	$ 9,855,549	$ 11,567,840	$ 21,423,389

	Balance October 31, 2008	Expenditures	Balance October 31, 2009
Acquisition of property rights	$ 100	$ -	$ 100
Technical analysis	38,591,110	1,883,590	40,474,700
Licenses and permits	106,623	-	106,623
Asset retirement costs	274,126	-	274,126
	38,971,959	1,883,590	40,855,549
Mineral property write-down	-	(31,000,000)	(31,000,000)
	$ 38,971,959	$ (29,116,410)	$ 9,855,549

The Schaft Creek deposit is located within a contiguous group of mineral claims that cover 21,025 hectares. Copper Fox holds a 100% working interest in the Schaft Creek project, subject to 30% net proceeds interest, the “indirect interest”, held by a private company 78%-owned by Teck Resources Limited (“Teck”), and a 3.5% net profits interest held by Royal Gold, Inc. Copper Fox can earn Teck’s indirect interest by completing a positive “bankable” feasibility study, as defined in the option agreement with Teck.

MINERAL PROPERTIES (continued)

Teck may elect at any time to exercise one of its "earn-back" options; however completion of a bankable feasibility study will trigger a 120 day-period for Teck to elect to either: i) exercise one of its earn-back options; ii) retain 1% net smelter return royalty; or iii) receive shares of Copper Fox to a value of $1,000,000.

If Teck exercises its earn-back option, then Teck can elect to acquire either 20%, 40% or 75% of Copper Fox's interest in the Schaft Creek project by solely funding subsequent expenditures equal to either 100%, 300% or 400% of Copper Fox's prior expenditures. As at October 31, 2010 the Company has spent $54.5 million in qualified expenditures under this option agreement with Teck.

If Teck elects to earn back a 75% working interest Teck would also be responsible for arranging Copper Fox's share of project financing to be repaid from Copper Fox's share of future metal sales, until payout is reached.

In addition, Copper Fox owns a 100% working interest in another contiguous group of mineral claims covering 3,947 hectares that is not subject to the option agreement.

During the first quarter of year ended October 31, 2009 the Company wrote down the carrying value of its mineral property by $31,000,000 based on the implied fair value of a proposed board approved transaction with Lions Gate Metals Inc. This proposed transaction was subsequently terminated.

For the year ended October 31, 2010 the Company has capitalized $387,750 (2009 - $290,405) of management and technical services provided by its officers and directors (see note 8). In addition, Nil (2009 - $281,874) of compensation expense has been capitalized. The future tax liability of Nil (2009 - $93,958) associated with the capitalized stock based compensation has also been capitalized.

6. SHAREHOLDERS' EQUITY

(a) Authorized:

Unlimited number of common shares.
Unlimited number of first and second preferred shares, of which none have been issued.

SHAREHOLDERS' EQUITY (continued)

(b) Issued and outstanding:

Common Shares	Number		Amount
Balance, October 31, 2008	112,501,585	$	35,003,704
Non Flow through shares issued	129,855,075		8,000,000
Value ascribed to warrants			(3,165,101)
Share issue costs			(298,647)
Future taxes on renounced expenditures			(2,357,308)
Balance, October 31, 2009	242,356,660	$	37,182,648
Options exercised for common shares	40,000		18,000
Transferred from contributed surplus on stock option exercise			13,327
Warrants exercised for common shares	119,940,893		9,471,100
Value ascribed to warrants			3,216,446
Balance, October 31, 2010	362,337,553	$	49,901,521

(c) Share purchase warrants:

Share Purchase Warrants	Number		Amount
Balance, October 31, 2008	17,006,225	$	2,759,123
Issued	119,940,893		3,216,446
Expired	(17,006,225)		(2,759,123)
Balance, October 31, 2009	119,940,893	$	3,216,446
Exercised	(119,940,893)		(3,216,446)
Balance, October 31, 2010	-	$	-

The fair value of the warrants issued during the year ending October 31, 2009 was determined using the Black-Scholes valuation model using the following assumptions:

	2009
Dividend yield	0.00%
Expected volatility	167 to 172%
Risk-free interest rate	1.25 to 1.37%
Expected life	1 year
Fair value	$0.02 to $0.07

SHAREHOLDERS' EQUITY (continued)

(d) Contributed surplus:

Balance, October 31, 2008	$	4,920,997
Stock based compensation		622,562
Warrants expired		2,759,123
Balance, October 31, 2009		8,302,682
Exercise of options		(13,327)
Stock based compensation		133,981
Balance, October 31, 2010	$	8,423,336

(e) Stock options:

The Company established a stock option plan for its directors, officers, consultants and employees under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. During the year the Company granted 1,000,000 options to directors of the Company exercisable at $0.145 per option (2009 – 4,700,000 at $0.10 to $0.145 per option).

There are 10,995,000 stock options outstanding at October 31, 2010 with weighted average price of $0.3787 per share. Options expire five years from the grant date. The outstanding options expire between February 2011 and September 2014. There are 10,606,103 options vested at October 31, 2010 with weighted average price of $0.3889 per share.

Options	Number Of Options
Balance, October 31, 2008	8,898,000
Issued	4,700,000
Expired	(2,113,000)
Balance, October 31, 2009	11,485,000
Issued	1,000,000
Exercised	(40,000)
Expired	(1,450,000)
Balance, October 31, 2010	10,995,000

The fair value of stock options vested during the year ended October 31, 2010 were from $0.089 to $0.114 per option, resulting in compensation expense of $133,981 (2009 – $622,562). This amount is recorded to contributed surplus and upon exercise will be recorded as an increase to share capital.

SHAREHOLDERS' EQUITY (continued)

The fair value of the options issued during the years ended October 31, 2010 and 2009 have been determined using the Black-Scholes valuation model using the following assumptions:

	2010	2009
Dividend yield	0.00%	0.00%
Expected volatility	125.96%	125 to 126%
Risk-free interest rate	2.42%	2.32 to 2.44%
Expected life	5 years	5 years
Fair value	$0.089 to $0.114	$0.09 to $0.16

Outstanding options at October 31, 2010 are as follows:

Exercise Price	Issue Date	Expiry Date	Balance Outstanding	Balance Vested
$0.51	Jul-06	Jul-11	835,000	835,000
$0.56	Sep-06	Feb-11	140,000	140,000
$0.78	Feb-07	Feb-12	950,000	950,000
$0.97	Feb-07	Feb-12	785,000	785,000
$0.78	Sep-07	Sep-12	400,000	400,000
$0.85	Nov-07	Nov-12	200,000	200,000
$0.45	Jun-08	Jun-13	1,985,000	1,985,000
$0.10	Jul-09	Jul-14	1,000,000	611,103
$0.15	Oct-09	Sep-14	3,700,000	3,700,000
$0.15	Nov-09	Sep-14	1,000,000	1,000,000
			10,995,000	10,606,103

7. PER SHARE AMOUNTS

Loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding. In computing loss per share the weighted average number of shares outstanding during the year ended October 31, 2010 were 290,223,364 (2009 – 147,118,469) common shares. Stock options and warrants granted by the Company during this period have not been included in the computation of loss per share as they are anti-dilutive.

8. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2010 directors and officers of the Company charged $716,750 (2009 - $634,571) for management and technical services incurred on behalf of the Company. In addition, $142,733 (2009 – $148,216) of legal fees were paid during the year ended October 31, 2010 to a law firm of which one of the Company's directors is a partner. At October 31, 2010 $22,750 (2009 – $70,450) was included in accounts payable for management and technical services and $30,474 (2009 – $68,688) was included in accounts payable for legal fees. These transactions were recorded at the exchange amount agreed to by the related parties.

9. ASSET RETIREMENT OBLIGATIONS

Balance, October 31, 2008	$	316,967
Accretion of retirement obligation		28,088
Balance, October 31, 2009	$	345,055
Increase to retirement obligation		50,336
Accretion of retirement obligation		28,088
Balance, October 31, 2010	$	423,479

The Company's asset retirement obligations result from exploration and drilling activities on the Company's properties. The Company estimates the total undiscounted amount of cash flows required to settle the asset retirement obligations to be approximately $750,000 (2009 - $376,000) which will be incurred no sooner than the next 10 years. A credit adjusted risk-free rate of 8% (2009 – 10%) and an inflation rate of 2% (2009 – 2%) were used to calculate the fair value of the asset retirement obligations.

10. INCOME TAXES

The following is a reconciliation of the income tax provision calculated at the combined federal and provincial income tax rates with the income tax provision in the statement of loss and deficit:

		2010		2009
Combined federal and provincial tax rate		28.17%		29.08%
Income tax reduction at combined rates	$	454,671	$	9,638,134
Increase/(decrease) resulting from:				
Stock based compensation		(37,742)		(99,072)
Non-deductible expenses and other		71,844		(55,941)
Share issue costs		-		74,662
Change in effective tax rates		(58,206)		(1,351,191)
Valuation allowance		(430,567)		(3,587,680)
Future income tax recovery	$	-	$	4,618,912

INCOME TAXES (continued)

The components of future income taxes at October 31 are:

	2009	2009
Non-capital losses	$ 2,498,616	$ 2,021,596
Share issue costs	188,256	258,438
Asset retirement obligation	105,870	86,264
Mineral properties	1,289,046	1,284,923
Valuation allowance	(4,081,788)	(3,651,221)
Future income tax liability	$ -	$ -

The Company has non-capital losses for Canadian income tax purposes of approximately $9,994,000 (2009 - $8,058,000) which are available to reduce future years' taxable income. These losses expire commencing in 2011, with approximately $210,000 before 2014 and the remainder for the years ended between 2025 and 2028.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying value of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their demand nature or short terms to maturity.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they are due. The Company's approach to managing liquidity is to issue shares to raise cash in advance of incurring exploration costs.

The Company prepares annual capital and administrative budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes a purchase order system to authorize expenditures to further manage capital expenditures.

Market risk:

Market risk is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable limits, while maximizing returns.

As at October 31, 2010, if the Canadian dollar had weakened 5% against the United States dollar with all other variables held constant, the net loss for the year ended October 31, 2010 would have increased by approximately $1,200 (2009 - $6,600). An equal and opposite impact would have occurred had the Canadian dollar improved by 5% against the United States dollar. These changes relate to the Company's exposure on its United States dollar cash chequing account.

The Company has not commenced production and does not currently have any other exposure to a significant market risk other than foreign currency risk referred to in the preceding paragraph.

12. CAPITAL MANAGEMENT

The Company considers its capital structure to include shareholders' equity and working capital. In order to operate, the Company from time to time issues shares to fund its capital spending and operational needs.

In order to facilitate the management of its capital requirements, the Company prepares annual capital and administrative expenditure budgets that are updated as necessary. The annual and any updated budgets are approved by the board of directors.

The Company's share capital is not subject to any external restriction. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

13. COMMITMENTS

The Company has established a $75,000 university bursary, to a deserving student within the Tahltan Nation, over a 5 year period ending in 2011. At October 31, 2010, there is $15,000 remaining to be paid against this commitment.

The Company has a commitment with respect to its office leases in Calgary and Vancouver as follows:

Period	2011	2012	2013	2014
Amount	$ 138,817	$ 140,088	$ 113,826	$ 18,406

14. SUBSEQUENT EVENT

During November and December 2010 the Company completed a non-brokered private placement financing of $4,005,000 (the "Offering").

Details of the Financing

The offering was completed in two tranches, each consisting of 2,225,000 flow-through shares at a purchase price of $0.90 per share totaling $2,002,500. The total offering raised gross proceeds of

SUBSEQUENT EVENT (continued)

$4,005,000 from the issuance of 4,450,000 flow-through shares. The company paid commission/finder's fees totaling $234,300 and issued 260,333 non-transferable warrants. Each non-transferable warrant entitles the holder to purchase one non flow-through common share at a purchase price of $0.75 per share, exercisable at any time until the close of business on the expiry of 24 months.

The first tranche was completed on November 26, 2010 and the second tranche was completed on December 15, 2010. The shares and warrants issued are subject to a four month hold period.

Funds generated from this financing will be used to advance the feasibility study and include drilling programs, metallurgical testing and engineering studies associated with the development of the Schaft Creek property.

In addition, in November of 2010 a Director loaned the Company $1,500,000. The loan bears no interest and has no fixed terms of repayment.