

**AMENDED AND RESTATED PRELIMINARY PROSPECTUS DATED APRIL 12, 2011, AMENDING AND RESTATING THE PRELIMINARY PROSPECTUS DATED DECEMBER 15, 2010.**

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta and Ontario but has not yet become final for the purposes of sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to U.S. persons.*

**AMENDED AND RESTATED PRELIMINARY PROSPECTUS**

**Initial Public Offering**

**April 12, 2011**



750 – 580 Hornby Street  
Vancouver, British Columbia V6C 3B6  
Telephone: (604) 602-4935 Fax: (604) 602-4936

**Offering of \$2,000,000  
5,000,000 Units @ \$0.40 per Unit**

Monster Mining Corp. (the “Company”, “we”, or “us”) hereby offers (the “Offering”), through its agent, Macquarie Private Wealth Inc. (the “Agent”) for sale to purchasers resident in the Provinces of British Columbia, Alberta and Ontario (the “Selling Provinces”) not less than 5,000,000 Units (“Units”), each Unit comprised of one common share (“Share”) and one-half of one common share purchase warrant at a price of \$0.40 per Unit (the “Offering Price”). Each whole warrant is exercisable at \$0.65 for a period of 12 months from the date of Closing, subject to adjustment and acceleration. The Offering Price of the Units was determined by negotiation between the Company and the Agent.

	<b>Number of Securities</b>	<b>Price to the Public</b>	<b>Agent’s Commission<sup>1,2</sup></b>	<b>Proceeds Available to the Company<sup>3</sup></b>
Per Unit	One	\$0.40	\$0.032	\$0.368
Offering	5,000,000	\$2,000,000	\$160,000	\$1,840,000

1. Pursuant to the terms and conditions of an agency agreement (the “Agency Agreement”) between the Agent and the Company, we have agreed to (i) pay the Agent a cash commission of 8% of the gross proceeds of the Offering (the “Agent’s Commission”); and (ii) grant options to the Agent (the “Agent’s Options”) to purchase common shares in the capital of the Company (“Agent’s Option Shares”) in a quantity equal to 10% of the number of Units sold under the Offering, exercisable at \$0.65 per Agent’s Option Share for a period of 12 months from the Listing Date. The Agent’s Options are also qualified for distribution in the Selling Provinces by this Prospectus. See “Plan of Distribution”.

2. In connection with the Offering, the Agent will also be paid a fee of \$25,000 plus applicable taxes (the “Corporate Finance Fee”), of which \$15,000 plus HST as a non-refundable due diligence fee has been paid, with the remainder payable from the proceeds of this Offering. We will also reimburse the Agent for its legal fees and expenses on the Closing Day (toward which a \$15,000 retainer has been paid).
3. Before deduction of the remaining expenses of the Company and the Agent relating to this Offering. See “Use of Proceeds”.

**There is no market through which the securities offered hereunder may be sold and purchasers may not be able to resell the securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”. We have applied to the TSX Venture Exchange to conditionally approve a listing of the Shares being offered under this Prospectus. The listing is subject to the Company meeting all of the listing requirements of the Exchange including prescribed distribution and financial requirements.**

**As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.**

AN INVESTMENT IN OUR SHARES SHOULD BE CONSIDERED SPECULATIVE DUE TO THE NATURE OF OUR BUSINESS, ITS PRESENT STAGE OF DEVELOPMENT AND OTHER RISK FACTORS. AN INVESTMENT IN NATURAL RESOURCE COMPANIES INVOLVES A SIGNIFICANT DEGREE OF RISK. THE DEGREE OF RISK SUBSTANTIALLY INCREASES WHEN A COMPANY’S PROPERTY IS IN THE EXPLORATION STAGE AS OPPOSED TO THE DEVELOPMENT STAGE. OUR PROPERTY IS IN THE EXPLORATION OR PRE-EXPLORATION STAGE AND IS WITHOUT A KNOWN BODY OF COMMERCIAL ORE. THE PROPOSED EXPLORATION PROGRAMS ARE FOR EXPLORATORY SEARCHES FOR ORE. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. INVESTORS MUST BE WILLING TO RELY ON THE ABILITY, EXPERTISE, JUDGMENT AND DISCRETION OF OUR MANAGEMENT. See “Risk Factors”.

Mr. Robert Eadie, one of our directors and officers, resides outside of Canada. Although he has appointed Mr. Gary Arca of Suite 750 – 580 Hornby Street, Vancouver, British Columbia as his agent for service of process in British Columbia, it may not be possible for investors to enforce judgments obtained in Canada against Mr. Eadie.

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

The Agent, as exclusive agent of the Company for the purposes of the Offering, conditionally offers the Shares for sale on a commercially reasonable efforts basis and subject to prior sale, if, as and when issued by us, in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution”. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. This Offering is subject to a minimum of 5,000,000 Units being subscribed for. If the entire Offering is not completed within 90 days of the issuance of a receipt for the final prospectus, the distribution will cease, unless an amendment is filed and receipted (provided that the total period for distribution must end not more than 180 days from the date of receipt for the final prospectus), and all subscription monies will be returned to the subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent.

The following table sets out securities issuable to the Agent:

	Number of Securities <sup>(1)</sup>	Exercise Period	Exercise Price
Agent’s Options	500,000 options	12 months from the Listing Date	\$0.65 per Share

(1) This Prospectus qualifies the Agent’s Options for distribution in the Selling Provinces.

The Company is not a related or connected issuer (as such terms are defined in National Instrument 33-105 Underwriting Conflicts) to the Agent. See “Relationship between the Company and the Agent”.

Certain legal matters relating to the Offering have been reviewed on our behalf by Maitland & Company, of Vancouver, British Columbia; and on behalf of the Agent by Getz Prince Wells LLP of Vancouver, British Columbia.

No person is authorized to provide any information or make any representations in connection with the Offering other than as contained in this Prospectus.

**Macquarie Private Wealth Inc.**

550 Burrard Street, Vancouver, B.C. V6C 2B5

Telephone: (604) 640-0342

Facsimile: (604) 640-0464



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## GLOSSARY OF GENERAL TERMS

The following is a glossary of certain general terms used in this Prospectus:

Agency Agreement	means the agreement dated ●, 2011 between the Agent and the Company in respect of the Offering.
Agent	means Macquarie Private Wealth Inc.
Agent's Commission	means the cash commission to be paid on the Closing Day by the Company to the Agent pursuant to the Agency Agreement, equal to 8% of the gross proceeds of the Offering.
Agent's Options	means the non-transferable options to be granted on the Closing Day by the Company to the Agent pursuant to the Agency Agreement, to purchase Agent's Option Shares in an amount equal to 10% of the number of Shares sold under the Offering by the Agent, exercisable at a price of \$0.65 per Agent's Option Share for 12 months from the Listing Date.
Agent's Option Shares	means Shares as issuable to the Agent upon exercise of the Agent's Options.
Closing Day	means the day on which the Offering is closed.
Common Share, or Share	means a common share without par value in the capital stock of the Company.
Company, we, or us	means Monster Mining Corp.
Corporate Finance Fee	means the sum of \$25,000 (plus applicable taxes) payable by the Company to the Agent pursuant to the Agency Agreement; of which \$15,000 plus HST has been paid to date as a non-refundable due diligence fee, with the balance of \$10,000 and applicable taxes payable in cash on the Closing Day.
Effective Date	means the date of the issue by the Securities Commissions of the final receipt for this Prospectus.
Escrow Agent	means Computershare Investor Services Inc.
Escrow Agreement	means the agreement dated effective December 13, 2010 among the Company, the Escrow Agent, and certain shareholders of the Company whereby the Escrowed Securities are held in escrow by the Escrow Agent.
Escrowed Shares	means those previously issued Shares which are subject to the Escrow Agreement.
Exchange	means the TSX Venture Exchange Inc.
Exploration Expenses	means all costs, expenses and charges of whatsoever kind or nature incurred by the Company in connection with the exploration, development and maintenance of a mineral property, determined in accordance with Canadian generally accepted accounting principles.
Listing Date	means the date the Company's Shares are first listed for trading on the Exchange.
Named Executive Officers, or NEOs	means Robert Eadie (the Company's Chief Executive Officer ("CEO") and President) and Gary Arca (the Company's Chief Financial Officer ("CFO") and Corporate Secretary).
NI 41-101	means National Instrument 41-101, <i>General Prospectus Requirements</i> .

NI 43-101	means National Instrument 43-101, <i>Standards of Disclosure for Mineral Properties</i> .
Offered Securities	means the 5,000,000 Units being offered for sale by the Company pursuant to this Prospectus.
Offering	means the offer for sale by the Company of the Offered Securities at the Offering Price in accordance with the terms of the Agency Agreement and this Prospectus.
Offering Day	means the day on which the Offering is made, to be determined by the Agent and the Company, with the consent of the Exchange, which day is not later than 90 days after the Effective Date, unless an amendment is filed and a receipt issued.
Offering Price	means \$0.40 per Unit.
Optionors	means the three beneficial owners of the KL Project who are parties to the Property Option Agreement, being Bill Harris as to 30%, Mathias Bindig as to 60%, and Ronald Robertson as to 10%.
Property, or, KL Project	means the 6,650 hectare Keno-Lightning Project, located in central Yukon Territory within the Mayo Mining District, as more particularly described under "Description of Mineral Property".
Property Option Agreement	means that mineral property option agreement dated August 1, 2007 whereby we were granted the option to acquire a 100% interest in the KL Project (subject to the retained Royalty) from the Optionors.
Prospectus	means this Amended and Restated Preliminary Prospectus dated April 12, 2011, amending and restating the Preliminary Prospectus dated December 15, 2010.
Report	means the report on the KL Project entitled "Technical Report on the Keno-Lightning Project", dated July 31, 2010 and amended February 22, 2011 and March 29, 2011, prepared by Jean Pautler, P.Geol in compliance with NI 43-101.
Royalty	means that 3.0% net smelter returns royalty retained by the Optionors against all production from the KL Project.
SAR	means a stock appreciation right, namely a right, granted by the Company as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the Company's Shares.
Securities Commissions	means the securities regulatory authorities in each of the Selling Provinces.
Selling Provinces	means British Columbia, Alberta and Ontario, the three provinces in which this Prospectus has been filed and in which the Offering will be made.
Stock Option Plan, or Plan	means the 10% rolling stock option plan adopted by the Company.
Units	means the securities being offered by way of this Prospectus, each Unit being comprised of one Share and one-half of one Warrant.
Warrant	means a whole, transferable Share purchase warrant, entitling the holder to acquire a Share at \$0.65 for a period of 12 months following the Closing Day, subject to the Warrant Acceleration.

**Warrant Acceleration** means the right of the Company to reduce the exercise period of the Warrants in the event the Company's Shares trade at or above \$0.75 per Share for a period of 20 consecutive trading days, such that the Company may then accelerate the expiry date of the Warrants to 60 days following the Company giving notice of such acceleration.

## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Prospectus constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Prospectus should not be unduly relied upon. These statements are current only as of the date of this Prospectus or as of the date specified in the documents incorporated by reference into this Prospectus, as the case may be. The Company does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws.

In particular, this Prospectus contains forward-looking statements pertaining to the following:

- completion of exploration work programs on the KL Project, and in particular the expected completion of the Phase I exploration program as recommended in the Report, utilizing the net proceeds from the Offering;
- capital and general expenditures;
- projections of market prices and costs;
- expectations regarding the ability to raise capital; and
- treatment under governmental regulatory regimes.

Assumptions underlying the expected nature and cost of the Phase I exploration program on the KL Property are as set forth in the Report. Assumptions underlying our working capital requirements are based on management's experience with other public companies in the junior mineral exploration sector.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Prospectus:

- liabilities inherent in our operations;
- uncertainties associated with mineral exploration;
- competition for, among other things, capital, acquisitions and skilled personnel;
- fluctuations in metal prices and stock market volatility; and
- the other factors discussed under "*Risk Factors*".

These factors should not be construed as exhaustive.

## SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Unless otherwise noted, all currency amounts are stated in Canadian dollars.*

### **The Company**

The Company was incorporated as Northex Ventures Inc. on May 3, 2007 pursuant to the *Business Corporations Act* (British Columbia) and changed its name to Monster Mining Corp. on August 20, 2008. On July 10, 2009, it was registered as an extra-territorial corporation under the *Business Corporations Act* of Yukon.

To date, our principal business has been the acquisition of an interest in the KL Project and other mineral properties, raising initial equity funding, undertaking initial exploration of the KL Project, and seeking a listing on the Exchange.

### **The Offering**

We seek to raise \$2,000,000 through the sale of not less than 5,000,000 Units at \$0.40 per Unit. See “Plan of Distribution” and “Description of Securities Distributed”.

### **Agent’s Consideration**

The Agent has received a \$15,000 deposit (plus HST) toward its Corporate Finance Fee and a \$15,000 retainer toward its expenses; and will receive on the Closing Day: (i) the Commission in cash; (ii) the Agent’s Options; (iii) the balance of the Corporate Finance Fee (plus HST); and (iv) the balance of its expenses and all applicable taxes in cash. This Prospectus qualifies the distribution of the Agent’s Options in the Selling Provinces. See “Plan of Distribution”.

### **Use of Proceeds**

We intend to use the net funds available from the Offering (after payment of all costs of the Offering) to incur Exploration Expenses on the KL Project, and for general working capital requirements. See “Use of Proceeds – Principal Purposes”.

### **Risk Factors**

An investment in the Offered Securities should be considered highly speculative due to the nature of our business, being that our primary mineral property is without any known body of ore, and with minimal exploration having been completed on the KL Project. We have a limited history of operations, and no history of success, revenues, earnings or dividends. An investment in our securities is suitable only for those knowledgeable and sophisticated investors who are willing to risk a loss of their entire investment. Investors should consult with their professional advisors to assess an investment in our securities.

Our activities are subject to the risks normally encountered in the mineral resource exploration and development business. The following risk factors should be considered in connection with an investment in the Company: liquidity concerns and future financing requirements; dilution; limited history of operations, and no history of revenues, earnings or dividends; exploration and development risks; adverse consequences of our failing to maintain our mineral property interests; substantial capital expenditure requirements; operating hazards and risks; mineral prices; environmental and other regulatory factors;

competition; title matters; political and economic changes; uninsurable risks; quarterly operating result fluctuations; and industry regulation. See “Risk Factors”.

### Summary of Selected Consolidated Financial Information

The following table summarizes selected financial data for the three most recently completed fiscal years ended July 31, 2008, 2009 and 2010, and the six month period ended January 31, 2011, and should be read in conjunction with the audited and unaudited financial statements and the related notes thereto; together with Management’s Discussion and Analysis, as included elsewhere in this Prospectus:

Item	Fiscal Year Ended July 31, 2008 (audited)	Fiscal Year Ended July 31, 2009 (audited)	Fiscal Year Ended July 31, 2010 (audited)	Six Months Ended Jan. 31, 2011 (unaudited)
Revenues	nil	nil	nil	nil
Expenses	\$490,485 <sup>(1)</sup>	\$73,333	\$108,561	\$288,794
Net Loss	\$474,622	\$46,339	\$47,561	\$284,294
Current Assets	\$367,276	\$296,050	\$157,556	\$436,346
Mineral Property	\$468,701	\$1,327,731	\$1,525,893	\$2,298,076
Total Assets	\$835,977	\$2,023,781	\$2,086,817	\$2,983,523
Current Liabilities	\$137,899	\$288,142	\$225,805	\$10,103
Working Capital (deficit)	\$229,377	\$7,908	(\$68,249)	\$426,243
Long Term Liabilities	\$59,000	\$132,000	\$122,000	\$122,000
Shareholders’ Equity	\$639,078	\$1,603,639	\$1,739,012	\$2,851,420
Number of Shares Outstanding	12,880,430	16,575,485	17,143,220	22,875,847

- Includes stock based compensation expense of \$450,180 pertaining to 10,004,000 shares issued to insiders for \$0.005 per share.

### Business Objectives and Milestones

Our short term business objectives are to: (i) complete the Offering under this Prospectus; (ii) obtain a listing of our Common Shares on the Exchange; and (iii) undertake the Phase I exploration program on the KL Project as recommended in the Report.

### RRSP and TFSA Eligibility

In the opinion of our counsel, Maitland & Company, based on the provisions of the *Income Tax Act* (Canada) (the “ITA”), the regulations thereunder in force as of the date hereof and the proposals to amend the ITA and the regulations thereunder publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof, the Common Shares, when issued, will be “qualified investments” under the ITA and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and tax free savings accounts (“TFSA”) (provided the holder of the TFSA deals at arm’s length with the Company).

## CORPORATE STRUCTURE

### **Name, Address and Incorporation**

The Company was incorporated as Northex Ventures Inc. pursuant to the *Business Corporations Act* (British Columbia) on May 3, 2007 and changed its name to Monster Mining Corp. on August 20, 2008. On July 10, 2009, it was registered as an extra-territorial corporation under the *Business Corporations Act* of Yukon.

Our head office is located at Suite 750 – 580 Hornby Street, Vancouver, British Columbia; and our registered and records office is located at Suite 750 – 580 Hornby Street, Vancouver, British Columbia. We have an office in the Yukon at 27A MacDonald Road, Whitehorse, Yukon.

We are not a reporting issuer in any jurisdiction; and our Common Shares are not listed or posted for trading on any stock exchange.

### **Intercorporate Relationships**

The Company has no subsidiaries.

## DESCRIPTION OF THE COMPANY'S BUSINESS

### **General**

Our primary business purpose since incorporation has been to obtain an option to acquire and explore the KL Project and other mineral properties, with a view to obtaining a listing of our Shares on the Exchange.

We have taken the following steps to develop our business: (1) recruited directors and officers with the skills required to operate a public mineral exploration company; (2) raised sufficient capital to maintain our option to acquire the KL Project including an initial exploration program on the KL Project; (3) commissioned and received the Report on the KL Project; and (4) engaged the Agent to assist us in making an application for listing on the Exchange, and to complete our Offering.

As of the date of this Prospectus we have issued 22,195,300 Shares for aggregate cash consideration of \$3,304,369 and have issued 200,000 Shares in connection with mineral property acquisitions or option payments, and 480,547 Shares in settlement of debts. We have used the proceeds from the sale of our Shares to further our business, including completing an initial exploration program on the KL Project.

### **Significant Acquisitions and Significant Dispositions**

Our primary significant transaction to date has been entering into the KL Project Option Agreement for the purpose of obtaining an option to acquire the KL Project. The KL Project is our only material mineral property.

### **Three-Year History**

The Company was incorporated on May 3, 2007 and commenced business at that time. Our business has been to operate as a mineral resource exploration company primarily focused on the acquisition and exploration of the KL Project, and obtaining a listing on the Exchange.

### **Acquisitions**

On August 1, 2007, we entered into the Property Option Agreement to acquire a 100% interest in the KL Project, as more fully described below under "Description of Mineral Property".

On September 1, 2007, we entered into an option agreement to acquire a 100% interest in 20 mining claims situated in the Mayo Mining District, Yukon, more commonly known as the Mayo Hill Property, as more fully described below under "Description of Mineral Property".

By purchase agreement dated May 5, 2007 (as amended on March 14, 2008) we purchased a 100% interest in three claim groups in the Yukon and Northwest Territories, more commonly known as the MAG Claim Group, the ALAN Claim Group, and the Franklin Creek Claim Group.

On March 25, 2010 we sold to O'Connor Lake Mines Ltd. an undivided 100% right, title and interest in and to the MAG Claim Group and the ALAN Claim Group. On September 27, 2010 we sold an undivided 100% right, title and interest in and to the Franklin Creek Claim Group to Strategic Metals Ltd.

### ***Management Team***

Over the past three years we have put together our management team, with the most recent appointments occurring on June 23, 2010 with the appointment of Robert Eadie as a director, and Gary Arca as Chief Financial Officer, and on December 1, 2010 with the appointment of Andrew de Verteuil as a director of the Company.

### ***Financings***

From 2007 to the present, we have raised capital through equity financings to fund the costs of property acquisitions, to conduct initial exploration work on the KL Project and McKay Hill property, and to pay general and administrative costs. We have raised an aggregate of \$3,304,369 through the issuance of an aggregate 22,195,300 shares at various share prices.

### ***Operations***

The primary focus of our exploration efforts has been the exploration of our principal property, the KL Project. We engaged Jean Pautler, P. Geo. to conduct an independent technical review and prepare the Report in compliance with National Instrument 43-101 on the KL Project, the results of which are provided under "Description of Mineral Property" below.

## **DESCRIPTION OF MINERAL PROPERTY**

### **Keno-Lightning Property Option Agreement, Yukon**

Pursuant to the Property Option Agreement we have the right to acquire a 100% interest in the KL Project from the Optionors (subject to the Royalty retained by the Optionors).

To exercise our option and acquire the KL Project, we must pay the Optionors an aggregate \$100,000, issue 700,000 Shares to the Optionors, and incur \$300,000 of Exploration Expenses on the KL Project, as follows:

- (a) pay to the Optionors \$10,000 upon signing the Property Option Agreement (which has been paid);
- (b) pay to the Optionors a further \$15,000 on or before 15 days following the Listing Date;
- (c) pay to the Optionors a further \$15,000 on or before 12 months following the Listing Date;
- (d) pay to the Optionors a further \$15,000 on or before 24 months following the Listing Date;
- (e) pay to the Optionors a further \$15,000 on or before 36 months following the Listing Date;
- (f) pay to the Optionors a further \$15,000 on or before 48 months following the Listing Date;
- (g) pay to the Optionors a further \$15,000 on or before 60 months following the Listing Date;
- (h) issue to the Optionors 700,000 Shares on or before 15 days following the Listing Date; and
- (i) incur at least an aggregate of \$300,000 in Exploration Expenses on the KL Project on or before December 31, 2009 (which expenses have been incurred).

We have the right to acquire two-thirds of the 3% Royalty retained by the Optionors in consideration of \$300,000 for the first 1% and \$1,200,000 for the second 1%.

The option to acquire the KL Project may be considered to be non-arm's length in that Bill Harris, one of the Optionors (holding a 30% in the KL Project), is one of our directors.

In accordance with the Property Option Agreement:

- (a) We will be the operator for purposes of developing and executing exploration programs on the Property and for incurring Exploration Expenses;
- (b) We have the sole and exclusive right to enter the Property and do such prospecting, exploration, development or other mining work as we may consider desirable; bring and erect upon the Property such mining facilities as we deem advisable; and remove reasonable quantities of ores, minerals and metals for the purposes of sampling, obtaining assays or making other tests;
- (c) In the event of default in making any required payments or performing any of our obligations under the Property Option Agreement, we shall have a 30-day period to cure such default, otherwise the Property Option Agreement will terminate;
- (d) If the option is terminated, or if the Property Option Agreement is terminated prior to our exercise of the option, we must return the Property to the Optionors in good standing, free and clear of all liens, charges and encumbrances for a period of two years;
- (e) We may terminate our rights and future obligations under the Property Option Agreement by giving notice to the Optionors of such termination, in which event we will not have earned any interest in the Property;
- (f) If any question or dispute should arise between us and the Optionors, in respect of any matter in connection with the subject matter of the Property Option Agreement, the matter shall be determined by the decision of a single arbitrator under the *Commercial Arbitration Act* of British Columbia; and
- (g) Any mineral claim, lease or other mineral right or interest acquired by us or the Optionors within three kilometers of the outermost boundary of the Property (“Area of Interest”) shall be deemed to have been acquired on behalf of and for the benefit of all the parties to the Property Option Agreement.

### ***Technical Report***

The Report on the KL Project was prepared for us by Ms. Jean Pautler, *P.Geo.* (the “Author”) in accordance with NI 43-101. The Author is a “qualified person” within the meaning of NI 43-101 and is independent of us and the KL Project. The Author was commissioned to examine the geology and mineralization on the KL Project, to review the results of a diamond drill program and additional trenching completed in the second half of 2008, a soil survey in 2009 and a drilling program in 2010, and to make recommendations for the next phase of exploration work in order to test the economic potential of the KL Project.

The Report describes the KL Project in accordance with the guidelines specified in NI 43-101 and is based on historical information and an examination and evaluation of the property by the Author on June 1 and July 24-25, 2010, between June 27 and 30 and July 22 and 24, 2008, from September 14 to 18, 2007 and work on the KL Project from October 1 to 14, 2007.

The complete Report can be accessed at [www.sedar.com](http://www.sedar.com) or at our registered office at Suite 750 – 580 Hornby Street, Vancouver, B.C. during normal business hours for a period of 30 days following the Offering Day. The following disclosure relating to the KL Project was derived from the Report; and uses the term “Property” to describe the KL Project.

### ***Property Description and Location***

The Property, NTS map sheet 105M/14, covers the eastern end of Keno Hill and the northern slope of Bunker Hill in central Yukon, 4 to 12 km east of Keno City which is 465 km by road northeast of Whitehorse, Yukon Territory. The Property is centered at a latitude of 63°54’N and a longitude of 135°11’W. Lightning Creek, the headwater of Duncan Creek, the Mayo River and the Stewart River (a major tributary of the Yukon River) separates the Keno Hill and Bunker Hill portions of the property in the western property area. Faith Creek, a tributary of the Stewart River, bisects the eastern Property area.

[insert map here]

### ***Territorial Mining Regulations***

First Nations have settled their land claims in the area with no First Nation land within the Property area. The Property is situated in Crown Land, and falls under the jurisdiction of the Yukon Government.

A mineral claim holder is required to perform assessment work and is required to document this work to maintain the title as outlined in the regulations of the Yukon *Quartz Mining Act*. The amount of work required is equivalent to \$100 of assessment work per quartz claim unit per year. Alternatively, the claim holder may pay the equivalent amount per unit per year to the Yukon Government as “cash in lieu” to maintain title to the claims.

Preliminary exploration activities do not require permitting, but significant drilling, trenching, blasting, cut lines, and excavating may require a Mining Land Use Permit that must be approved under the Yukon Environmental Socioeconomic Assessment Act (YESSA). To the Author’s knowledge, the Property is not subject to any environmental liability. Old, open and unguarded shafts were previously identified on the Property, and remedied by reclamation work carried out in 2006.

### ***Accessibility, Climate, Local Resources, Infrastructure***

From Keno City a number of two wheel drive gravel roads and four wheel drive mining roads and ATV accessible “cat trails” provide good access to all of the prospects on the Property during summer months. Silver Basin is accessed from the Signpost Road to the top from where a 4WD road heads east past the Murray 11 claim, then north to the old workings. The Nabob showing on the Blanche claims is accessed from the Silver Basin road. The remaining showings are accessed via the Lightning Creek Road, heading east from Keno City. The Homestake is accessed by crossing Lightning Creek at Thunder Gulch, then heading east towards Bunker Hill. The Caribou, Duncan and Faith can be reached by turning north up Hope Creek from the Lightning Creek Road. The Bema showing is accessible via an ATV trail that heads east, then northeast, from near the junction of the Lightning Creek and the McNeil Gulch Roads.

Keno City has a population of approximately 25 with a coffee shop, cabins for rent, a small mining oriented labour force and some local heavy equipment availability. Mayo, 58 km by road southwest of Keno City, is the main service and supply center for this district. It is connected to Whitehorse by an all-weather highway and to Keno by an all-weather gravel road. The town of Mayo has a population of approximately 400 with a gravel airstrip suitable for medium sized aircraft (DC-3, etc.) and a helicopter base. Facilities include a police station, medical clinic, grocery store, hotels, restaurant and fuel supply. Some heavy equipment is available for contract mining work.

The KL Project is located on Keno Hill and the north flank of Bunker Hill, on the western side of the Wernecke Mountains (which make up part of the western Rocky Mountains) in the northeastern part of the Yukon Plateau. The terrain is mountainous, commonly with precipitous north slopes. Southern slopes are less steep. Ridge tops can be sharp and narrow or broad and open. Elevations within the claim area range from 1080m ASL along Lightning

Creek to over 1750m ASL at the summit of Caribou Hill. Total relief from the valley floors to the summits approaches 1000m.

The tree line is located near 1300m ASL with upper slopes consisting of alpine tundra with poorly developed soil, talus, grasses and moss cover. Dwarf willows are common in sheltered areas. Dense stands of black spruce are widespread below the tree line with poplar and alder common on south facing slopes and as second growth where the spruce has been burned or logged out.

Outcrop is sparse, except on steeper slopes and knolls, but amounts to less than 1%. The exceptions are gulches and cirque headwalls, particularly on north slopes. In the remaining areas the primary source of geological information is float rock that has been frost-heaved to surface through the overburden cover. Below the tree line there is extensive glacial till cover which deepens downslope to depths in excess of 100m on the floors of the major valleys.

Permafrost is extensive through the region reaching depths up to 150m on Keno Hill, which hampers prospecting in that the frozen ground masks soil geochemical responses from bedrock, transports soil and soil geochemical anomalies downslope by solifluction, and inhibits trenching by hand or machine.

The area has a northern interior climate with warm summers, long cold winters and light precipitation (average 313 mm annually), one-third of which is snow. The exploration season lasts from late May until October. Drilling can be conducted in the winter. Summer daily temperatures average 23°C, (9°C at night); and winter temperatures average -20°C, (-31°C at night). Mayo has the greatest range of annual temperatures in North America, with temperatures reaching over 35°C in summer and below -50°C in winter.

Although there does not appear to be any topographic or physiographic impediments, and suitable lands appear to be available for a potential mine, including mill, tailings storage, heap leach and waste disposal sites, engineering studies have not been undertaken and there is no guarantee that such areas will be available within the subject property. The nearest source of power is Keno City.

### **History**

The Property includes the old Nabob (Lot 925) mining lease on the Blanche claims, the Silver Basin (Lot 41), Duncan (Lot 637) and Caribou (Lot 41) mining leases on the Murray claims, which are all documented Minfile occurrences on file with the Yukon Geological Survey (*Deklerk and Traynor, 2005*), and the Avenue, Faith, Bema and Homestake Minfile occurrences upon which separate work programs were conducted in the past. Consequently, the work completed by various operators as documented in Yukon Minfile (*Deklerk and Traynor, 2005*), various government publications of the Yukon Geological Survey or its predecessor (*Mineral Industry Reports and Yukon Exploration and Geology*) and the Geological Survey of Canada and company publications (primarily available as assessment reports filed with the government), is tabulated below separately for the eight occurrences.

#### **Nabob** (Minfile No. 105M 006)

- |         |  |
|---------|--|
| 1920's  | Explored with three small prospect shafts, but first claim in area documented in 1944 as Nabob (now the Blanche claim) and Buccaneer (included the current Blanche Fr) staked to south in 1950, both on Nabob #2 vein ( <i>Deklerk and Traynor, 2005</i> ).  |
| 1974-84 | Bulldozer trenching, rock and grid soil geochemistry on Buccaneer and adjoining leases (now the Teach 1-7 and Blanche Fr claims) by Decker Lake Mines Ltd. under option exposing the Nabob #2 (11,527 g/t Ag and 29.8% Pb over 35.6 cm) and Rum Tum (9,360 g/t Ag over 30 cm with select specimens containing 29.8 g/t Au) veins and delineating the 800 by 1250m east-northeasterly trending silver-lead Decker zone anomaly further to south with maximum values of 5.4 ppm Ag and 750 ppm Pb ( <i>Malcolm, 1977</i> ). (Rum Tum and Decker zone are not on KL Project.) |
| 2000    | Prospecting, rock and soil geochemistry on re-staked Decker option area, confirming significant silver-lead and gold values from Rum Tum vein (maximum 10.41 g/t Au from arsenopyrite bearing zones) and Decker zone soil anomaly ( <i>Wengzynowski, 2000</i> ). (Not on the KL Project).  |

#### **Silver Basin** (Minfile No. 105M 005)

- 1919-27 Staked by R. Rasmussen who explored by hand trenches, open cuts and a short adit (now caved), reportedly identifying three longitudinal and at least two transverse veins (*Boyle, 1965*).
- 1952 Yukeno Mines Limited extended the adit but failed to find any ore (*Boyle, 1965*).
- 1962-73 Hand trenching in 1963 and possibly soil geochemical sampling in 1973 by Rio Plata Silver Mines Ltd. (*Deklerk and Traynor, 2005*).
- 1986 Bulldozer trenching conducted by Dawson Eldorado Mines Ltd. with assays of 171 to 2,057 g/t Ag over 0.5 to 2.5m and 755 g/t Ag and 13.7 g/t Au from specimens (*Van Angeren and White, 1987*).
- Duncan** (*Minfile No. 105M 003*)
- 1919-23 Staked by D. Sparks who explored with a 14m shaft and 12m of drifting on the steep north-facing cirque headwall of Silver Basin Gulch, approximately 90m below the rim. A total of 11.8 tons of ore grading 25,462 g/t Ag and 22% Pb were shipped to area mills (*Deklerk and Traynor, 2005*).
- 1946-62 Minor hand and bulldozer trenching by various operators, including Silver Basin Yukon Mines Ltd., Yukeno Mines Limited and Rio Plata Silver (*Deklerk and Traynor, 2005*).
- 1989 Trenching by D. Felix and J. Brinkerhoft (*Deklerk and Traynor, 2005*).
- Caribou** (*Minfile No. 105M 062*)
- 1919-1928 Staked by D. Sparks who explored near the summit of Caribou Hill with a 13.7m adit (now caved) and 40.2m of drifting. A total of 78.9 tons of ore grading 6,103.9 g/t Ag and 70% Pb were hand-mined and shipped to the nearby Treadwell Yukon mill (*Deklerk and Traynor, 2005*).
- 1952 An 8.2m adit (now caved) and surface trenching was completed, further southwest by United Keno Hill Mines Ltd. (*Deklerk and Traynor, 2005*).
- 1986 Trenching by Dawson Eldorado Mining Ltd. with reported assays up to 8,571.2 g/t Ag over 0.3m (*Van Angeren and White, 1987*).
- Avenue** (*Minfile No. 105M 053*)
- 1919 Originally staked by J. Brennan and H. Manahan
- 1953-54 Bulldozer trenching by Yukeno Mines Limited on a narrow argentiferous vein that was traced for 1220m (*Deklerk and Traynor, 2005*).
- 1967 Road building and bulldozer trenching by Fort George Mining and Exploration Ltd. (*Deklerk and Traynor, 2005*).
- 1971-72 Evaluation in 1971 by Silver Spring Mining Venture under option from J. Strebchuk (*Hilker, 1971*) followed by trenching and a soil geochemical survey (analyzed for Cu, Pb, Zn and Ag) in 1972 by Canadian Reserve Oil and Gas Ltd. under sub-option. A 10cm wide pyrrhotite vein was uncovered during prospecting and the source of a few isolated highs in the soil survey was interpreted as a small vein. No sulphides were found in the old trenches (*Adamson, 1972*).
- 1977-79 Limited trenching by W. Malicky (*Deklerk and Traynor, 2005*).
- 1982 Mapping and geochemical surveys by Canada Tungsten Mining Corp, which uncovered an unmineralized vein, 0.8 km to the west (*Nordin and Holland, 1981*).

**Faith** (Minfile No. 105M 002)

- 1920 Originally staked by Yukon Gold Corp.
- 1921-24 Staked by E. Meredith who explored with hand pits and possibly a shaft and drifts totaling 25.6m. A total of 11.3 tons of hand picked ore were shipped to area mills in 1923. Assays up to 7,313 g/t Ag have been reported from the dump (*Deklerk and Traynor, 2005*).
- 1960 Exploration by hand trenching and a 7.6m inclined shaft (now caved) with 18m of drifting on the vein by W. Kennedy and W. Cathro (*Deklerk and Traynor, 2005*).
- 1963-79 Minor bulldozer trenching by various operators, including Conwest Explorations Ltd., Jersey Consolidated Mines Ltd. and United Keno Hill Mines Ltd. (*Deklerk and Traynor, 2005*).
- 1979-80 Mapping and geochemical surveys by Canada Tungsten Mining Corp., which uncovered an unmineralized vein, 0.8 km to the east of the shaft (*Nordin and Holland, 1981*).

**Bema** (Minfile No. 105M 073)

- 1966 Discovery of the transverse T-25 vein, defined by a northerly trending air photo lineament, by United Keno Hill Mines Ltd. traced for 600m along strike and returning values of 411 g/t Ag, 53% Pb and 439 g/t Ag, 4.32% Pb, 53% Zn (*Costin and Zimmer, 1966*).
- 1979-82 Mapping, geochemical sampling and trenching by Canada Tungsten Mining Corp. uncovering three quartz veins, two of which were minor quartz stockworks with disseminated galena assaying up to 490 g/t Ag and the third a north trending quartz vein with minor disseminated arsenopyrite within a 5m stockwork zone. The latter is reported to assay 31.5 g/t Au and 194 g/t Ag (*Bonnar, 1981*).

**Homestake** (Minfile No. 105M 011)

- 1920 Originally staked by L. Walsh.
- 1928-31 Explored by a 26.8m shaft, 38.4m of drifting, open cuts and pits on a transverse vein by T. McKay. A few tons of high grade were direct shipped from the Homestake in the 1930's (*M<sup>c</sup>Faull, 2009*). A caved short adit is reported by Bostock in 1965.
- 1950's Extensive bulldozer trenching by Lustre Yukon Mines Ltd. (*M<sup>c</sup>Faull, 2009*).
- 1962-64 Extensive bulldozer trenching by United Keno Hill Mines on two veins (No.1 and No.2), exposing the No.2 vein for 90m along strike and obtaining maximum values of 102.9 g/t Au over narrow widths (*Deklerk and Traynor, 2005*).
- 1966 Bulldozer trenching by B. Kunze, reportedly uncovering a new 3 to 7.6m wide transverse vein for 30m along strike, which may have been the Shaft vein. Assays of 1,131.4 g/t Ag, 2.2% Pb and 0.5% Zn over 7.6m are reported (*Deklerk and Traynor, 2005*).
- 1967 Hecla Mining Company of Canada Ltd. carried out 107m of cross-cutting, 147m of drifting and 204m of underground drilling in four holes. No mineralization was found in the workings (*Deklerk and Traynor, 2005*).
- 1974 Trenching for E. Lee.

The KL Project, encompassing the above eight occurrences, was initially acquired by Mr. Matthias Bindig in 2005 who completed minor programs of prospecting with concurrent rock geochemical sampling, and reclamation on the old workings in 2005 (*Robertson, 2005*) to 2006 (*M<sup>c</sup>Faull, 2007*). A trenching and geophysics program was undertaken on the Homestake portion of the project in 2007 (*Pautler, 2008*) by the Company. Additional trenching, 1,765.7m of diamond drilling in 17 holes and 1510m of rotary air blast drilling in 53 holes, was completed by the Company in 2008 (*M<sup>c</sup>Faull, 2009*). Soil surveys were completed and the Aho claims were added by the Company in 2009 (*Blackburn, 2010*). The Company completed 2,251m of diamond drilling in 2010 (*Ettlinger, 2011*). The details and results of this work are documented under "Exploration" and "Drilling" below.

A DIGHEM III airborne geophysical survey was flown over the Keno Hill camp in 1984 by United Keno Hill Mines Ltd. delineating three >1,000 ohm/m resistivity highs on the ridge between MacMillan Gulch and Allen Creek, informally referred to as Mt. M<sup>c</sup>Faull, (Ski 98, 102, 104, 106, 108, and 169 claims). This target was followed up in 2008 and 2009 and discussed under “Property Geology” and “Exploration” below.

The old adits and shafts across the KL Project are caved except for the 1969 Homestake adit, which is boarded up but accessible. However surface exposures, trenches and dumps from the shafts and adits were sufficient to evaluate the showings. The old workings were located, documented and recorded using a Garmin GPS Map 76, in Nad 83, Zone 8 projection and are tabulated below. More detail of the Homestake and Caribou workings is provided under “Trenching” below.

#### Location of Old Workings

Name of Working	UTM Northing	NAD83	Elevation (m)
		Easting	
Silver Basin Adit	7091710	491229	1469
Silver Basin Trench start	7091663	491038	1609
Silver Basin Trench end	7091695	491184	1503
Silver Basin Open Cut	7091398	491311	1495
Duncan Shaft	7090814	492037	1640
Caribou Adit	7091045	492784	1775
Caribou NE Adit	7091260	492875	1794
Caribou Shaft	7090941	492782	1742
Faith Shaft	7090184	493775	1417
Avenue Pit	7092025	493515	1534
Avenue Trench A start	7092022	493520	1535
Avenue Trench A end	7091985	493523	1536
Avenue Trench B centre	7091971	493503	1544
Avenue, Trench D start	7091971	493503	1544
Avenue, Trench D end	7091926	493476	1540
Avenue Trench C centre	7091937	493482	1551
Avenue Trench E start	7091902	493403	1562
Avenue Trench E end	7091833	493454	1554
Bema Trench 1 start	7087434	494856	1389
Bema Trench 1 end	7087493	494762	1388
Homestake Adit	7086938	489810	1322
Homestake Shaft	7086840	489781	1376
Nabob Main Shaft*	7092674	490056	1445
Gold Hill No. 2 Shaft**	7090750	490550	1515

\* not investigated by the author of the Report; \*\* approximate co-ordinates, not investigated in field

### **Geological Setting**

#### *Regional Geology*

The regional geology of the Property is represented on the Keno Hill (105 M/14) Map Sheet by Murphy and Roots (1996) and the detailed geology of the mining camp (covering Galena, Keno and Sourdough Hills) showing many of the veins and cross-faults is best depicted in Boyle (1965). The mineralization of the Keno mining camp discussed below is not necessarily indicative of the mineralization on the Property.

The area is underlain by highly deformed rocks of the Devonian to Mississippian Earn Group, the Early Carboniferous Keno Hill Quartzite Formation, including minor felsic metavolcanic rocks (Metavolcanic Member), and Triassic diorite to greenstone, all occurring within the easterly trending, southerly dipping Tombstone Thrust Sheet (Roots, 1997). The Earn Group includes graphitic phyllite, metasiltstone, rare calcareous greywacke and metaconglomerate (Phyllite Member) with minor felsic metavolcanic rocks (Felsic Volcanic Member). The deformation, characterized by intense foliations and lineations, appears to be related to displacement along the

Tombstone Thrust. The foliations and lineations were later deformed by north to northwest trending open folds. All of the above lithological units are intruded by Cretaceous aged aplite and granite dykes and sills.

North to northeast and northwest trending faults are evident through the area, with Keno Hill type mineralization associated with the former faults. The mineralized vein faults have been K/Ar dated at 90 Ma (*Murphy and Roots, 1992*).

Within the Keno mining camp, the stratigraphy has been divided locally into three units, the Upper Schist and Central Quartzite (of the Early Carboniferous Keno Hill Quartzite Formation) and the Lower Schist (correlative with the Middle to Late Devonian Earn Group Phyllite and Felsic Volcanic Members, and some thick bedded quartzite of the Keno Hill Quartzite Formation) (*Boyle, 1965*). Conformable greenstone horizons (metamorphosed diorite or gabbro) occur as lenses or sills.

The Upper Schist consists of graphitic schist and phyllite, thin bedded quartzite, quartz-mica schist, calcareous schist and minor limestone, and quartz-sericite schist of the Metavolcanic Member. The Central Quartzite contains thick and thin-bedded quartzite, massive quartzite, lesser graphitic phyllite, schist and calcareous schist. This unit is up to 700m in thickness and hosts many of the principal silver deposits of the camp. The Lower Schist includes graphitic schist and phyllite, argillite, thin-bedded quartzite, calcareous schist, slate and sericite schist and two bands of thick and thin-bedded quartzite with lesser phyllite and graphitic schist, now correlated with the Keno Hill Quartzite Formation. These units strike east-west and dip 20 to 30° south.

In the southwestern map area the Robert Service Thrust separates the Upper Paleozoic stratigraphy outlined above from the Upper Proterozoic to Lower Cambrian Yuseyzu Formation of the Hyland Group, consisting of micaceous quartzose rocks, muscovite-chlorite gritty phyllite, impure quartzite and metaconglomerate, with limestone lenses. The unit is similar to the Upper Schist but lacks carbonaceous schists and phyllite.

Silver-lead-zinc lode deposits within the Keno mining camp are hosted by a series of vein faults which strike 035 to 080° (longitudinal veins) and 360 to 035° (transverse veins), both dipping 50 to 80° southeast (*after Boyle, 1965*). Longitudinal veins were the main productive veins of the camp, with significant strike extent and the transverse veins are dilational zones between en-echelon longitudinal faults, limited in strike but locally rich in grade. The vein faults range in width from 0.3m to over 30m and generally show left lateral movement with offsets of up to 150m (*Boyle, 1965*). The mineralized vein faults are offset by two types of unmineralized faults, cross-faults trending 155° to 180°/40 to 60°SW (which generally show right lateral movement and offset longitudinal veins by as much as 600m), and bedding plane thrust faults (*Boyle, 1965; M<sup>c</sup>Faull, personal communication*). Mineralization can be locally caught up within the cross-faults (*M<sup>c</sup>Faull, personal communication*).

The Keno mining camp produced silver from 1914 until 1989. Production from 1921 to 1988 totaled 4,872,423 tonnes averaging 1,389 g/t Ag, 5.6% Pb and 3.1% Zn (*Deklerk and Traynor, 2005*). The above grade and tonnage figures are not necessarily indicative of the mineralization on the Property. Over 65 deposits and prospects have been recognized in the district (*Watson, 1984*). The main lode deposits occur within the Central Quartzite where fracturing of competent quartzite rock has produced open spaces for mineral deposition. Where vein faults pass into less competent schist rock units they become narrow and poorly mineralized. Ore zones also occur in other competent rock types in the Lower Schist such as greenstone horizons.

The most favourable structural sites for ore shoots are at the junction of vein faults, the junction of a vein fault and cross-fault, where veins change direction, and at the upward transition from competent quartzite to less competent schist rock units often referred to as "schist caps" (*Boyle, 1965; Aho, 2006; M<sup>c</sup>Faull, personal communication*). It should be noted that individual vein systems have consistent overall silver-lead ratios but each ore shoot within it varies (*Aho, 2006*), which may be useful in predicting continuity of veins, possibly across faults and at depth.

Vein faults can occur as simple veins, breccia zones or sheeted zones. Simple veins consist of siderite gangue, with occasional quartz and discontinuous bands of silver bearing sulphides. Breccia zones consist of angular rock fragments (quartzite, phyllite, greenstone) in a matrix of siderite, commonly with some quartz. Sheeted zones have slabs of greenstone separated by narrow fractures filled with breccia or gouge. Breccia fragments and slabs are cemented by siderite, sulphides and some quartz. The principal gangue mineral is siderite. The main ore minerals are argentiferous galena, argentiferous tetrahedrite (freibergite) and pyrargyrite (ruby silver). Polybasite, stephanite, argentite and native silver are silver bearing minerals that occur locally in minor amounts. Other ore minerals such

as sphalerite, chalcopyrite and lead sulphosalts (jamesonite, boulangerite etc.) are present in varying amounts. Pyrite, arsenopyrite and barite occur in many veins.

Two stages of vein mineralization have been recognized in the district. The first stage deposited quartz, pyrite and some arsenopyrite with trace gold and some sulphosalts in the vein faults. A second stage deposited siderite, galena, sphalerite, pyrite, freibergite and pyrrargyrite, more typical in the central part of the Keno mining camp. Several writers have described district-wide metal and mineral zoning patterns (*Franzen, 1986; Lynch, 1986; Tessari and Sinclair, 1980*).

### *Property Geology*

The Property is underlain by Early Carboniferous Keno Hill Quartzite and phyllitic metasedimentary rocks of the Devonian-Mississippian Earn Group, with lesser Earn Group felsic metavolcanic schist (Felsic Volcanic Member), and intruded by Triassic greenstone and Cretaceous porphyritic aplite dykes and sills.

The Property geology map is taken from Boyle (1965) due to the detail of the geology and documentation of many of the veins and cross-faults. As noted under the "Regional Geology" section of the Report, the Central Quartzite Formation and other thick bedded quartzite members (including the No.9 Quartzite) of the Lower Schist Formation of Boyle (1965) now belong to the Keno Hill Quartzite Formation. The Lower Schist Formation also includes the Earn Group Phyllite Member and the Felsic Volcanic Member.

Keno Hill Quartzite, the main host of mineralization in the Keno mining camp, underlies the Homestake portion of the Property, with narrower bands of Keno Hill Quartzite underlying the Silver Basin, Duncan, Caribou and Faith areas, continuing southeasterly through the Bema area. Greenstone, another favourable host rock for mineralization due to its high competency, underlies much of the northeastern project area around Beavette Hill, in the Avenue and Faith areas, in the Nabob area (Blanche claims) and north of Silver Basin and Caribou. Favourable "schist cap" sites for mineralization occur within a band from the Silver Basin, through the Duncan, Caribou, Faith and Bema showings and beyond, and in the eastern Homestake block of claims, due to the abundance of contacts between competent quartzite (Unit 1b) and overlying less competent schist rock units (Unit 2).

The three resistivity highs from the 1984 airborne geophysical survey on Mt. M<sup>c</sup>Faull were found to be underlain by greenstone sills, underlying quartzite, with some serpentinization, talc, actinolite and quartz-carbonate veining. The quartzite appears to have been resiliified near the contact with the ultramafic unit, at the south end of the ridge (*M<sup>c</sup>Faull, 2009*).

A structural interpretation by Jim M<sup>c</sup>Faull has projected the cross-faults onto the Property and documented the probable amount of offset along the faults. The structural interpretation has significant exploration implications which will be discussed under the "Exploration" and "Interpretation and Conclusion" sections of the Report.

### *Deposit Type*

The Keno Hill camp is an example of a clastic metasediment hosted silver-lead-zinc enriched polymetallic vein deposit model. Examples of metasediment hosted polymetallic deposits include the Slocan-New Denver-Ainsworth district in British Columbia, the Coeur d'Alene district in Idaho, USA, and the Harz Mountains and Freiberg district in Germany. Commodities generally include Ag, Pb, Zn (Cu, Au, Mn). Associated deposit types are polymetallic mantos. The following characteristics of the metasediment hosted polymetallic vein deposit model are primarily summarized from Lefebvre and Church, (1996). The mineralization and grade and tonnage figures discussed below are not necessarily indicative of the mineralization on the Property.

Mineralization typically occurs as sulphide-rich veins containing sphalerite, galena, pyrite, silver and sulphosalt (tetrahedrite-tennantite) minerals, chalcopyrite, arsenopyrite and stibnite, in a carbonate (most commonly siderite with minor dolomite, ankerite and calcite) and quartz gangue with minor, barite, fluorite, magnetite, bitumen. Silver minerals often occur as inclusions in galena and native gold and electrum occurs in some deposits. Gold grades are generally low given the amount of sulphides present. Some veins contain more chalcopyrite and gold at depth.

Wall rock alteration consists of sericitization, silicification and pyritization, but is typically limited in extent (metres or less). Thin veining of siderite or ankerite may be locally developed adjacent to veins. Black manganese oxide

stains, sometimes with whitish melanterite, are common weathering products of some veins. The supergene weathering zone associated with these veins has produced major quantities of manganese. Galena and sphalerite weather to secondary lead and zinc carbonates and lead sulphate. In some deposits supergene enrichment has produced native and horn silver.

Veins are emplaced along faults and fractures in sedimentary basins dominated by clastic rocks that have been deformed, metamorphosed and intruded by igneous rocks. Veins postdate deformation and metamorphism. Regional faults, fault sets and fractures are an important ore control, although veins are typically associated with second order structures. Significant deposits are restricted to competent lithologies. Dykes are often emplaced along the same faults and in some camps are believed to be roughly contemporaneous with mineralization.

Individual vein systems range from several hundred to several million tonnes grading from 5 to 1500 g/t Ag, 0.5 to 20% Pb and 0.5 to 8% Zn. Copper and gold are reported in less than half the British Columbia occurrences, with average grades of 0.09% Cu and 4 g/t Au. The veins usually support small to medium-size underground mines. Larger polymetallic vein deposits are attractive because of their high grades and relatively easy beneficiation. They are potential sources of cadmium and germanium.

Exploration guidelines include elevated zinc, lead, silver, manganese, copper, barium and arsenic geochemistry, possible elongate zones of low magnetic geophysical response and/or higher electromagnetic, self potential or induced polarization geophysical anomalies. There is a strong structural control on veins and common occurrence of deposits in clusters, which can be used to locate new veins.

### ***Mineralization***

The Property covers the Nabob, Silver Basin, Duncan, Caribou, Avenue, Faith, Bema and Homestake Minfile occurrences as documented by the Yukon Geological Survey (*Deklerk and Traynor, 2005*). In addition the location of the Gold Hill No. 2 prospect (*Boyle, 1965, p42-43*) lies on or proximal to the Murray 11 claim of the Property, but has not been investigated by the Author. The mineralization at the showings is well described in, and has primarily been summarized from, Boyle (1965).

The Nabob showing (*Minfile No. 105M 006*), in upper McKay Gulch, covers the 050°/60-70°SE trending Nabob #2 vein, exposed on the Blanche Fr and Blanche claim, and traced for 200m (100m northeast and 100m southwest of the old main shaft). The northeast extent of the vein appears to be offset 450m to the east-southeast by a cross fault, where it appears to be exposed as the 035-045°/50-70°SE trending Rum Tum vein approximately 50m southeast of the Blanche claim on the Teach claim registered to Archer, Cathro and Associates (1981) Ltd. (*Wengzynowski, 2000*). The Rum Tum vein was traced for 15m where it disappears under talus cover. The veins are mineralized with galena and freibergite in a siderite gangue, with arsenopyrite and sphalerite reported from the Rum Tum vein.

The Silver Basin showing (*Minfile No. 105M 005*), located on the west side of Silver Basin Gulch on the Murray 5 and 6 claims, covers a number of narrow vein faults reportedly striking 050° to 075°, which are associated with a set of possible cross-faults striking 120° to 155° (*Boyle, 1965*). A main vein trending 030°/65°SE, with quartz-arsenopyrite mineralization and some galena, is reported by Cockfield (1921) to cross the property with four transverse faults intersecting the main vein fault and passing up-section from the quartzites into schists. This is a classic Keno Hill camp “schist cap” ore trap with an additional Keno Hill “vein intersection” ore trap and presents an excellent prospecting target (*M<sup>c</sup>Faull, 2007*).

Five veins are described by Cockfield (1924) on the Silver Basin claim. The first three are longitudinal veins. The No.1 Vein, trending 067°/60°SE, was opened up by the adit, in which one small ore shoot was intersected. It is hosted by quartzite but shortly passes up section into schists. Mineralization is typical galena in siderite with freibergite. The No.2 Vein trends 074°/37°SE and was originally exposed in a small open cut northeast of the adit with a width of 1 foot. Mineralization is mainly arsenopyrite with minor galena in quartz gangue. The open cut is no longer evident, but the vein has been exposed by trenching above this. The No.3 Vein, with similar mineralization to the No.1 Vein, trends 048°/75°SE on average and is exposed in several open cuts at the top of the quartzite band and a short distance below a sill of quartz porphyry.

The No.4 Vein, described as one of the most important on the property, appears to be a mineralized cross-fault by its orientation and would therefore have limited extent. It is exposed in a series of open cuts near the eastern boundary

of the original lease and has a width of 4 feet. The quartz vein trends 157°/50°SW, has been traced over 100 feet by open cuts, and is mineralized with disseminated galena, siderite and freibergite (*Cockfield, 1924*).

The No.5 Vein is reported 150 feet east of the No.3 Vein, above the quartz porphyry sill, but from the position of the quartz porphyry, it appears to lie 150 feet west of the No.3 Vein. It was reportedly partly exposed in an open cut with a width of 8 feet, mineralized with arsenopyrite, galena, freibergite, siderite, barite and occasional flakes of native silver in quartz gangue and cut off in the open cut by a steep dipping normal fault with a small offset (*Cockfield, 1924*).

The longitudinal veins on the Silver Basin showing may be the northeast extension of the Shamrock/Gambler or Faro Gulch No.1 Vein systems (*Boyle, 1965*), both of which were well mineralized and have potential as ore bearing structures (*M<sup>c</sup>Faull, 2007*).

A number of veins and fractures are reported at the Duncan showing (*Minfile No. 105M 003*) on the Murphy 1 claim, but were not traced far with uncertain strikes and dips. One vein appears to strike 035°, dipping steeply. Vein material on the dumps of the workings consists of limonite, wad, siderite, galena and freibergite. Wall rocks appear to be mostly dark carbonaceous phyllites, generally not good host rocks for vein development (*Boyle, 1965*). Most of the veins on the Duncan showing appear to be of the transverse type, lying between longitudinal vein faults that appear to be the northeast projections of the Porcupine-Kinman-Gold Hill No.2 Vein and the Main Fault-Nabob-Ladue Fraction Vein (*M<sup>c</sup>Faull, 2007*).

The Porcupine Vein is documented as the most productive of all the longitudinal type veins in the Keno Hill District (*Deklerk and Traynor, 2005*). It extends from the Apex claim in the southwest through the main workings of the Porcupine-Kinman and Comstock, and through the Gold Hill No.2 prospect to its probable extension, the Gold Queen vein (*Boyle, 1965*). The Gold Hill No. 2 shaft, which tested mineralization associated with the Porcupine Vein system may lie on the Murray 11 claim and the vein fault may continue on to the Duncan showing.

Early reports of mineralization on the Caribou showing (*Minfile No. 105M 062*), on the Murray 3 claim, document a 5 foot wide vein trending 135°/72°NE with galena in a gangue of carbonates, oxides and quartz along the northern slope of Caribou Hill (*Cockfield, 1921*). However, veins with this orientation are not documented in the camp and the mineralization could be caught up in a cross-fault. Boyle (1965) shows a 060°/50°SE vein (Alice Vein) and a 350°/70°E vein (Caribou Vein) on his map. A considerable body of disseminated ore was found below the intersection of the Caribou Vein with a “flat-dipping vein” (*Cockfield, 1921*), probably a cross-fault. An abundance of limonite, wad, cerussite, oxidized siderite, galena, some freibergite and brecciated quartz is reported from the ore dumps (*Boyle, 1965*). The Main Caribou Vein trends northerly and dips 70°E.

A narrow argentiferous vein was reportedly traced for 1220m at the Avenue showing (*Minfile No. 105M 053*) in the 1950's. The orientation of the vein is not well documented due to lack of drilling and recent trenching but may be 033°/42-53°E based on subcrop in Trench 1 (*Hilker, 1971*).

A 290° trending vein, hosted by quartzites and phyllites and mineralized with a few small pods of siderite and galena, limonite, cerussite and anglesite, is documented at the Faith showing (*Minfile No. 105M 002*), on the Ski 30 claim (*Boyle, 1965*). This may represent mineralization from the Faith Vein caught up in the Caribou Hill cross-fault. The Faith Vein is later documented as a northerly trending transverse vein explored by a shaft (*Nordin and Holland, 1981*).

Three quartz veins are reported to cut the Keno Hill Quartzite unit at the Bema showing (*Minfile No. 105M 073*) on the Maja 7 claim, two of which were minor quartz stockworks with disseminated galena assaying up to 490 g/t Ag and the third a quartz vein with minor disseminated arsenopyrite within a 5m stockwork zone. The latter is reported to assay 31.5 g/t Au and 194 g/t Ag (*Bonnar, 1981*). One of the former veins appears to be the transverse T-25 vein discovered by United Keno Hill Mines Ltd. (UKHM) following a sharply defined north-south lineament and traced for 600m along strike with values of 411 g/t Ag, 53% Pb and 439 g/t Ag, 4.32% Pb, 53% Zn (*Costin and Zimmer, 1966*).

A 030°/70°SE vein consisting of siderite, shattered quartzite and streaks of galena and grey copper is documented in the Homestake shaft (*Minfile No. 105M 011*), with a width of 7 feet at the bottom (43 feet). The vein reportedly pinched out towards the end of a 15 foot southerly drift from the bottom of the shaft, but was traced to the north by two open cuts (*Cockfield, 1930*). It is reported that a few tons of galena ore running 200 ounces of silver per ton

were shipped from the property in the mid 1930's and that over 7,000 oz/ton Ag was obtained from float (*Bostock, 1938*). The host rocks are reported to be similar to the Onek (*Boyle, 1965*). Two longitudinal veins were discovered in the 1950's trending 060°/50-70°SE, the Homestake No.1 and No.2.

The southwestern strike extent of the Homestake veins from the quartzites into the upper schists is a favourable "schist cap" ore trap that could have similar potential to that of the Bellekeno (*Boyle, 1965*). The Onek and Bellekeno were significant deposits mined by United Keno Hill Mines Ltd., with current exploration and development work being carried out as documented under section 15.0, "Adjacent Properties" in the Report.

Placer gold has been mined from creeks that drain the Property continuously since 1902. Gold was discovered on Duncan Creek in 1899 with exploration proceeding upstream into Lightning Creek and Thunder Gulch. Large rough gold nuggets with vein quartz attached are common in the area. Mr. Hans Barchen is currently mining at the junction of Lightning Creek and Thunder Gulch and Mr. Kim Klippert is currently mining on McNeil Gulch, between the Homestake and Maja groups.

### ***Exploration***

The Company completed exploration work on the Property from 2007 to July 24, 2008, which included a Phase 1 property wide geological examination and evaluation, with trenching and an HLEM geophysical survey on the Homestake portion of the project, in 2007 (*Pautler, 2008a*), and additional trenching and prospecting in June-July, 2008 (*Pautler, 2008b*). Control was provided by property scale topographic maps, compass and GPS.

The Phase 1 program was followed by a Phase 2 program consisting of 1,762m of diamond drilling, 1510m of rotary air blast drilling in 53 holes, additional trenching and minor prospecting completed between July 25 and September 1, 2008 and funded by the Company. Soil surveys were completed on the western Homestake, upper Faith Gulch and Mt. M<sup>c</sup>Faull areas by the Company in 2009. A total of 2,251m of diamond drilling in 18 holes was completed on the Keno-Lightning Project in 2010.

### ***Drilling***

#### ***Previous Drilling***

The only record of previous drilling was the 203.9m of underground drilling in four holes by Hecla Mining Company of Canada Ltd. in the Homestake Adit. Two of the drill collars were located in 2007 at the end of the east crosscut, one trending northerly and one southerly. It is probable that the remaining two holes were drilled in the same fashion from the end of the west crosscut, which is caved. Results from the drilling could not be located but no mineralization was reported to have been found underground (*Deklerk and Traynor, 2005*). The fact that the west crosscut is caved suggests that the Shaft and the No.1 veins may be offset by a fault.

A drill collar was located on the Maja 13 claim, trending 100°/-45°, with HW casing still left in the hole, in an area of no exposure. The hole may have targeted a geophysical anomaly.

#### ***2008 Drilling***

A total of 1,762m of diamond drilling in 17 holes and 1510m of rotary air blast (RAB) drilling (RAB) in 53 holes was completed on the Property between July 25 and September 1, 2008 by the Company. The diamond drilling was carried out by Kluane Drilling Ltd. of Whitehorse, utilizing NTW thin-walled wireline tools. The rotary air blast (RAB) drilling was completed by Stan Dodd Drilling, Whitehorse, Yukon.

Diamond drill recoveries were generally good, averaging 90%, and production was above average for the Keno Hill camp, averaging 90.3 feet (27.5m)/shift (*M<sup>c</sup>Faull, 2009*). The old Homestake adit provided a steady supply of water for the drill program on the Homestake. Water for the Caribou Hill drilling utilized a supply sump in Faith Creek near the Faith Shaft, 1,500m of waterline with a 450m vertical lift and 4 pumps (*M<sup>c</sup>Faull, 2009*).

The core is stored at the Homestake showing at 489731mE, 7086825mN, Nad 83, Zone 8 projection with two boxes covering a significant intercept in 08HS-009 transported to the Company's field office, Whitehorse, Yukon Territory.

## 2008 diamond drill hole specifications

Hole Number	Nad 83 Easting	Zone 8 Northing	Elev. (m)	Azimuth (°)	Dip (°)	Depth (m)	Recovery (%)	No. of Samples
08CH001	492843	7091192	1796.8	30	-50	140.2	97.6	3
08CH002	492843	7091192	1796.8	30	-65	109.7	99.1	7
08CH003	492839	7091193	956.4	325	-70	100.6	95.6	1
08CH004	429830	7091066	956.4	270	-70	101.8	89.1	1
08CH005	492830	7091046	956.4	270	-70	106.7	87.8	17
08CH006	492830	7091026	956.4	270	-70	88.4	87.8	12
08HS001	489867	7086824	1384.2	330	-50	88.4	83.3	2
08HS002	489867	7086824	1384.2	330	-65	91.4	90.9	3
08HS003	490021	7086738	956.4	330	-50	82.9	85.3	5
08HS004	490021	7086738	956.4	330	-65	44.2	71.9	1
08HS004A	490021	7086738	956.4	330	-65	112.8	87.0	12
08HS005	489933	7086689	956.4	330	-60	83.8	82.2	10
08HS006	489933	7086689	956.4	330	-75	114.3	87.3	8
08HS007	489846	7086639	956.4	330	-60	80.8	87.9	5
08HS008	489846	7086639	956.4	330	-75	114.3	94.9	9
08HS009	490157	7086804	1402.0	330	-50	88.4	93.3	9
08HS010	490310	7086856	1373.9	330	-50	91.4	85.2	5
08HS011	490126	7086942	1340.9	330	-50	121.9	90.2	5
<b>TOTAL</b>				<b>(5781 ft)</b>		<b>1762</b>	<b>90.0</b>	<b>115</b>

The six holes, totalling 647m, drilled on Caribou Hill (Murray 3 claim), targeted the depth extent of the Caribou vein below the main Caribou trench (CH-TR08-1) and the suspected intersection of the Caribou and Alice veins. Another eleven holes totalling 1,335m were drilled on the Homestake showing (Homestake #1, 2, 4 & 6 claims) to explore the depth extent of the Homestake No.1 and No.2 veins below trenches HTR-4 and HTR-1, respectively.

*“The RAB drill program was carried out by a skid mounted Atlas Copco BBE-57-01 rotary percussion drill powered by a 750 cubic feet per minute skid mounted air compressor. Both units were towed by a D-7 winch cat. The rock samples are pulverized to fine dust by the drill bit, and then flushed out of the hole by 100 psi air pressure being forced down the inside of the drill string and out the bit face.”, (M<sup>c</sup>Faull, 2009). The drill mast is fixed at a dip of 57°, yielding a 57° dip for all holes adjusted by the slope of the hillside. A total of 501.2m of RAB drilling was completed on Caribou Hill in 17 holes and 1008.8m on the Homestake Group in 36 holes, for a total of 1,519m of drilling and 243m of casing overburden. The holes were drilled across the strike of the veins, with an azimuth of 270° at Caribou Hill and generally at 330° at Homestake (M<sup>c</sup>Faull, 2009). RAB drilling has been successful in the Keno mining camp in locating mineralized sections of the vein faults to follow up by diamond drilling (Jim M<sup>c</sup>Faull, personal communication).*

The RAB drill was initially mobilized to Caribou Hill and drilling commenced on August 14 and completed August 21, 2008, averaging 206 feet (63m), including overburden, per day on a single shift (M<sup>c</sup>Faull, 2009). Specifications of the Caribou Hill rotary air blast holes are summarized in the table below.

The holes were drilled in two sub-parallel fence lines along two old cat trails across the main trench (Trench CH08-1) where the old shafts and adit are located, on the Murray 3 claim. The southern line started approximately 50m east of the main trench and proceeded westward with holes every 10 to 15m (08RCH001 to 08RCH009). This produced a 115m long cross section through the centre of the main trench (M<sup>c</sup>Faull, 2009). The second fence, about 50m north of the first (about 5m north of the north end of the main trench where the galena stringer vein was exposed), consisted of 8 holes, 15m apart covering a cross section of 135m (08RCH010 to 08RCH017 from west to east) (M<sup>c</sup>Faull, 2009).

**2008 RAB drill hole specifications on Caribou Hill**

Hole Number	Easting NAD83	Northing NAD83	Azimuth (°)	Dip (°)	Depth (ft)	No. of Samples
08RCH001	492843	7090994	270	-55	100	2
08RCH002	492828	7090999	270	-57	100	1
08RCH003	492815	7091006	270	-55	100	1
08RCH004	492805	7091017	270	-57	100	4
08RCH005	492792	7091025	270	-52	55	7
08RCH006	492777	7091028	270	-55	100	
08RCH007	492762	7091030	270	-57	100	
08RCH008	492748	7091034	270	-58	100	
08RCH009	492735	7091012	270	-61	100	
08RCH010	492727	7091081	270	-63	100	
08RCH011	492737	7091080	270	-63	100	
08RCH012	492752	7091079	270	-61	100	1
08RCH013	492767	7091077	270	-62	100	
08RCH014	492782	7091075	270	-62	100	1
08RCH015	492796	7091072	270	-61	100	4
08RCH016	492805	7091060	270	-57	99	4
08RCH017	492815	7091047	270	-60	100	
<b>TOTAL:</b>	<b>17 holes</b>			<b>(501.2m)</b>	<b>1654</b>	<b>25</b>

The RAB drill was moved to the Homestake showing on August 21 to 22 and drilling commenced August 23, terminating September 10, 2008, averaging 175 feet (53m) per day on a single shift (*M<sup>c</sup>Faull, 2009*). Three fence lines were drilled on the southwestern strike extensions of the Homestake No.1 and No.2 veins in an area of suitable flat topography (08RHS001-003, 013-19, 023-034). To the northeast the topography is too steep for fence lines, consequently individual holes were drilled along the more proximal strike length of the No.1 and No.2 veins (08RHS035-045). Hole 08RHS046 was drilled at a 270° azimuth to test the Homestake Shaft vein (*M<sup>c</sup>Faull, 2009*). Specifications of the Homestake rotary air blast holes are summarized in the table below.

**2008 RAB drill hole specifications on Homestake**

Hole Number	Easting NAD83	Northing NAD83	Azimuth (°)	Dip (°)	Depth (ft)	No. of Samples
08RHS001	489720	7086628	330	-60	100	
08RHS002	489704	7086652	330	-64	50	
08RHS003	489690	7086681	330	-62	100	
08RHS013	489503	7086398	330	-64	80	
08RHS014	489488	7086425	330	-63	50	
08RHS015	489473	7086451	330	-62	140	
08RHS016	489458	7086477	330	-61	122	
08RHS017	489443	7086503	330	-61	123	
08RHS018	489429	7086529	330	-62	120	
08RHS019	489414	7086555	330	-62	101	
08RHS023	489331	7086300	330	-58	130	
08RHS024	489316	7086326	330	-57	45	
08RHS025	489301	7086352	330	-57	120	
08RHS026	489286	7086378	330	-65	130	
08RHS027	489271	7086404	330	-62	180	
08RHS028	489257	7086430	330	-61	130	
08RHS029	489241	7086456	330	-60	70	
08RHS030	489228	7086483	330	-57	45	

Hole Number	Easting NAD83	Northing NAD83	Azimuth (°)	Dip (°)	Depth (ft)	No. of Samples
08RHS031	489211	7086508	330	-58	100	
08RHS032	489196	7086534	330	-60	110	
08RHS033	489182	7086561	330	-61	110	
08RHS034	489167	7086586	330	-57	80	
08RHS035	490142	7086807	330	-57	167	
08RHS036	490142	7086807	330	-55	87	
08RHS037	490112	7086805	330	-60	150	
08RHS038	490096	7086808	330	-58	115	4
08RHS039	490068	7086806	330	-60	70	5
08RHS040	490037	7086804	330	-55	30	
08RHS041	490007	7086803	330	-56	71	
08RHS042	489864	7086832	330	-61	60	
08RHS043	489844	7086832	330	-60	40	
08RHS044	489829	7086833	330	-56	40	
08RHS045	489799	7086835	330	-65	65	
08RHS046	489796	7086836	270	-64	60	1
08RHS047	490231	7086872	330	-64	80	1
08RHS048	490202	7086881	330	-62	58	1
<b>TOTAL:</b>	<b>36 holes</b>			<b>(1008.8m)</b>	<b>3329</b>	<b>12</b>

The first fence line of 3 RAB drill holes, spaced 25 to 30m apart, covering the central Trench H-TR07-1 area, targeted the Homestake No.2 vein (08RHS001 to 08RHS0003). The second RAB drill fence line, located approximately 300m southwest of the first line, covered a 180m long fence across the southwest strike projection of the Homestake No.2 and Homestake Shaft veins with 7 RAB holes spaced 30m apart (08RHS013 to 08RHS019). The third fence line, 200m southwest of the second consists of eleven RAB drill holes spaced about 30m apart, covering 300m across the southwest strike projection of the Homestake Shaft and Homestake No.2 vein fault offsets (08RHS023 to 08RHS033). The Homestake No.1 vein is suspected to be located downslope to the northwest on very steep slopes, difficult to access with a drill. RAB holes 08RHS035 to 08RHS041 and 08RHS047 to 48 targeted the depth extent of the Homestake No.2 vein below H-TR1 to H-TR5 and 08RHS042 to 08RHS045 targeted the depth extent of the Homestake No.1 vein below H-TR4 and the Shaft vein in 08RHS046 (*M<sup>c</sup>Faull, 2009*).

#### RAB Drill Results

Initially the RAB samples were analyzed by a Niton XL3 hand held x-ray florescent (XRF) analyzer as described under section 13.0, "Sample Preparation, Analysis And Security" to determine anomalous intervals to send to the laboratory. Based on the XRF analyses a total of 37 samples, 25 from Caribou Hill and 12 from Homestake, were submitted to the laboratory with significant results summarized in the table below. The RAB drilling generally provides only qualitative data (i.e. mineralization is present or absent).

#### Significant RAB drill hole results

Hole Number	Sample No.	Depth (ft)	Ag (g/t)	Au (ppb)	Pb (ppm)	Zn (ppm)	As (ppm)	Sb (ppm)
08RCH001	9448	15-20	<b>66.4</b>	10	4794	1675	25	10
08RCH001	9449	20-25	<b>70.2</b>	<5	3570	1096	45	<5
08RCH002	9444	90-95	<b>76.3</b>	30	<b>1.60</b>	277	145	145
08RCH003	9419	60-65	<b>198.0</b>	225	<b>1.75</b>	4234	740	1230
08RCH004	9339	0-10	<b>214.0</b>	295	9392	984	385	375
08RCH004	9340	10-15	<b>92.0</b>	185	7528	1103	580	235
08RCH004	9342	20-25	<b>110.0</b>	340	8950	3711	1920	125
08RCH005	9330	10-15	<b>46.4</b>	35	2886	701	240	75
08RCH005	9331	15-20	<b>67.8</b>	35	3310	358	205	135

08RCH005	9332	20-25	<b>118.0</b>	55	5160	615	245	420
08RCH005	9333	25-30	<b>60.3</b>	15	2790	545	130	85
08RCH005	9334	30-35	<b>58.1</b>	45	3474	376	185	285
08RCH012	9208	65-70	<b>37.9</b>	10	476	795	20	45
08RCH014	9159	10-15	<b>58.1</b>	30	3700	1309	245	95
08RCH015	9144	30-35	<b>69.8</b>	130	7842	2739	535	105
08RCH015	9150	60-65	<b>30.5</b>	20	7476	1474	90	15
08RCH016	9135	80-85	<b>368.0</b>	740	<b>2.92</b>	2977	1965	425
08RCH016	9136	85-90	<b>65.8</b>	225	5304	1401	760	100
08RCH016	9137	90-95	<b>68.2</b>	175	7876	1493	465	165
08RHS039	7R54728	35-40	10.6	<b>1.72</b>	1312	272	<b>1.48%</b>	50
08RHS039	7R54729	40-45	11.7	<b>1.17</b>	1552	320	3915	70
08RHS039	7R54730	45-50	17.5	<b>1.16</b>	1532	1705	3925	85
08RHS046	8R237544	20-25	<b>70.3</b>	20	<b>1.17</b>	4521	130	105

Au and Ag in **bold italics** denote assays in g/t: Pb and As in **bold italics** denotes assays in %

The RAB drill results from the Caribou showing suggest that the Caribou vein was intersected in 08RCH003, 005 and 014 to 016. A second, possible sub-parallel vein was intersected in the top of 08RCH004. The best intersection (368 g/t Ag) in the RAB drilling program was from the Caribou vein in hole 08RCH016, 17m below the high grade (4714 g/t Ag in sample 9004) galena stringer in the main trench. A small diamond drill program was subsequently undertaken on Caribou Hill, in part to follow up the anomalous RAB drill results.

At the Homestake the RAB drilling was completed subsequent to diamond drilling. No significant results were obtained from the southwest strike projection of the No. 2 and Shaft veins. High manganese values suggest that the Homestake No.2a vein may have been intersected in 08RHS001, the No.2 Vein in 08RHS002 and the Homestake Shaft Vein in 08RHS003. In 08RHS013-019 the veins appear to be offset to the northwest by multiple interpreted cross faults, the Bunker Hill and Mount Keno Faults, which are thought to pass through this area, generating over 150m of right lateral strike offset. Four veins are interpreted on the 08RHS013-019 fence line with the Homestake Shaft vein possibly intersected from 25' to 35' in RAB hole 08RHS026, the Homestake No.2 vein from 35'-40' in 08RHS031, and the newly defined Homestake No.7 and No.8 veins in RAB holes 08RHS033 and 08RHS032, respectively, located 40 to 55m in the footwall of the Homestake No.2 vein. A major cross fault was also intersected in holes 08RHS027 to 030, interpreted as the Galkeno Mill Fault.

Hole 08RHS037 and 038 appear to have intersected both the Homestake No.3 and No.2 veins with anomalous arsenic and Mn with the No.2 vein also intersected in 08RHS039. Hole 08RHS045 is interpreted to have intersected the No.1 vein from 15' to 25' and the Shaft Vein from 35' to 65' with only weak mineralization. The Shaft vein may be offset by the No.1 vein in a right lateral strike slip direction. Hole 08RHS047 targeted the No.2 vein below TR08-3 and intersected the Homestake No.2a vein from 60'-65', but was lost prior to the projected intersection of the No.2 vein.

It is possible that the RAB drilling program on the Homestake showing was successful in tracing the three known veins (No.1, No.2 and Shaft), which were explored over a 1,300m strike length, and defining additional veins. The veins were generally found to be hosted by unfavourable wallrocks and found to be offset by cross faults. However, it is possible that there is a local left lateral offset to the veins to the southwest and the RAB holes did not test the southwest strike extent of the Homestake veins, which would project further to the east.

#### *2008 Diamond Drill Results*

Significant results from the 2008 diamond drill program on the Caribou and the Homestake prospects are set out in the table below.

## Significant 2008 DDH results

Hole	Sample	From	To	Interval	True	Ag	Au	Pb	Zn	Vein
Number	Number	(m)	(m)	(m)	Width	(ppm)	(ppb)	(ppm)	(ppm)	Name
08CH001	7R54689-91*	33.3	35.3	2.0	0.6m	<b><i>116</i></b>	121	9638	1782	Caribou
includes	7R54690	34.3	34.5	0.2		<b><i>958</i></b>	780	<b><i>8.44</i></b>	<b><i>1.22</i></b>	Caribou
08CH002	7R54694-96*	17.7	21.0	3.3	0.25m	<b><i>162</i></b>	375	<b><i>1.54</i></b>	1004	Caribou
includes	7R54695	18.6	19.8	1.2		<b><i>432</i></b>	995	<b><i>4.17</i></b>	2140	Caribou
includes	7R54703	30.0	31.4	1.4		<b><i>120</i></b>	185	9100	1870	Caribou
08CH002	7R54651	71.8	72.9	1.1	0.94m	12.7	40	318	<b><i>4.86</i></b>	Alice
08CH004	7R54653	33.6	34.6	1.0	0.64m	<b><i>84.2</i></b>	590	6406	3880	Caribou 1
08CH005	7R54654-57*	34.0	36.6	2.6	1.67m	<b><i>239</i></b>	179	10.9	4535	Caribou 1
includes	7R54655	35.0	35.5	0.5		<b><i>1046</i></b>	765	<b><i>3.39</i></b>	<b><i>1.44</i></b>	Caribou 1
08CH006	7R54673-81*	34.6	39.2	4.6	2.96m	<b><i>71.8</i></b>	187	5889	4922	Caribou 1
includes	7R54678	37.1	37.6	0.5		<b><i>136</i></b>	290	6236	6305	Caribou 1
and	7R54681	38.6	39.2	0.6		<b><i>118</i></b>	450	<b><i>2.32</i></b>	7701	Caribou 1
08HS003	09397	39.3	40.6	1.3	1.3m	<b><i>54.2</i></b>	45	744	623	H-No.2a
08HS004A	8R237671	79.8	80.1	0.3	0.21m	<b><i>62.8</i></b>	<b><i>3.91</i></b>	<b><i>2.67</i></b>	7590	H-No.2 or 2a
08HS009	8R237712-20*	40.5	45.0	4.5	3.9m	<b><i>50.3</i></b>	<b><i>1.19</i></b>	<b><i>1.87</i></b>	1988	H-No.2a
includes	8R237712	40.5	40.9	0.4		<b><i>98.3</i></b>	<b><i>3.30</i></b>	<b><i>4.29</i></b>	8279	H-No.2a
and	8R237719-20*	43.7	45.0	1.3	1.13m	<b><i>109</i></b>	<b><i>2.00</i></b>	<b><i>4.10</i></b>	443	H-No.2a

\* denotes weighted average

Au and Ag in ***bold italics*** in g/t:

Pb and Zn in ***bold italics*** in %

The true widths of the Caribou Vein in DDH 08CH004-006 are approximately 0.643 times the intercepted width, in 08CH001, 0.296 and in 08CH002, 0.075 times the intercepted width. True widths for the Alice Vein are approximately 0.985 the intercepted width in 08CH001 and 0.853 in 08CH002-3. True widths within the main veins at the Homestake vary from 0.866 (08HS001, 003, 009) to 0.766 (08HS005) to 0.707 (08HS002, 004A) of the intercepted width based on the strike and dip of surface exposures. True widths are approximate since dips of the veins may vary.

A brief description of the 2008 diamond drill holes (including a summary of results) follows, primarily summarized from M<sup>c</sup>Faull, 2009 and checked by the Author by reviewing the logs and sections.

#### *DDH 08CH001 to 003*

DDH 08CH001 to 003 targeted the Caribou and Alice veins proximal to their suspected intersection. DDH 08CH001 and 002 were not drilled at favourable azimuths to test the intersection due to steep topography. The holes intersected interbedded quartz sericite schist, graphite schist and thin bedded to massive quartzite, with interbeds varying in thickness from millimetres to 10 to 20m in thickness; generally an unfavourable host rock for Keno type ore shoots.

Four possible vein zones were intersected in DDH 08CH001; a fracture zone between 11.2 and 13.4m interpreted as the possible northern strike extension of the Caribou Vein; a hangingwall fracture to siderite breccia vein to foliaform quartz from 33.2 to 35.2m interpreted as the fault offset of the Caribou vein; narrow siderite veinlets from 64.6 to 67.1m interpreted as the hangingwall Alice Vein; and a void in an area of quartz sericite and black graphitic schist from 73.1 to 73.2m interpreted as the footwall Alice vein. Four other small zones of black, manganiferous siderite stringers were intersected at 105.2 to 106.1m, 114.4 to 118.3m, 127.85 to 128.1m and 133.5 to 133.8m.

Five possible vein zones were intersected in DDH 08CH002; a siderite vein and stringer zone with galena between 18.6 to 19.8m interpreted as the possible northern strike extension of the Caribou vein; a zone including siderite veinlets in narrow fracture fillings with traces of disseminated galena and pyrite between 28.9 to 31.4m; siderite and manganese fracture fillings between 51.0 to 54.8 interpreted as the fault offset of the Caribou vein, 20m down dip of the 958 g/t Ag intersection in hole 08CH001; drusy quartz stringers breccias with trace pyrite and arsenopyrite between 61.6 and 62.0m interpreted as the hangingwall Alice vein 15m down dip from the intersection in hole 08CH001; and a

brecciated zone with siderite from 71.8 to 73.2m interpreted as the footwall Alice vein 20m down dip from the intersection in hole 08CH001.

Three possible vein zones were intersected in DDH 08CH003, limonitic fractures, fault gouge and shattered core from 20.4 to 21.3m interpreted as a Caribou vein, and two small fault zones at 65.0 to 65.9m and 86.8 to 86.9m interpreted as the Alice veins.

Only three samples were collected from DDH 08CH001, all from the interpreted fault offset of the Caribou vein returning 116 g/t Ag, 121 ppb Au, 0.96% Pb and 0.18% Zn over 2.0m, including 958 g/t Ag, 780 ppb Au, 8.44% Pb and 1.22% Zn over 0.2m. The Caribou vein returned 162 g/t Ag, 375 ppb Au, 1.54% Pb and 0.10% Zn over 3.3m and 120 g/t Ag, 185 ppb Au, 0.91% Pb and 0.19% Zn over 1.4m in DDH 08CH002. One sample from the Alice vein returned, 4.86% Zn but only 12.7 ppm Ag (7R54651). Only one sample was collected from DDH 08CH003, from the Caribou vein returning no significant results.

#### *DDH 08CH004 to 006*

DDH 08CH004 to 006 targeted the depth extent of the Caribou vein below the main Caribou trench (CH-TR08-1). DDH 08CH004 explored the Caribou vein down dip from the north end of the main Caribou trench outcrop, where a narrow galena stringer was exposed. DDH 08CH005 targeted the vein 20m to the south of DDH 08CH004 directly down dip from the old Caribou adit, and DDH 08CH006 a further 20m to the south. The holes intersected mixed black graphitic schist, pale greenish grey quartz sericite schist and massive grey quartzite. The massive quartzite unit, a favourable host rock, appears to thicken to the south.

DDH 08CH004 intersected two possible vein zones, quartzite breccia and siderite veinlets at 33.6 to 34.7m (C1 vein), and a crushed and brecciated zone with limonitic fractures at 48.8 to 50.0m which may be a small fault zone or may represent the main Caribou vein with a slightly shallower dip. Three possible vein zones were intersected in DDH 08CH005, breccia with a manganese stringer stockwork from 34.4 to 35.0m (C1 vein), siderite stringers and fracture fillings at 57.4 to 61.1 and a quartz stringer-vein-breccia zone from 96.4 to 101.5m (C3 vein). DDH 08CH006 intersected three possible vein zones, a strong vein fault consisting of a siderite stringer-breccia zone at 34.6 to 39.2m (C1 vein), a crackle breccia zone from 61.7 to 62.8m (Main vein), and limonitic fracture fillings and a small fault zone between 77.3 and 83.3m (C3 vein).

The upper vein in DDH 08CH004 to 006 exhibited the best mineralization returning 84.2 g/t Ag, 590 ppb Au, 0.64% Pb and 0.39% Zn over 1.0m in DDH 08CH004, 239 g/t Ag, 179 ppb Au, 10.9% Pb and 0.45% Zn over 2.6m in DDH 08CH005 and 71.8 g/t Ag, 187 ppb Au, 0.59% Pb and 0.49% Zn over 4.6m in DDH 08CH005.

The six diamond drill holes on Caribou Hill were successful in intersecting the Caribou and Alice vein systems. There appears to be three sub-parallel veins within the Caribou vein system, striking 360°/70°E. There are two Alice Veins striking N60°E/50°SE.

#### *DDH 08HS001 to 002 and HS011*

DDH 08HS001 to 002 targeted the Homestake No.1 vein down dip from significant mineralization encountered in Trench H-TR4. The holes intersected mixed graphitic schist, massive quartzite, thin bedded quartzite and quartz sericite schist, with small greenstone sills in DDH 08HS001. DDH 08HS011 targeted the northeastern strike extension of the Homestake No.1 vein, 280m northeast of the collars of 08HS001 and 08HS002 and intersected predominately grey quartzite with limestone in the bottom third of the hole.

DDH 08HS001 intersected the No.1 vein at 54.3 to 56.4m, occurring as a strong vein fault with approximately 30% core loss, 25m down dip from the mineralization in Trench H-TR4. DDH 08HS002 intersected the No.1 vein at 64.2 to 65.6m, 20m farther down dip from 08HS001. A narrow quartz vein with trace pyrite and arsenopyrite was also intersected at 20.7 to 20.9m in DDH 08HS002. Two possible vein faults were encountered in DDH 08HS011, possibly the Homestake No.1 at 49.0 to 50.3m and a new quartz breccia vein at 109.7 to 112.5m referred to as the Homestake No.6 vein.

No significant results were obtained from the No.1 vein possibly due to core loss in DDH 08HS001 and unfavourable schistose wallrocks in DDH 08HS002. It is possible that DDH 08HS011 was collared too far to the west and missed the No.1 vein due to its moderate dip to the southeast.

*DDH 08HS003 to 004A*

DDH 08HS003, 004 and 004A were drilled to explore the Homestake No.2 vein down dip from significant surface mineralization exposed in the northeast end of Trench H-TR1. DDH 08HS004, drilled with HTW core was lost due to caving at 44.2m. The hole was successfully reduced to NTW core and redrilled past the cave, as 08HS004A. The holes intersected massive quartzite with more graphitic schist and thin bedded quartzite at lower elevations and a small, steeply dipping greenstone dyke.

DDH 08HS003 intersected two vein zones. An early stage quartz-sulphide (pyrite and arsenopyrite) breccia vein (referred to as Homestake No.2a) was intersected between 37.5 to 44.5m, parallel to and about 25m into the hangingwall of the No.2 Vein, which was intersected as a strong fault zone between 67.4 and 68.9m, 28m below the surface showing of the Homestake No.2 vein in Trench H-TR1. Hole 08HS004 intersected the Homestake No.2a vein as a strong fault zone from 42.8 to 44.2m, at which point the hole was lost. In hole 08HS004a the Homestake No.2a vein, was intersected from 44.3 to 45.8m and the Homestake No.2 Vein as a fault zone with quartz from 76.2 to 80.1m approximately 20m down dip from the 08HS003 intersection and 50m down dip from the surface exposure in Trench H-TR1.

The Homestake No.2a vein returned enhanced values of 54.2 g/t Ag, 45 ppb Au, 0.07% Pb and 0.06% Zn over 1.3m in DDH 08HS003, and the No. 2 vein returned significant gold over a narrow width with 62.8 g/t Ag, 3.91 g/t Au, 2.67% Pb and 0.76% Zn over 0.3m in DDH 08HS004A. It is also possible that both intersections are from the Homestake No.2a Vein, dipping steeply and DDH 08HS003 and 004a, not deep enough to intersect the Homestake No.2 vein.

*DDH 08HS005 to 006*

DDH 08HS005 to 006 were drilled to explore the down dip extension of the Homestake No.2 Vein beneath the centre of Trench H-TR1, 100m on strike to the southwest of the southwestern known extent of the vein. The holes intersected massive grey quartzite with minor black graphitic schist partings down to 60m with massive greenstone below.

The holes intersected the Homestake No.4 vein from 10.9 to 11.3m in 08HS005 (but may be a boulder) and possibly from 20.8 to 21.7m in 08HS006. The Homestake No.2a vein may have been intersected between 46.4 to 59.4m in 08HS005 and between 67.3 and 78.3m in 08HS006. DDH 08HS005 may not have been drilled deep enough to intersect the Homestake No.2 vein, which may have been intersected from 96.7 to 99.7m in 08HS006 as quartz, breccia and siderite breccia with a footwall quartz stringer zone at 108.9 to 109.2m. It is possible that this vein intercept is the down dip extent of the vein (Homestake No.4) intersected in the top of DDH 08HS005 and in fact is the No.2a vein, dipping steeply. Another possible vein was encountered from 32.0 to 32.9m in 08HS006.

No significant results were obtained.

*DDH 08HS007 to 008*

DDH 08HS007 to 008 targeted the Homestake vein system down dip from the southwestern end of Trench H-TR07-1, 105m southwest of 08HS005 and 006. The holes intersected mixed quartzite, thin bedded quartzite and graphitic schist and minor limestone with sericitic schist and greenstone also intersected in the bottom of 08HS008.

DDH 08HS007 intersected two vein zones, possibly the Homestake No.4 vein at 27.0 to 28.5m and the Homestake No.2a quartz breccia-siderite vein from 46.9 to 47.2m. DDH 08HS008 intersected barren cross faults at 19.8 to 21.2m and 26.1 to 30.2m. The Homestake No.4 vein, consisting of quartz breccia and minor pyrite and siderite, was possibly intersected from 36.8 to 40.2m and the Homestake No.2a vein, with disseminated arsenopyrite and pyrite, was intersected at 52.0 to 52.3m. The Homestake No.2 vein was not intersected in this section probably due to the holes not being drilled far enough. A cross fault, referred to as the Core Shack Fault, was intersected at 67.9 to 69.6m, with 5m of right lateral strike slip movement.

No significant results were obtained.

#### *DDH 08HS009*

DDH 08HS009 targeted the Homestake No.2a vein between trenches H-TR1 and H-TR5. The hole intersected massive grey quartzite with minor black graphitic schist partings down to the footwall contact of the Homestake No.2a vein. From there the hole intersected mixed graphitic and sericitic schists, thin bedded quartzite, minor limestone and greenstone.

Two vein zones were intersected, a quartz breccia-stringer zone with pyrite at 29.2 to 31.6m that may be the Homestake No.4 vein, and quartz breccia with minor scorodite and arsenopyrite to siderite vein at 39.4 to 47.9m, as the No.2a vein. Two other weak fault zones were intersected in this hole at 53.0 to 53.7m and at 60.4 to 60.6m at the depths interpreted by M<sup>c</sup>Faull (2009) for the strike projection of the Homestake No.2 Vein.

Significant results include 50.3 g/t Ag, 1.19 g/t Au, 1.87% Pb and 0.20% Zn over 4.5m, including 109 g/t Ag, 2.00 g/t Au, 4.1% Pb 1.1m from the Homestake No.2a vein.

#### *DDH 08HS010*

DDH 08HS010 targeted the northeastern strike extension of the Homestake No.2a vein, midway between Trenches H-TR5 and H-TR6. The hole intersected grey quartzite with variable, from 5% to 45%, black graphitic schist interbeds, with minor limestone and greenstone. Four possible vein zones were encountered, a fault zone at 13.0 to 15.4m which may represent the Homestake No.5 vein, a second fault zone at 39.6 to 39.9m on strike with the Homestake No.4 vein, a third fault zone at 64.6 to 65.0m on trend of the Homestake No.2a vein, and a brecciated white quartz vein and fault zone from 82.2 to 87.9m in an altered greenstone, interpreted as the Homestake No.2 vein.

No significant results were obtained and it is probable that the hole was not drilled deep enough to intersect the Homestake No.2a and No.2 veins.

#### *2010 Drilling*

A total of 2,251m of diamond drilling in 18 holes was completed on the Keno-Lightning Project between August 20 and September 17, 2010 by the Company with 1104.5m in 7 holes conducted on the Silver Basin, and 1146.7m in 11 holes on the Homestake (*Ettlinger, 2011*). The drilling was carried out by Kluane Drilling Ltd. of Whitehorse, Yukon, utilizing two hydraulic KD600 drills with NTW-diameter drill steel.

Diamond drill recoveries and production were generally good for the Keno Hill camp. Core recovery averaged 86% at Homestake and 88% at Silver Basin, and production averaged 29.1 m/shift at Silver Basin (Rig 1) and between 18.7 m/shift (Rig 2) and 27.9 m/shift (Rig 1) at Homestake. Numerous problems were encountered during the drill program, predominantly related to broken ground conditions and inadequate water supplies. Four of the 18 holes failed to achieve their target depth, and three holes, (one at Silver Basin, two at Homestake) were abandoned with drill steel unrecovered. Water at Silver Basin was sourced from a creek, 300 vertical metres below the drill sites utilizing 900m of water line and two pumps. At Homestake, the Homestake adit and run-off in a drainage adjacent to the access road provided drilling water. Upon completion of the 2010 drill program, the drill core was stored in either racks or stacked pallets, wrapped in canvas tarpaulins, and secured for winter.

Diamond drill hole specifications are summarized in the table below. Core was stored adjacent to the core logging and processing facilities at Silver Basin and Homestake, at 491050mE, 7091515mN (NAD 83, zone 8) and 489731mE, 7086825mN (NAD 83, zone 8), respectively.

## 2010 diamond drill hole specifications

Prospect	Hole ID	Nad 83 Easting	Zone 8 Northing	Elev. (m)	Depth (m)	Dip (°)	Azimuth (°)	Recovery (%)	No. of Samples
Homestake	HS10-001	490163	7086811	1402	82.0	-65	330	78.5	14
Homestake	HS10-002	490016	7086797	1392	65.5	-55	258	94.8	16
Homestake	HS10-003	490016	7086797	1392	77.7	-75	258	84.0	0
Homestake	HS10-004	490016	7086797	1392	35.1	-55	280	88.8	0
Homestake	HS10-005	490016	7086797	1392	52.1	-85	280	86.9	13
Homestake	HS10-006	490163	7086811	1402	127.7	-85	330	89.8	11
Homestake	HS10-007	490016	7086797	1392	23.8	-65	320	76.6	1
Homestake	HS10-008	489969	7086722	1436	140.2	-63	330	87.4	4
Homestake	HS10-009	490243	7086872	1359	113.6	-60	330	86.4	5
Homestake	HS10-010	489973	7086720	1432	304.0	-90	-	83.9	5
Homestake	HS10-011	490243	7086872	1359	125.0	-80	345	86.8	6
Silver Basin	SB10-001	491147	7091539	1615	129.3	-50	320	91.9	70
Silver Basin	SB10-002	491147	7091539	1615	203.0	-65	300	88.7	25
Silver Basin	SB10-003	491147	7091539	1615	319.5	-90	-	89.5	25
Silver Basin	SB10-004	491090	7091642	1594	149.4	-60	320	81.0	35
Silver Basin	SB10-005	491090	7091642	1594	146.3	-60	300	70.6	21
Silver Basin	SB10-006	491090	7091642	1594	73.2	-65	268	86.7	19
Silver Basin	SB10-007	491090	7091642	1594	83.8	-80	268	94.7	10
<b>TOTAL</b>	<b>18 holes</b>				<b>2251.2</b>				<b>280</b>

Drilling at Silver Basin targeted depth extensions of the No.3 vein and possibly the No.5 and Main veins (holes SB10-001 to 003), exposed in several historic open cuts, and the No. 1 and 2 veins (holes SB10-004 to 007), exposed in old open cuts, shafts, adits and trenches. At Homestake, holes HS10-002, 003, 004, 005 and 007 targeted high-grade gold and silver zones identified by chip sampling (*Pautler, 2008a*) in the No. 2 vein exposed in Trench H-TR1, holes HS10-001 and 006 targeted the No. 2 and 2a veins, holes HS10-008, 010 targeted depth continuations of mineralization intersected in drill hole 08HS006 (*McFaul, 2009*), and holes HS10-009 and 011 targeted high-grade silver mineralization in the No. 2a vein, exposed in Trench H-TR5 (*Pautler, 2008a*).

## 2010 Drill Results

Significant results from the 2010 diamond drill program on the Silver Basin and the Homestake prospects are summarized in the table below.

## Significant 2010 diamond drill results

Hole No.	Sample No.	From (m)	To (m)	Interval (m)	TW (m)	Ag (ppm)	Au (ppb)	Pb (ppm)	Zn (ppm)	Vein Name
HS10-001	114267-68*	47.3	50.1	2.8	1.98	59	3387	>10000	3738	HS 2a
HS10-002	114002	7.01	7.38	0.37	0.30	38.7	785.8	6871	132	HS 2a
HS10-006	114260	73.15	73.37	0.22	0.09	4027	172.4	>10000	6451	HS 2a
HS10-009	114280	33.35	34.09	0.74	0.57	359	4880.3	>10000	241	HS 2a

\* denotes weighted average

TW denotes true width

True widths of Vein 2a intersections from Homestake vary from 0.422 (HS10-006) to 0.707 (HS10-001) to 0.766 (HS10-009) to 0.819 (HS10-002) times the intersected widths, based on the surface strike and dip of the vein. True widths are estimates, as strike and dip of the vein may vary with depth (*Ettlinger, 2011*).

A brief description of the 2010 diamond drill holes (including a summary of results) is summarized below from Ettlinger (2011) and checked by the author by reviewing the logs and sections.

### **DDH SB10-001 to 003**

DDH SB10-001 to 003 targeted depth extensions of the No.3 siderite-galena-freibergite vein, exposed in historic open cuts at Silver Basin, at increasingly deeper depths. All three holes intersected intercalated bedded to massive quartzite, quartz-sericite schist and graphitic schist and significant zones of broken ground and fault gouge. DDH SB10-001 and SB10-002 failed to reach their target depths of 300m. Hole SB10-001 was terminated at 129.24m when the rods stuck in broken ground, and SB10-002 was terminated at 203.0m due to poor ground conditions.

DDH SB10-001 intersected three possible vein zones. A zone of weak oxidation in dark grey dirty quartzite, containing 5-10% quartz-sulphide veins and rare, narrow (1mm) sulphide stringers, characterized by large, oxidized cubic pits (interpreted as relict sulphides) was intersected between 28.5 and 31.66m and may represent the subsurface expression of the No. 3 vein. A zone of vuggy quartz-carbonate±sulphide veins containing large euhedral oxidized pits in thinly bedded to massive quartzite was intersected at 76.6m to 81.07m. A 60 cm wide quartz-calcite-galena-freibergite vein from 104.2m may represent the sub-surface expression of the No.5 vein, the Main vein or another concealed, previously unidentified vein.

DDH SB10-002 intersected three possible vein zones, an interval of strongly oxidized graphitic fault gouge between 18.7 and 25.4m, which contained minor quartz vein fragments and exhibited a brecciated basal contact with the underlying quartzite, a coarse-grained friable milky quartz vein with dark, fine-grained (possible sulphide) veinlets along quartz grain boundaries in massive quartzite at 133.8m to 134.1m, and a coarse grained milky quartz-pyrite-arsenopyrite-possible tetrahedrite vein in foliated, sericite altered quartzite between 178.7 and 181.88m. The latter intersection may represent Tombstone-age gold mineralization, which pre-dates Keno-type silver mineralization and is related to the intrusion of Tombstone suite granitoids in the region.

DDH SB10-003 did not intersect any possible vein zones.

The best intersection of vein No.3 was 46.8 g/t Ag, 137.2 ppb Au with 0.47% Pb, 1299.4 ppm As and 50.8 ppm Sb over 1.53m from 19.81 to 21.34m in SB10-002 (Sample 113084).

### **SB10-004 to 007**

DDH SB10-004 to 007 targeted the depth extensions of the No.1 and 2 veins at Silver Basin, exposed in historic open cuts, shafts, adits, and trenches. All four holes intersected a package of quartz-sericite schists, graphitic schists and laminated to massive quartzite, with extensive zones of broken ground and numerous faults.

DDH SB10-004 intersected two possible vein zones (No.2 and another vein), a fine-grained quartz-sulphide vein in quartzite between 57.77 and 58.24m, a 6.7m thick zone of broken, weakly oxidized quartzite at 65.29m containing up to 3% narrow quartz-ankerite veinlets.

DDH SB10-005 intersected one possible vein zone (No.2 vein), between 42.24 and 44.20m, characterized by strongly oxidized vuggy quartzite with blade-shaped, limonite-stained euhedral pits and associated siderite and calcite alteration, which may represent the sub-surface expression of the No.5 vein.

DDH SB10-006 intersected four possible vein zones. A coarse grained massive quartz-galena-pyrite-siderite vein, hosted within oxidized quartzite extends from surface to 3.66m (No.1 vein). A zone of bleached, oxidized quartzite, the surface of which is pitted with euhedral vugs with 1-2% silvery sulphide was intersected from 12.6 to 16.5m. The zone is heavy and dense, and appeared to contain up to 7% anglesite (lead sulphate), but no lead was obtained in the laboratory results. A narrow (60 cm) quartz-sulphide vein in unoxidized quartzite was intersected from 32.20m and a friable, oxidized quartz-galena-freibergite vein in massive quartzite between 58.0 and 58.34m, but not sampled.

As in DDH SB10-006, DDH SB10-007 intersected a possible mineralized zone near the surface (No.1 vein), in addition to two further possible vein zones at depth (No.2 vein). The hole intersected up to 40% quartz-sulphide veins in moderately oxidized to unoxidized quartzite from the base of the casing at 4.57m to 9.34m. Veins were

characteristically coarse-grained, oxidized and friable. Two additional possible vein zones were intersected, one at 42.86 to 45.5m, characterized by up to 30% friable vein quartz containing fine-grained silvery sulphides and possible barite in sandy quartzite, and another at 70.42 to 71.02m, a heavy quartz-barite(?) vein with minor silvery sulphides hosted within a fault zone.

No significant results were obtained.

### **DDH HS10-001, 006**

DDH HS10-001 and 006 targeted the No.2 and 2a veins, exposed in Trench H-TR1 and H-TR5, respectively, and were designed to follow up on mineralization intersected in DDH 08HS-009, drilled in 2008, with a planned target depth of greater than 300m in order to intersect the more northerly No.2 vein. Due to difficult drilling conditions both holes were abandoned significantly short of target depth with drill steel remaining in the ground. Both holes intersected a package of predominantly competent weakly to foliated massive quartzite and intercalated quartz-sericite schist and encountered a number of broken and faulted zones, and lenses of unconsolidated sand. Neither hole intersected the No.2 vein, the primary target.

DDH HS10-001 intersected two possible vein zones, a narrow quartz-carbonate-sulphide (galena?) vein in quartzite between 20.08 and 20.32m, and a broad zone between 47.3 and 55.2m characterized by white fault gouge containing 10-15% friable quartz veins between 47.3 and 48.75m, a coarse grained, vuggy, strongly oxidized quartz vein with up to 10% galena between 48.75 and 50.1m, brecciated massive quartzite with vuggy broken siderite, trace oxidized galena and rare silvery sulphides (possibly freibergite) in the footwall of the above quartz vein, and a massive, friable, weakly oxidized quartz vein with minor scorodite between 54.8 and 55.2m.

DDH HS10-006 intersected one possible vein zone comprising a 1.05 m wide zone of strongly oxidized quartzite at 60.0m, hosting up to 20% vuggy quartz veins with oxidized euhedral pits, possibly reflecting the presence of sulphides, and a zone of a brecciated and faulted quartzite between 62.4m and 74.91m, which terminated in a narrow (0.27 m) vuggy quartz vein hosting up to 20% galena at the basal contact.

In both holes, the zones are interpreted to be the Homestake No.2a vein, intersected by DDH 08HS-009. DDH HS10-001 returned 3387.6 ppb Au over 2.7m from 47.3m, hosted within a vein fault, and DDH HS10-006 returned 4027 g/t Ag (129.5 oz/t) over 0.27m from 73.15m in a narrow vuggy quartz-galena vein.

### **HS10-002 to 005, 007**

DDH HS10-002 to 005 and 007 targeted high-grade mineralization reported from chip samples collected from the No.2 vein exposed in Trench H-TR1. The vein was targeted with a series of five short holes, all of which were drilled from a single pad at different dips and azimuths to define the orientation of the vein at depth. All five holes intersected a package of massive to foliated grey quartzite and intercalated felsic and graphitic schist, with numerous broken and faulted zones, and lenses of poorly indurated sand.

DDH HS10-003 and 004 did not intersect any vein zones, and were not sampled. DDH HS10-002, 005 and 007 intersected possible vein zones, in all cases represented by fragments of quartz vein rubble in faulted zones within quartzite. The zones were intersected at 22.0 to 22.56m and 53.88 to 54.65m (HS10-002); 12.83 to 16.14m and 36.81 to 51.82m (HS10-005); and 14.29 to 16.15m (HS10-007).

No significant results were obtained.

### **HS10-008, 010**

DDH HS10-008 and 010 were designed to test the No.2 and 2a veins, targeted originally in DDH 08HS-005 and 006. Both holes had projected target depths of >300m, but, due to poor ground conditions and drilling difficulties, DDH HS10-008 was terminated at 140.21m to avoid the loss of drill steel in the hole. Both holes intersected a package of massive to schistose quartzite with minor interbedded graphitic schist and numerous rubbly, broken and faulted zones. Both holes intersected a dolerite dike; neither intersected the No.2 vein.

DDH HS10-008 intersected two possible vein zones, both characterized by coarse grained limonite stained quartz fragments in fault zones, between 80.63 and 82.17m and 97.54 to 99.02m, and a bleached, brecciated zone at the contact between the dolerite dike and underlying quartzite, from 59.13 to 59.64m.

DDH HS10-010 intersected three narrow possible vein zones, a 0.20 m wide zone of vuggy quartz vein rubble in faulted quartzite from 30.8m, a white friable vein quartz with limonitic clots within a fault zone in schistose quartzite between 82.8 and 84.42m, and a zone of banded vuggy quartz in massive quartzite between 185.93 and 187.57m.

No significant results were obtained.

### **HS10-009, 011**

DDH HS10-009 and 011 targeted the depth extent of high-grade gold and silver samples collected in 2007 from the No.2a vein, exposed in Homestake Trench H-TR5. Both holes intersected a monotonous sequence of grey massive quartzite with numerous rubble and fault zones.

DDH HS10-009 intersected two possible vein zones, one at 32.38 to 36.86m, characterized by friable, vuggy oxidized vein quartz with up to 10% coarse grained galena clots, hosted within rubbly quartzite, and another at 94.66 to 95.63m, characterized by a broken, oxidized quartz vein within a rubbly quartzite zone. Hole HS10-011 intersected the same two possible vein zones, at 43.80 to 48.47m and at 87.84 to 90.06m.

DDH HS10-009 returned a best intersection of 4880.3 ppb Au and 359 g/t Ag (11.5 oz/t Ag) over 0.74m from 33.35m, likely from the No.2a vein, represented by friable faulted quartz-galena veins. Hole HS10-011 did not return significant results.

### ***Sampling Method and Approach***

In 2008, a total of 102 rock samples, three moss mat and two soil samples were collected from the property during the Phase 1 program for geochemical analysis. Fifty-seven samples were collected from the original showings and surrounding area across the Property to confirm previous results and evaluate the potential of the showings. Forty-five samples were collected from the Phase 1 trenching program on the Homestake property, discussed under the "Trenching" section of the Report. An additional 105 rock samples were collected from the Phase 2 prospecting and trenching program, with 43 of the samples collected from trenches.

Rock samples from the original showings and surroundings primarily consisted of grab samples of mineralized veins and altered zones, due to exposure as subcrop and local float. Chip samples were collected where possible. It should be noted that there is extremely poor exposure on the property, particularly in the mineralized zones including in the old trenches. The samples were located and recorded by GPS in the field using UTM coordinates, Nad 83 datum, Zone 8 projection, placed in clear plastic sample bags, numbered and secured in the field. Trench samples primarily consisted of chip samples across veins and adjacent wallrock, and across other mineralized and/or altered zones. Sample descriptions, locations and select results (Au, Ag, As, Sb, Cu, Pb and Zn) are documented in the Report in Appendix II and locations are plotted on Figures 5 to 11 and 14. Some panel samples were collected from the trenches in the 2008 Phase 2 program as documented in Appendix II.

In the Phase 2, 2008 drill program, 115 samples were collected from diamond drill core and 37 samples from the RAB drill cuttings. Vein intersections and other mineralized and/or altered zones were sampled in the diamond drill core with sample intervals varying from 0.2 to 1.7m, the former interval due to the often narrow, high grade vein sections typical in the Keno mining camp.

Core recovery averaged 90%, and was good even within the mineralized sections and fault zones encountered, indicating that the grades intercepted in diamond drilling are closely representative of the actual grades encountered. One exception is the No.1 Vein intercept in DDH 08HS001, intersected at 54.3 to 56.4m, with only 69% recovery. This could result in lower values for the interval since soft sulphide mineralization is more readily lost.

In addition true widths within the main veins at the Homestake vary from 0.866 (08HS001, 003, 009-011) to 0.766 (08HS005, 007) to 0.707 (08HS002, 004, 004A) to 0.574 (08HS006, 008) of the intercepted width. The true widths

of the Caribou Vein (tested by DDH 08CH004-006) are approximately 0.643 times the intercepted width and for the Alice Vein 0.985 the intercepted width in 08CH001 and 0.853 in 08CH002-3.

The 2009 soil samples were collected with a Swede pick from the B horizon at an average depth of 20 cm and sent to ACME Analytical Ltd. for 36 element ICP-MS and Au fire assay (*Blackburn, 2010*).

During the 2010 drilling program (*Ettlinger, 2011*), 280 samples were collected from diamond drill core. The core was sampled at natural lithological breaks, but at intervals generally ranging between 0.2m and 2.0m, except where poor recovery made narrower sample intervals impractical. Intervals greater than 1m that were interpreted in the field to be potentially mineralized were sampled at 1m intervals. Core recovery was generally good, averaging almost 90% at both prospect areas; however, faulted and rubbly zones often had much poorer recovery. At Homestake, all the mineralization intersected was hosted within friable rubbly veins within intervals that had recoveries between 45.5 and 65.2%. Soft heavy sulphide minerals may be preferentially removed during drilling; therefore all results returned from Homestake may under-report actual grades.

### ***2007 to 2009 Exploration Programs***

The 2008 Phase 1 samples were collected by, or under the supervision of, the Author, placed in clear plastic sample bags, numbered and secured in the field. Samples were personally delivered to the sample preparation laboratory of Eco Tech Laboratory (The Stewart Group) in Whitehorse for preparation and then internally sent directly to Kamloops, British Columbia for analysis. Laboratory sample preparation and analysis procedures are outlined in Appendix III of the Report. Eco Tech is an ISO 9001 accredited facility, registration number CDN 52172-07.

The samples were analyzed by Eco Tech Laboratory Ltd. (The Stewart Group), Kamloops, British Columbia for Al, Sb, As, Ba, Bi, Cd, Ca, Cr, Co, Cu, Fe, La, Pb, Mg, Mn, Mo, Na, Ni, P, Ag, Sr, Ti, Sn, W, U, V, Y and Zn using a 28 element ICP package which involves a nitric-aqua regia digestion. Gold was analyzed by fire assay with an atomic absorption finish. Due to high values, seventy-six assays were completed for gold, silver, lead, and/or zinc in 2007 and thirty in the 2008 Phase 1 program.

Quality control procedures were implemented at the laboratory, involving the regular insertion of blanks and standards and repeat analyses of at least 25% of the samples, with re-analyses being performed for one sample in each batch on the original sample prior to splitting (resplit).

In the 2008 Phase 2 diamond drill program all of the core was transported to, logged and select samples split in half, at the core shack located on the Homestake showing. Logging was completed by Mr. Jim McFaull and splitting was completed by the Company's personnel. Samples were split in half using a mechanical core splitter, with assay splits tagged, placed in clear plastic, numbered sample bags, and secured, then placed in larger rice bags, which were sealed for shipment. The rice bags were transported to Whitehorse by company personnel and delivered to the sample preparation facility of Eco Tech Laboratory (The Stewart Group) in Whitehorse, prepared and internally sent directly to Eco Tech Laboratory (The Stewart Group) of Kamloops, British Columbia for analysis. Sample security was maintained by company personnel from the drill directly to the lab facility (*McFaull, 2009*).

The remaining half of core is stored in well constructed core racks beside the core shack at the Homestake showing at 489731mE, 7086825mN, Nad 83, Zone 8 projection, with two boxes covering a significant intercept in 08HS-009 transported to the Company's field office, Whitehorse, Yukon Territory.

Core sample assays were checked for quality assurance and quality control by the introduction of sample standards and blanks within the sample stream on a regular basis, particularly after sampling a vein zone in order to detect contamination. A total of 21 standards and 21 blanks were inserted for a total of 42 quality control samples. Results from the standard and blanks were completely within acceptable limits. Re-assaying of selected mineralized pulps at a second independent laboratory were not performed but are recommended in future drill programs on the property. Standard quality control procedures involving duplicate analyses and the analysis of standards was completed by the laboratory, with no discrepancies noted.

In the RAB drilling "the sample dust is captured at surface by a device called the "umbrella" which is slipped over the top of the casing pipe to trap the sample dust ejecting from the hole and divert it into a steel sample pan sitting on the drill deck. The sample is recovered from the sample pan by a steel or plastic scoop and placed into a 6 mil

clear plastic sample bag. Samples were taken every 5 feet (1.5m) or 2 samples for every 10 foot drill steel that is drilled into the ground. The bags are double bagged so that the sample tag can be placed in between the two bags, thus keeping the sample tag dry if the sample is wet.”, (*M<sup>c</sup>Faull, 2009*). The sample bags were collected from the drill sites by company personnel using an ATV with a small trailer and brought to the Homestake core shack for analysis at the end of each shift.

The on site analysis of the RAB samples has been summarized from M<sup>c</sup>Faull (2009). A small amount of material was removed from the sample bag and placed in a small plastic cup. This cup was then placed in a lead lined box and analysed by a Niton XL3 hand held x-ray florescent (XRF) analyser. This device gives instantaneous 33 element analysis with accuracy similar to that obtained by assay laboratories (works well for silver, lead and zinc, but not gold), with detection limits for most elements in the low parts per million range. It should be noted that the RAB drilling provides only qualitative data (mineralization is present or absent) as opposed to quantitative data in diamond drilling (grade over width). The sample results were saved to computer and samples stored in rice bags at the Homestake adit yard at 489810mE, 7086945mN, Nad 83, Zone 8 projection.

A total of 37 samples, 25 from Caribou Hill and 12 from Homestake, were submitted to the laboratory for all significant mineralization observed, for samples with anomalous XRF results, and as check assays to verify the XRF results (which indicated that the XRF results were within reasonable error). The samples were also duplicated for each individual sample bag, with one sample from the top of the bag and one from the bottom, showing reasonable reproducibility. Some variation is expected due to settling of heavier material during transportation (*M<sup>c</sup>Faull, 2009*).

All 115 core samples and the 37 RAB check samples were analyzed by Eco Tech Laboratory Ltd. (The Stewart Group), Kamloops, British Columbia for Al, Sb, As, Ba, Bi, Cd, Ca, Cr, Co, Cu, Fe, La, Pb, Mg, Mn, Mo, Na, Ni, P, Ag, Sr, Ti, Sn, W, U, V, Y and Zn using a 28 element ICP package which involves a nitric-aqua regia digestion. Gold was analyzed by fire assay with an atomic absorption finish. Assays were completed for gold, silver, lead, and/or zinc on all overlimit results.

The 2009 rock and soil samples were collected by Matthias Bindig, Lauren Blackburn Casey Adshead and Wynn Tupper and sent in to ACME Analytical Labs of Vancouver, British Columbia for 36 element geochemical ICP-MS analysis, using Acme’s Group 1DX analysis procedure, and fire assay for gold. The ICP package which involves a nitric-aqua regia digestion and mass spectrometry finish, includes analysis for Al, Sb, As, Ba, Bi, B, Cd, Ca, Cr, Co, Cu, Ga, Au, Fe, La, Pb, Mg, Mn, Hg, Mo, Na, Ni, P, Ag, K, Sc, Sr, S, Tl, Th, Ti, Sn, W, U, V and Zn. Acme is an ISO 9001:2000 accredited facility, registration number FM 63007. Laboratory sample preparation and analysis procedures are outlined in Appendix III of the Report. Standard quality control procedures involving duplicate analyses and the analysis of standards was completed by the laboratory.

All sample preparation was conducted by the laboratory. Overall, sample preparation, security and analytical procedures were all acceptable. There is no evidence of any tampering with or contamination of the samples during collection, shipping, analytical preparation or analysis.

### ***2010 Exploration Program***

The following is from Ettlinger (2011):

“Diamond drill core was transported from the drill at the end of each shift to core logging and processing facilities located at each prospect. The core was logged, and select intervals split or sawn at the respective core shacks. Dr Art Ettlinger and Ms. Joanna Ettlinger logged the core, and supervised the sampling, which was conducted by Monster contract personnel. Samples were either split using a hydraulic splitter or sawn using a diamond saw, placed with their sample tag into a labeled plastic bag, then sealed and placed into a labeled rice bag for shipment. Silver Basin samples were removed from site at the end of each day and stored in a locked shed at the crew house in Keno; Homestake samples were locked into the logging facilities at the end of each day. The rice bags were delivered by Core Expediting and Hotshot to Acme Analytical Laboratories, Whitehorse preparation facility, where they were crushed and pulped, then sent internally to Acme’s Vancouver analytical facility for analysis.

Sample security was maintained by Monster and Core Expediting and Hotshot personnel from the drill to the preparation facility in Whitehorse, at which time sample security was assumed by Acme Analytical Laboratories Inc. The remaining core is stored in racks or on pallets at the Silver Basin (491050mE, 7091515mN, NAD 83, zone 8) and Homestake (489731mE, 7086825mN, NAD 83, zone 8) prospects.

Samples were submitted to the lab with standards, blanks and field duplicates to check for quality assurance and quality control at the laboratory. Quality control samples were inserted at regular intervals in every hole, and particularly after a vein zone to detect contamination. Sixteen blanks, 20 standards and 10 field duplicates were inserted for a total of 45 QAQC (quality assurance and quality control) samples. Both the Whitehorse preparation facility and the Vancouver analytical facility are ISO9001:2008 registered (Certificate No. FM 63007).

All 312 samples were submitted to Acme Analytical Laboratories for analysis of Ag, Al, As, Au, B, Ba, Bi, Ca, Cd, Co, Cr, Cu, Fe, Ga, Hg, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Se, Sr, Te, Th, Ti, Tl, V, W and Zn using an aqua-regia (1:1:1 HCl-HNO<sub>3</sub>-H<sub>2</sub>O) digest and ICP-MS (inductively coupled plasma mass spectroscopy) analysis, on a 15 g sample (analytical method 1DX2). Samples returning >500 ppb Au or >100 ppm Ag were re-analyzed by fire assay with an atomic absorption (AA) finish. Laboratory-inserted blanks (analytical and method), standards and duplicates (pulp and preparation) verify internal quality assurance/quality control procedures. Sample preparation, security and analytical procedures were all acceptable and there is no evidence of any tampering with, or contamination of the samples during collection, shipping, analytical preparation or analysis.”

### ***Data Verification***

Thirty-two samples were collected in 2007 from the original showings and surrounding area across the Property to confirm significant previous results, to verify the grade and tenor of mineralization on the Property and to gain information with which to focus continued exploration. The samples were located and recorded by GPS in the field using UTM coordinates, Nad 83, Zone 8 projection. Sample descriptions, locations and select results (Au, Ag, As, Cu, Pb and Zn) are documented in Appendix II of the Report. As discussed under section 10.1, “Geochemistry”, results confirmed the presence of significant silver-lead-zinc-gold mineralization on the Property.

The current geochemical data was verified by sourcing original analytical certificates and digital data. Analytical data quality assurance and quality control was indicated by the favourable reproducibility obtained in laboratory standards, blanks and duplicates. The Author has no reason to doubt the accuracy of the laboratory data. The quality control procedures discussed above under “Sampling Method and Approach” verified the results obtained. Quality control procedures are outlined under the section “Sample Preparation, Analysis and Security”.

The Property was last visited by the Author on July 24 and 25, 2010 for a personal inspection and to provide a one day orientation to Dr. Art Ettliger. The proposed 2010 drill sites were examined at this time. A new site visit has not been made following the 2010 drill program due to inaccessibility and obscurity due to snow cover, and is not deemed necessary due to the Author’s strong familiarity with the Property, including sites drilled and the supervision of the program by competent professionals as documented in Ettliger (2011). The Property is at an early exploration stage with only 4,012m of diamond drilling completed on three showings on a 6,650 hectare property with eight documented Minfile occurrences. The entire 2010 data was reviewed by the Author, including drill logs, analytical results, QA/QC, core recovery data, photos of core storage, drill time sheets, and GPS files documenting the drill site locations.

### ***Adjacent Properties***

The Property is situated within the Keno Hill silver mining camp which hosts over 65 deposits and mineralized showings. Currently two exploration companies are actively exploring adjacent to the Property, Alexco Resource Corp. (Alexco) and the Hinton Syndicate. The Author has not been able to independently verify the following information which is not necessarily indicative of the mineralization on the Property.

In late 2007 Alexco announced the finalization of the acquisition of the assets of United Keno Hill Mines Limited, which included 759 quartz mineral claims and mining leases covering 35 past producing mines (*Alexco Resource Corp. December 6, 2007*). In 2006 and 2007 Alexco completed extensive surface diamond drilling on the

Bellekeno, Onek, and Husky Southwest deposits with minor drilling on six others, but had tested less than 5% of the productive terrain in the district (*Alexco Resource Corp. December 6, 2007*).

Alexco announced commencement of commercial production as of January 1, 2011 at its 100% owned Bellekeno silver-lead-zinc mine and mill complex in the Keno Hill silver district (*Alexco news release, January 6, 2011*). The Bellekeno Mine contains an indicated mineral resource of 401,400 tonnes grading 921 g/t Ag, 9.4% Pb and 6.5% Zn, based on an NSR cut-off of US\$185 per tonne, calculated on an in-situ (undiluted) basis with metallurgical recoveries applied (*Alexco news release, November 11, 2009*).

An extensive exploration program, planned to include approximately 30,000m of diamond drilling, was completed by Alexco in 2010. At the Onek zinc-silver deposit, approximately 1.5 km northwest of the Bellekeno, high grade zinc-silver mineralization was confirmed at least 400m along strike, 220m down dip, and remains open to the southwest and down plunge including an interval grading 1,518.6 g/t Ag, 1.00 g/t Au, 17.93% Pb and 3.15% Zn in DDH K10-265 (*Alexco news release, October 6, 2010*). The Lucky Queen silver deposit was extended with results of 1,878 g/t Ag, 0.140 g/t Au, 0.3% Pb and 0.7% Zn over 1.12m from 231.55 to 232.67m and 1,756 g/t Ag, 0.079 g/t Au, 4.9% Pb and 3.3% Zn over 1.33m from 245.37 to 246.7m in DDH K10-278 (*Alexco news release, December 16th, 2010*).

The 186 claim Mt. Hinton property of the Hinton Syndicate adjoins the southeastern boundary of the Property, with the main showing approximately 2 km south. Over 50 vein showings occur over a 300m by 2 km long trend and 250m vertical extent, primarily consisting of early stage Keno Hill type vein mineralization with arsenic, antimony, commonly high grade gold and silver-lead-zinc values (*Yukon Gold Corp. Inc news release, January, 2008*).

Trenching at Mt. Hinton in 2007 extended the area of known mineralization, exposing several veins returning 1.36 g/t gold, 183 g/t silver and 2.1% Pb across 6m and 1.27 g/t gold, 116 g/t silver and 1.7% Pb across 3.1m (*Yukon Gold Corp. Inc. November, 2007*). Previous results include an average grade of 42.5 g/t gold and 662 g/t silver over an average width of 1.04m for a total length of 183m from the 21 vein, based on channel samples at 0.61m intervals.

### ***Mineral Processing and Metallurgical Testing***

The Property is at an early exploration stage and no metallurgical testing has been carried out. However, showings on the property include Keno Hill type veins which have specific mineralogical characteristics. Ore from such veins can be processed by means utilized by United Keno Hill Mines during its operation. The following information regarding processing by United Keno Hill Mines was acquired from Mr. Jim M<sup>c</sup>Faull who has 20 years experience in the Keno Hill mining camp and incorporates data from Watson (1984).

The mineralogy of the Keno Hill veins is a highly varied mix of sulphides and sulphosalts. The main ore minerals are argentiferous galena carrying 20 to 250 oz/ton Ag, argentiferous tetrahedrite (freibergite or grey copper) carrying 400 to >1,000 oz/ton Ag and sphalerite carrying 1.0 to >200 oz/ton Ag. The silver sulphosalts present include pyrargirite/proustite (ruby silver) and stephanite, which both carry 200-500 oz/ton Ag. Native wire silver is also present in quantity in some Keno Hill ore bodies and can carry assays in excess of 2,000 oz/ton Ag. There are numerous other silver bearing minerals in minor amounts which can carry very high silver values, which include argentite, acanthite and argento-plumbjarosite. Some of these minerals have assayed in excess of 22,000 oz/ton Ag in hand specimens at Keno Hill.

There is also an earlier stage of vein mineralization which has less silver, lead and zinc and more arsenic, antimony and gold. These zones are mainly arsenopyrite, jamesonite, boulangerite and bournonite with very occasional free gold as wires or small blebs.

The Keno Hill veins can carry as much as 30% ore minerals within the vein. Average ore shoots would be 200-300 feet in strike length, 5 to 50 feet in width and 200 to 1000 feet down dip. Total silver production in the camp exceeded 200 million ounces from 1914 to 1989.

Milling this ore was carried out by a nominal 500 ton per day mill (*Watson, 1984*). In practical terms, production seldom exceeded 300 tons per day in the later years of the mine's life. The mill process was a standard primary jaw crusher-secondary ball mill grinding circuit reducing the raw ore to a minus 200 mesh feed for the flotation circuit.

The flotation circuit produced a high grade silver/lead concentrate for shipping to smelter. Occasionally the mine also produced a separate zinc/silver concentrate when zinc prices were high enough to warrant it.

The mill head grade was 22.0 oz/ton Ag in the 1980's (down from 30-40 oz/ton Ag in previous decades) and was upgraded to 225-250 oz/ton Ag in the lead concentrate. This flotation concentrate was dried on vacuum filters to remove moisture before shipping and was then bagged in large canvas ore bags and trucked to the Cominco smelter at Trail, British Columbia.

On occasion a cyanide circuit was operated to treat the waste from the flotation circuit and a very high grade silver concentrate was produced. A small electric smelter was built in Elsa in the early 1980's and operated very briefly to produce a dore bullion silver ingot product, which assayed close to 999 fine silver.

Mill recoveries were generally in the high 90 percentile range for clean sulphide ore. However, when blended with highly oxidized and clay rich open pit ore, the recoveries were extremely variable and could drop below 50% with high loss of silver to the tailings.

The mineralogy and processing information listed above is not necessarily applicable to the mineralization on the Property.

#### ***Mineral Resource and Mineral Reserve Estimate***

There has not been sufficient drilling on the Property to undertake a resource calculation and therefore no NI 43-101 compliant resource pertains to the Property.

#### ***Other Relevant Data and Information***

There is no other relevant data or information concerning the Property.

#### ***Interpretation and Conclusions***

The Property constitutes a property of merit based on the presence of high grade silver-lead+zinc+gold mineralization at the showings across the Property and the relatively untested exploration potential, especially given the lack of systematic and recent exploration programs on the showings. Previous exploration on the Property area was hampered by lack of exposure, thick overburden cover, variable but generally poor soil profiles, and more remote access compared to many of the showings in the Keno mining camp.

There is excellent potential that the Property hosts mineralization similar to that on the adjacent Keno Hill Project of Alexco Resource Corp. There are eight documented Minfile occurrences within the Property, the Nabob, Silver Basin, Duncan, Caribou, Avenue, Faith, Bema and Homestake. The Nabob #2 vein on the Nabob is reported to assay 11,527 g/t Ag and 29.8% Pb over 35.6 cm and traced for 200m. At least five veins are previously reported on the Silver Basin with assays of 2057 g/t Ag and 13.7 g/t Au reported. In the 1920's 11.8 tons of ore grading 25,462 g/t Ag and 22% Pb was produced from the Duncan, 11.3 tons of ore from the Faith with assays up to 7,313 g/t Ag reported from the dump, and 78.9 tons of ore grading 6,103.9 g/t Ag and 70% Pb from the Caribou. More recent work on the Caribou returned 8,571.2 g/t Ag over 0.3m in 1986. A narrow argentiferous vein was traced for 1220m on the Avenue in the 1950's. At the Bema a quartz vein with minor disseminated arsenopyrite within a 5m stockwork zone is reported to assay 31.5 g/t Au. Work in the 1960's on the Homestake uncovered three veins, one of which returned maximum values of 102.9 g/t Au over narrow widths, with another reportedly assaying 1,131.4 g/t Ag, 2.2% Pb and 0.5% Zn over 7.6m.

Only two of the showings were tested by the 2008 diamond drill program, the Homestake and the Caribou. The six diamond drill holes on Caribou Hill were successful in intersecting the Caribou and Alice vein systems. The Caribou vein returned the best results with 116 g/t Ag, 121 ppb Au, 0.96% Pb and 0.18% Zn over 2.0m, including 958 g/t Ag, 780 ppb Au, 8.44% Pb and 1.22% Zn over 0.2m in DDH 08CH001, 162 g/t Ag, 375 ppb Au, 1.54% Pb and 0.10% Zn over 3.3m in DDH 08CH002 and 239 g/t Ag, 179 ppb Au, 10.9% Pb and 0.45% Zn over 2.6m in DDH 08CH005. Good potential exists within the favourable quartzite unit to the south and at depth.

The 2008 diamond drill and trenching program was successful in tracing the Homestake No.2a vein for 660m along strike, a maximum tested depth of 50m and was instrumental in the interpretation of the veins. There appears to be two Homestake No.2 veins intersected in the eastern Homestake trenches. Homestake No.2 is only exposed in the lower part of H-TR1 and may dip more steeply than in the surface exposure, which dips 70°SE. Homestake No.2a is exposed in H-TR08-3, H-TR5 and 6 and may dip steeply (85-90°NW). In this case the Homestake No.2a vein was also intersected in HS003, 004a, HS005, HS006, HS008 and HS009, and DDH HS003, 004a (HS004 was lost prior to the projected vein intersection), HS005, 007, 008 and 010 may not have been drilled deep enough to intersect the Homestake No.2 vein. DDH 08HS010 may not have been drilled even deep enough to intersect the Homestake No.2a vein.

The 2010 Homestake drill program followed up on results from the 2008 drill program, based on recommendations of the author (*Pautler, 2010*). The 2010 program tested the No.2a vein to a vertical depth of 78m in holes HS10-001 and 006. Hole HS10-009 intersected the No.2a vein at a down-hole depth of 33.35m. Holes HS10-008 and 010, which targeted the No.2 and 2a veins, did not intersect any significant mineralization. These holes were also designed to target the No.2 vein, as were holes HS10-008, 010 and 011, however, only hole HS10-010 achieved its planned depth and none of the holes were drilled deep enough to intersect the No.2 vein. Holes HS10-002, 003, 004, 005 and 007, which targeted high-grade mineralization in vein No.2 outcropping in Trench H-TR1, did not intersect any significant mineralization.

The best drill intersection on the Homestake No.2a vein are in HS009 with 50.3 g/t Ag, 1.19 g/t Au, 1.87% Pb and 0.20% Zn over 4.5m, including 109 g/t Ag, 2.00 g/t Au, 4.1% Pb over 1.1m; in HS10-001 with 3387.6 ppb Au over 2.70m; and in HS10-006 with 4027 g/t Ag (129.5 oz/t) over 0.27m. The vein returned enhanced values of 54.2 g/t Ag, 45 ppb Au, 0.07% Pb and 0.06% Zn over 1.3m in DDH 08HS003, and 62.8 g/t Ag, 3.91 g/t Au, 2.67% Pb and possibly 0.76% Zn over 0.3m in DDH 08HS004A. True widths would have to be adjusted, based on the actual dip of the vein, which is still uncertain. The vein remains open to the northeast (where stream sediment samples collected in Phase 1, 2008 suggested continuity of the vein) and to the southwest.

The Homestake No.1 vein was intersected in 08HS001 and 002 down dip from significant intersections in H-TR4 (2,844 g/t Ag, 300 ppb Au, 25.9% Pb and 6.1% Zn across 4m) but poor recovery in HS001 and schistose wallrocks in HS002 resulted in no significant results. The adit tested this vein at a similar elevation as in HS002, approximately 40m along strike to the southwest, with no significant results due to schistose wallrocks. Quartzite appears to be more prevalent to the southwest and northeast along strike. HS011, primarily consisting of the favourable quartzite unit, targeted the vein 280m along strike to the northeast, but may have been collared too far to the west and missed the No.1 vein due to the moderate dip of the vein to the southeast. No additional holes (DDH or RAB) targeted the northeast strike extent of the No.1 vein and only RAB holes, which may have been located too far to the west, targeted the southwest strike extent.

The 2007 to 2008 trenching programs also traced the 0.35 to over 1.3m wide Homestake No.2 vein over a strike length of 45m in the lower part of Trench H-TR1 (with maximum results of 22.1 g/t Au, 332 g/t Ag, 13% Pb and 0.57% Zn over 0.35 cm) and in float another 40m along strike to the southwest within the same trench. Excavation on the Shaft vein in 2008 outlined a 035°/70°SE trending vein, which returned 3,168 g/t Ag, 4.67 g/t Au, 0.15% Pb, 2.56% Zn and 2.83% Cu with >10,000 ppm Sb over 0.9m. The Homestake B vein, a 110°/70°S trending quartz vein with stibnite, arsenopyrite and lesser galena, 850m southeast of the Homestake shaft, returning 10.0 g/t Au, 74 g/t Ag, 1.98% Pb and 0.18% Zn across 3m in 2007, was traced for 65m along strike to the east in 2008, returning maximum values of 7.22 g/t Au, 102 g/t Ag, 1.69% Pb and 0.67% Zn near its eastern end.

The 2007 HLEM electromagnetic geophysical survey, using a 100m coil separation, was ineffective in picking up the Homestake veins. Tighter (50m) coil spacing may be more effective but it may be advisable to test VLF-electromagnetic geophysics over the known veins initially to determine its effectiveness since it is easier to employ in this terrain and more economic. If the above techniques are not useful a 3D induced polarization survey (SC3DIP) has been designed for the Keno district by Aurora Geosciences Ltd. and could be tested over sites of known mineralization and if successful utilized to trace the vein-faults.

In 2007 to 2008 evidence for five, possibly six, veins was found at the Silver Basin showing. A vein in Trench 6 near the adit, which may be either the No.1 vein or the Main vein, returned 8.10 g/t Au and 18.1 g/t Ag. The No.2 vein was found to contain 4.5 g/t Au, 2720 g/t Ag and 37.3% Pb in 2007 with a sample from the dump from a shaft on the No.2 vein returning 0.18 g/t Au, 1953 g/t Ag, 49.22% Pb in 2008. The No.3 vein was found to contain

maximum values of 6.70 g/t Au, 832 g/t Ag, 7.2 % Pb, 0.98% Zn. Float from the No.4 vein contains 176 g/t Ag, 7.33 % Pb and 0.46% Zn. The No.5 vein returned only 29.5 g/t Ag, 0.70 % Pb and 0.20% Zn from highly oxidized float.

As noted by Boyle (1965), the environment at Silver Basin is favourable with significant vein intersections, a “schist cap” ore trap and evidence of significant grade. The longitudinal veins on the Silver Basin showing may be the northeast extension of the Shamrock/Gambler or Faro Gulch No.1 vein systems (Boyle, 1965), both of which were well mineralized and have potential as ore bearing structures (M<sup>c</sup>Faull, 2007).

Based on recommendations from the 2007 and 2008 exploration programs, the 2010 Silver Basin drill program targeted depth extensions of the No.1, 2, 3, 5 and Main veins. Seven holes drilled from two locations intersected a number of quartz vein zones, returning high manganese and arsenic but no significant gold or silver mineralization.

Dump material from the Duncan showing returned 0.93 g/t Au, 1520 g/t Ag, 38.0% Pb and 0.8% Zn, with 5.14 g/t Au found in a quartz vein 1 km to the northeast. Exploration here is hampered by high elevation, poor exposure and rugged terrain. Although the wall rocks primarily appear to be the Earn Group phyllites, which are generally not favourable host rocks for vein development, the high grade of the vein, the proximity to thick bedded quartzite, and position of the showing along the projection of the Porcupine-Kinman-Gold Hill No.2 Vein (which may continue through to the Alice Vein at the Caribou showing) and the Main Fault-Nabob-Ladue Fraction longitudinal vein faults are positive features. The main Duncan transverse vein, reportedly trending 035°/steep, may have similarities to the Caribou transverse vein, approximately 800m to the northeast, which has significant grades and has been traced over a 250m strike extent. Good potential may exist at depth at the junction of the Duncan vein with the possible projection of the Alice vein, which would occur near the Duncan shaft area.

No significant values were obtained from the Avenue showing in 2007 probably due to high sloughing in the trenches and extensive weathering. The Avenue vein may be a transverse vein related to the Main Fault and Nabob longitudinal vein fault. In this case a favourable vein intersection may occur to the south of the main workings here.

The 170°/E trending Faith vein above the Faith shaft returned 2.35 g/t Au, 2640 g/t Ag and 37.3% Pb and a sample from the shaft dump returned 0.69 g/t Au, 2160 g/t Ag and 13.4% Pb. The vein appears narrow but may widen with depth (typically the Keno Hill type veins widen from narrow limonitic fractures to ore shoots within short, 10-30m, distances) and may widen along strike where it may pass into the greenstone unit, a more favourable, competent host. The 290° trending cross-fault was not observed but a trench trends in this direction. The strike extent of the Divide vein may continue along Faith Gulch or be offset to the southeast along the Caribou Hill Fault. In either case the vein intersections and vein/fault intersections should be targeted.

Significant results were obtained from old workings in the headwaters of Faith Gulch. The veins appear to represent the strike extensions of the Helen, Divide veins (and/or Bema No.2) and the Bema No.3 vein. Results include 1.13 g/t Au, 4,713 g/t Ag, 34.1% Pb, 5.73% Zn, and other maximum values of 1.41 g/t Au and 452 g/t Ag with arsenic and antimony.

Exploration at the Bema showing located the Bema silver showing with results of 1.67 g/t Au, 2668 g/t Ag and 28.5% Pb from a 070°/60°N trending vein. The Bema gold showing with approximate co-ordinates of 7087303mN, 494790mE, Nad 83, Zone 8 projection could not be located but quartz float with arsenopyrite returned 9.5 g/t Au, 18.2 g/t Ag. A gold result of 1.16 g/t Au was obtained from the Bema trench, 125m downslope to the north. The results show strong gold and silver values and a strong vein zone. Additional prospecting and trenching above the Bema trench in the original showing area and along strike is warranted.

In conclusion the 2008 diamond drill program on the Property was successful in tracing the Homestake No.2a vein for 660m along strike (remaining open along strike), a maximum tested depth of 50m, and was instrumental in the interpretation of the veins, indicating two veins at Homestake 2, the No. 2 and No.2a veins. Consequently, the 2008 holes were generally not deep enough to intersect the No. 2 vein. The Homestake No.2 vein has been traced over a strike length of 45m (85m in float) in the lower part of H-TR1, with maximum results of 22.1 g/t Au, 332 g/t Ag, 13% Pb and 0.57% Zn over 0.35m. The best drill intersection on the Homestake No.2a vein is 50.3 g/t Ag, 1.19 g/t Au, 1.87% Pb and 0.20% Zn over 4.5m, including 109 g/t Ag, 2.00 g/t Au, 4.1% Pb over 1.1m in DDH HS009.

The Homestake No.1 vein was intersected in DDH 08HS001 and 002 down dip from a significant intersection in H-TR4 (2,844 g/t Ag, 300 ppb Au, 25.9% Pb and 6.1% Zn across 4m) but core loss and schistose wallrocks resulted in poor results. Potential exists along strike to the northeast and southwest in areas of favourable quartzite wallrock. The drill program was also successful in intersecting the Caribou vein with significant results including 239 g/t Ag, 179 ppb Au, 10.9% Pb and 0.45% Zn over 2.6m in DDH 08CH005. Good potential exists within the favourable quartzite unit to the south and at depth.

Most of the 2010 drill holes failed to reach their planned target depths due to bad ground conditions resulting in inadequate testing of much of the Homestake prospect, in particular the No.2 and 2a veins. It is recommended that future drill programs utilize heavier, more powerful drills and HQ diameter drill steel (not thin wall) to improve recovery and attain planned target depths. The No.1 vein was inadequately tested in 2008. Historically, poor core recovery is a problem within the Keno Hill mining camp.

Additional untested potential exists at the junction of the Duncan vein with the possible projection of the Alice vein, which would occur near the Duncan shaft area; the headwaters of Faith Gulch in an area of 2009 soil anomalies and initial anomalous prospecting samples on trend of the Helen and Divide veins (and/or Bema No.2) and the Bema No.3 vein; the southern extent of the reportedly persistent Avenue vein at the projected junction with the Main Fault and Nabob longitudinal vein fault; and at the Bema silver and gold showings with similar precious metal potential to the Mt. Hinton veins.

Prospecting targets include the possible extension of the Porcupine vein, the most productive of all the longitudinal type veins in the Keno Hill District through the Gold Hill No.2 prospect on the Murray 11 claim into the Duncan area and to the northeast; and along a northeast trending lineament (possibly indicative of the actual trend) of the Homestake B vein on Bunker Hill.

### ***Recommendations***

Based on the high grade precious and base metal mineralization on the Property, an extensive exploration program is proposed to trace the known veins along strike and down dip, and to explore for additional veins.

In 2010 a recommended \$710,600 drilling program was completed on the Homestake and Silver Basin prospects. Details of that program and its results are outlined above.

### ***Proposed Phase I Exploration***

An airborne versatile time-domain electromagnetic (VTEM) geophysical survey was flown over the property by Alexco in conjunction with their work on their Keno Hill Project. Continued attempts should be made to acquire the data but if not available a survey is recommended over the Property in an attempt to trace the known vein structures and outline zones of chargeability (possibly denoting sulphide mineralization) along them. An airborne DIGHEM geophysical survey was carried out by United Keno Hill Mines Ltd. within the Keno Hill mining camp and found to be useful in tracing mineralized veins (*Jim McFaull, personal communication*). In addition radiometrics is recommended to delineate Tombstone intrusions to target the associated Tombstone-age gold mineralization, which pre-dates Keno-type silver mineralization.

The Caribou vein is the most continuously exposed high sulphide vein encountered on surface with a strike length of 250m. VLF, HLEM electromagnetic, using a 50m coil separation, and/or 3D induced polarization survey (SC3DIP) geophysics (listed from least to most expensive) should be tested here to determine their effectiveness. If successful, the appropriate survey should be employed to trace mineralized veins on the Silver Basin and Homestake showings.

A number of favourable ore traps, including vein junctions and “schist caps” occur across the property, which include at the Silver Basin showing. Although drill targets exist here geophysics and excavator trenching would be useful in more definitively delineating the veins to target the vein intersections and contact area with the overlying schists prior to drilling.

The Caribou vein zone should be traced along strike to the south and at depth. An attempt should be made to trace the Duncan vein by excavator trenching along strike to the south towards the projected intersection with the Caribou Hill Fault. Excavator trenching is also necessary at the Avenue showing to expose the original vein which was

reportedly traced for 1220m. Additional trenching above the Bema trench is recommended to expose the vein-stockwork zone that carried 31.5 g/t Au and attempt to trace it along strike.

Prospecting is recommended along the possible extension of the Porcupine vein, historically the most productive of all the longitudinal type veins in the Keno Hill District through the Gold Hill No.2 prospect on the Murray 11 claim into the Duncan area and to the northeast; in the headwaters of Faith Gulch in the area of 2009 soil anomalies and initial anomalous prospecting samples on trend of the Helen and Divide veins (and/or Bema No.2) and the Bema No.3 vein; and along trend of the Homestake B vein on Bunker Hill.

An estimated budget of \$1,555,950 is recommended for prospecting, airborne and surface geophysics, trenching and diamond drilling of these other prospects outside of the main Homestake and Silver Basin areas as detailed below.

*Phase I Budget - Property-wide Geophysics, Trenching and Drilling*

	<b>\$CDN</b>
• Airborne geophysical surveys (VTEM, Mag, Radiometrics)	\$250,000
• Ground geophysics follow-up to airborne survey	75,000
• Excavator trenching (200 hours @ 200/hr)	40,000
• Diamond drilling (4,500m @ \$200/m all in)	900,000
• Wages (geologists, supervision)	100,000
• Accommodation/camp/meals	15,000
• Field supplies, communication	7,500
• Geochemistry (600 rocks @ \$30/ea, freight)	12,000
• Preparation, report and drafting	<u>15,000</u>
	<b>Subtotal:</b> 1,414,500
• Contingency (10%)	<u>141,450</u>
	<b>Total Phase I Costs: <u>\$1,555,950</u></b>

*Proposed Phase II Exploration*

A Phase II diamond drill program with an estimated budget of \$1,925,000 is recommended to follow up results from the Phase I program above, and previous significant drill and trench intersections on the Homestake. Phase II is contingent on positive results from Phase I.

*Phase II Budget - Diamond Drilling*

• Diamond drilling (7,500 m @ \$200/m all in)	\$1,500,000
• Drilling support (geology, supervisory, lodging & meals, field supplies, assaying, reporting)	250,000
	<b>Subtotal:</b> 1,750,000
• Contingency (10%)	<u>175,000</u>
	<b>Total Phase II Costs: <u>\$1,925,000</u></b>

**Other Mineral Property Interests**

**McKay Hill Property, Yukon**

By agreement dated September 1, 2007 as amended November 21, 2010, we entered into a non-arm's length option agreement with Bill Harris, Mathias Bindig and Sue Craig to acquire a 100% interest (subject to a 3% net smelter return royalty retained by the property owners) in 20 mining claims situated in the Mayo Mining District, Yukon, more commonly known as the McKay Hill Property.

To exercise the option, we must pay an aggregate \$110,000, issue 300,000 Shares, and incur \$100,000 of Exploration Expenses, as follows:

- (a) pay \$20,000 upon signing the agreement (which has been paid);
- (b) pay \$15,000 on or before 15 days following the Listing Date;
- (c) pay \$15,000 on or before 12 months following the Listing Date;
- (d) pay \$15,000 on or before 24 months following the Listing Date;
- (e) pay \$15,000 on or before 36 months following the Listing Date;
- (f) pay \$15,000 on or before 48 months following the Listing Date;
- (g) pay \$15,000 on or before 60 months following the Listing Date;
- (h) issue 300,000 Shares on or before 15 days following the Listing Date; and
- (i) incur at least an aggregate of \$100,000 in Exploration Expenses on the McKay Hill Property on or before December 31, 2011.

The option to acquire the McKay Hill property may be considered to be non-arm's length in that \$44,000 of the cash payments and 190,000 of the Shares to be issued will be paid to Bill Harris, one of our directors.

In 2010, we staked an additional 124 claims in the area of the McKay Hill Property, at a cost of \$13,429. We estimate holding costs for this property to be approximately \$6,670 for the next 12 months. The McKay-Hill Property is in good standing until July 21, 2011. We have incurred \$69,629 of work on the McKay Hill property to date, and are required to incur a further \$30,371 of work by December 31, 2011 to maintain our option. We will not use any of the proceeds of the Offering to do so, but we will use existing funds on hand to incur such expenses.

We have the right to acquire two-thirds of the 3% royalty retained by the property vendors in consideration of \$300,000 for the first 1% and \$1,200,000 for the second 1%.

The McKay Hill property covers 144 quartz mining claims within the Mayo Mining District, 50 km north of Keno City, Yukon and our KL Project. It is currently accessible only by helicopter. Claims were first staked in the area in 1922; and until 2007 only limited and sporadic prospecting, trenching, sampling and drilling were undertaken; with none of this work resulting in any significant discovery. We entered into an option to acquire the property in 2007 and undertook restricted mapping, geochemical sampling and trenching during 2007 through 2009. In 2010, we expended additional funds in property review and familiarization site visits for new geology personnel.

The property was last mapped at 1:250,000 scale by the Geological Survey of Canada in 1961. Consequently the geology and structure of the property is poorly understood. The property is thought to lie within the northwestern Omineca Belt in a band of regional-scale thrust faults. These faults, the Robert Service, Dawson and Tombstone thrusts imbricate rocks of the Selwyn Basin and MacKenzie Platform. Rock types found on the property include basinal deep water shales and clastic wedges bounded by platform carbonates to the northeast, while the Tintina fault truncates the basin to the southwest.

McKay Hill may contain mineralized targets, but more work is needed to confirm this. The original model held that Keno-style polymetallic Ag-Pb-Zn and possibly Au veins were hosted in the area by dilational fault structures associated with regional deformation. Recent work however has tentatively identified veins with propylitic alteration halos surrounding vertically zoned ore shoots with high-level Au-Cu and deeper-level Ag-Cu-Pb mineralization. Unlike Keno however, these veins lack the characteristic siderite gangue, are not generally hosted by faults.

We do not consider the McKay Hill property to be a "material property" (as such term is used in NI 43-101) as (i) we will not be expending any of the proceeds raised under the Offering on this property; (ii) we have incurred \$69,629 of exploration expenditures on the property, which represents only 3.5% of the amount we have spent on the KL Project; (iii) and we are not planning on doing any work on the McKay Hill property over and above the \$30,371 of work needed to maintain our option.

### **Franklin Creek, MAG 1 – 2, Alan Claims, Northwest Territories & the Yukon Territory**

By purchase agreement dated May 5, 2007 as amended on March 14, 2008 between the Company and Dynamic Resources Corp. (“Dynamic”), we purchased a 100% interest in three claim groups in the Yukon and Northwest Territories, more commonly known as the MAG Claim Group and the ALAN Claim Group (Northwest Territories) and the Franklin Creek Claim Group located in the Whitehorse Mining District, Yukon Territory. We paid \$50,000 and issued 100,000 Shares in consideration for the acquisition. We are holding the Shares in trust until the Listing Date. The purchase/sale price for the three claim groups was determined at \$84,999 being the carrying value of the claims in Dynamic’s books, which we agreed as being the estimated fair value of the claims.

By agreement dated March 25, 2010 we sold to O’Connor Lake Mines Ltd. (“O’Connor”) an undivided 100% right, title and interest in and to the MAG Claim Group and the ALAN Claim Group in consideration of 100,000 common shares of O’Connor, and further consideration as follows:

In consideration for the acquisition of the MAG Claim Group, the Company is to receive:

- (i) Payment of \$10,000 and 100,000 shares of O’Connor common stock to the Company within 15 business days of O’Connor’s shares being listed on the Canadian National Stock Exchange (“CNSX”) or the TSX Venture Exchange (“TSXV”); and
- (ii) a further \$10,000 and 100,000 shares on the first anniversary of the listing date of O’Connor’s shares on the CNSX or the TSXV; and
- (iii) 1,000,000 shares of O’Connor upon completion of a bankable feasibility study.

In consideration for the acquisition of the ALAN Claim Group, the Company is to receive:

- (i) Payment of \$10,000 and 100,000 shares of O’Connor common stock to the Company within 15 business days of O’Connor’s shares being listed on the CNSX or the TSXV
- (ii) a further \$10,000 and 100,000 shares on the first anniversary of the listing date of O’Connor’s shares on the CNSX or the TSXV; and
- (iii) 1,000,000 shares of O’Connor upon completion of a bankable feasibility study.

Under the agreement O’Connor is required to maintain all claims in good standing, and to pay to the Company a 2% NSR.

On September 27, 2010, we entered into an agreement with Strategic Metals Ltd. (“SMD”) whereby we agreed to sell an undivided 100% interest in the Franklin Creek Claim Group to SMD in consideration of the entitlement to receive one-half of any and all proceeds from any sale, option, or other disposition of all or any part of the Franklin Creek Claim Group and SMD’s Hopper and Gal claims in the Whitehorse Mining District. In this instance, “proceeds” includes any and all one time and multiple stage cash payments, share issuances and royalty interests.

### **Blanche Claims, Yukon**

We hold a 75% interest in the Blanche Claims in the Keno Hill area of the Yukon. We acquired a 25% interest in the Blanche Claims on August 1, 2007 as a result of them being within the area of mutual interest under the Property Option Agreement for the KL Project. By agreement dated January 17, 2010, we acquired another 50% interest in the Blanche Claims, in consideration of 100,000 shares of the Company at the deemed price of \$30,000. The Blanche Claims are in good standing until 2014.

## USE OF PROCEEDS

### Proceeds and Funds Available

We estimate we will have the following net funds available to us following closing of the Offering:

Source of Funds	Funds
Gross Proceeds of the Offering	\$2,000,000
Agent's Commission	\$160,000
Remaining Offering Costs <sup>1</sup>	\$110,000
Net Proceeds of the Offering	\$1,730,000
Working Capital (March 31, 2011)	\$298,800
Net Funds Available	\$2,028,800

1. Includes the full estimated amount of all legal, audit and accounting costs, the balance of the Agent's fees and expenses, and all filing fees with the Exchange and Securities Commissions.

### Principal Purposes

We intend to use our available funds as follows:

Principal Purpose	Funds
Recommended Phase I work program on the KL Project	\$1,555,950
General and Administrative Expenses <sup>1</sup> (12 months)	\$336,000
Unallocated Working Capital	\$136,850
<b>Total:</b>	<b>\$2,028,800</b>

1. Our projected General and Administrative expenses for the next 12 months include the following:

• Rent	\$2,500 per month
• Office & Administration	\$5,000 per month
• Professional Fees (legal & audit)	\$1,500 per month
• Management Fees	\$7,500 per month
• Consulting Fees	\$7,500 per month
• Miscellaneous	<u>\$4,000 per month</u>
Total:	\$28,000 per month

The management fees consist of \$5,000 to Robert Eadie (CEO) and \$2,500 to Gary Arca (CFO). The \$7,500 of consulting fees is an estimate of the costs of retaining geologists to oversee our work on the KL Project.

**We intend to spend the funds available to us as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.** If such event occurs during distribution of the securities offered under this Prospectus, we may have broad discretion in the application of such net proceeds and, if required, an amendment to this Prospectus will be filed. Pending utilization of the net proceeds derived from the Offering, we intend to invest the funds in short-term, interest-bearing obligations.

Our net available funds will be sufficient to fund our operations for at least 18 months.

### Business Objectives

Our immediate business objectives are to complete the Offering and obtain a listing on the Exchange. The aggregate costs of completing these objectives are estimated at \$110,000 (including legal costs, auditor fees, filing fees for the Exchange and the Securities Commissions, the remainder of the Corporate Finance Fee, and expenses of the Agent.)

With the proceeds of this Offering, we intend to carry out the recommended Phase I exploration program which is estimated to cost \$1,555,950. If the results of the Phase I program warrant continued exploration, it is intended that a Phase II diamond drilling program with an estimated budget of \$1,925,000 will be designed to continue with the recommended exploration programs. We do not have the financial resources to complete further stages of work beyond Phase I, and no assurance can be given that we will be able to raise such financing on terms acceptable to us, or at all.

### **Milestones**

Our business objective of completing the Offering under this Prospectus will occur shortly after the Offering Day; and our business objective of listing on the Exchange will occur on the Listing Date. The Phase I exploration program is expected to take from eight to ten weeks to complete.

## **DIVIDENDS OR DISTRIBUTIONS**

We have not paid dividends since our incorporation. While there are no restrictions precluding us from paying dividends, we have no cash flow, and we anticipate using all available cash resources toward our stated business objectives. As such we do not anticipate the payment of dividends in the foreseeable future. At present, our policy is to retain earnings, if any, to finance our business operations. The payment of dividends in the future will depend upon, among other factors, our earnings, capital requirements and operating financial conditions.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*The following Management's Discussion and Analysis ("MD&A") is current at the date of this Prospectus. It should be read in conjunction with our interim financial statements for the six months ended January 31, 2011 and our audited financial statements as at July 31, 2008, 2009 and 2010 and the notes thereto, appearing elsewhere in this Prospectus, as well as the disclosure contained throughout this Prospectus. The financial statements and the financial information contained in this MD&A were prepared in accordance with Canadian Generally Accepted Accounting Principles and all amounts are expressed in Canadian dollars, unless otherwise identified.*

*The following MD&A contains forward-looking information that involves numerous risks and uncertainties. The forward-looking information is not historical fact, but rather is based on our current plans, objectives, goals, strategies, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from those discussed in such forward-looking statements.*

### **Overall Performance**

The Company was incorporated on May 3, 2007 and commenced business at that time. Our business has been to operate as a mineral resource exploration and development company primarily focused on the acquisition and exploration of mineral properties in the Yukon Territory. All of the mineral properties in which we have an interest are at the early stages of exploration, and none have any proven resources or reserves.

We currently hold certain interests in three mineral properties, known generally as the Blanche, McKay Hill, and the KL Project (subsequent to July 31, 2010, we sold our interest in the Franklin Creek claim group). Our primary focus has been on the KL Project toward which we have incurred acquisition costs of \$19,000 and a total of \$2,073,559 of exploration expenses as at January 31, 2011 (\$1,324,210 as at July 31, 2010; \$1,188,971 as at July 31, 2009; and \$353,755 as at July 31, 2008). As at January 31, 2011 we have incurred (i) \$30,000 toward acquisition costs and \$nil toward exploration expenses on the Blanche property; (ii) \$70,000 toward acquisition costs and \$6,888 toward exploration expenses on the Franklin Creek property; and (iii) \$29,000 toward acquisition costs and \$69,629 toward exploration expenses on the McKay Hill property.

We have relied solely on raising equity financing to fund our business activities. To date we have sold a total of 22,195,300 Shares for aggregate cash consideration of \$3,304,370 (16,585,485 Shares for \$1,887,870 as at July 31, 2010) and have also issued 200,000 Shares in connection with property acquisitions or option payments, and 480,547 Shares in settlement of debts.

### Selected Annual Financial Information

The following table summarizes selected financial data for our three most recently completed fiscal years ended July 31, 2008, 2009 and 2010, and the six month period ended January 31, 2011, and should be read in conjunction with the audited and unaudited financial statements and the related notes thereto, as attached to this Prospectus:

Item	Fiscal Year Ended July 31, 2008 (audited)	Fiscal Year Ended July 31, 2009 (audited)	Fiscal Year Ended July 31, 2010 (audited)	Six Months Ended Jan. 31, 2011 (unaudited)
Revenues	nil	nil	nil	nil
Expenses	\$490,485 <sup>1</sup>	\$73,333	\$108,561	\$288,794
Net Loss	\$474,622	\$46,339	\$47,561	\$284,294
Current Assets	\$367,276	\$296,050	\$157,556	\$436,346
Mineral Property	\$468,701	\$1,327,731	\$1,525,893	\$2,298,076
Total Assets	\$835,977	\$2,023,781	\$2,086,817	\$2,983,523
Current Liabilities	\$137,899	\$288,142	\$225,805	\$10,103
Working Capital (deficit)	\$229,377	\$7,908	(\$68,249)	\$426,243
Long Term Liabilities	\$59,000	\$132,000	\$122,000	\$122,000
Shareholders' Equity	\$639,078	\$1,603,639	\$1,739,012	\$2,851,420
Number of Shares Outstanding	12,880,430	16,575,485	17,143,220	22,875,847

1. Includes stock based compensation expense of \$450,180 pertaining to 10,004,000 shares issued to insiders at \$0.005 per Share.

As of the date of this Prospectus, the Company is not a reporting issuer in any jurisdiction.

### Results of Operations

Our financial statements reflect the financial condition of our business for the period commencing August 1, 2007 through and including January 31, 2011. We hold various interests in three mineral properties in the Yukon Territory (in September 2010 we entered into an agreement to sell our interest in the Franklin Creek claim group), the terms of which are described elsewhere in this Prospectus (see "Description of Mineral Property" above). Our operations to date have been to acquire interests in those Yukon mineral properties, raise funds through the sale of our Shares to finance the acquisition of such properties, and undertake exploration of the KL Project and the McKay Hill property. Our primary focus has been on exploration of the KL Project. Our exploration activities have not determined the presence of any quantifiable mineral reserves or resources. In accordance with the Report, we will carry out the Phase I exploration program (\$1,555,950) on the KL Project during the next field season following closing of the Offering. There are a number of risks associated with this forward looking statement, as set out under the heading "Risk Factors" in this Prospectus. There is no assurance we will be able to complete the Phase I exploration program within the time frame or budget contemplated. The Phase I program is as set out in the Report on the KL Project, outlined above.

Our general and administrative expenses have grown over the past three years, if stock-based compensation is excluded from the calculation. For the fiscal year ended July 31, 2008, our expenses totaled \$490,485, which included \$450,180 of stock-based compensation. The stock-based compensation pertained to the issuance of 10,004,000 Shares and is calculated as the difference between the deemed fair value of such shares (\$0.05 per Share) and the cash value paid by the insiders (\$0.005 per Share). Our only other material expense during fiscal 2008 was \$30,000 paid as management fees. Expenses for the fiscal year ended July 31, 2009 were \$73,333, which included \$21,988 for interest expense for monies loaned by insiders; \$12,500 of management fees; \$10,980 of office rental expense; and \$20,000 for shareholder communications. Expenses for fiscal 2009 increased from fiscal 2008 as the Company was more actively engaged in the exploration of its properties. General expenses for the fiscal year ended July 31, 2010 were \$108,561, the major components of which were \$25,428 for consulting fees, \$24,046 for shareholder communications, \$15,000 for audit fees and \$13,795 in interest expense. The increased expenses in

fiscal 2010 reflect increased work on the Company's properties, and the beginning of expenses pertaining to taking the Company public. Our general and administrative expenses for the six months ended January 31, 2011 amounted to \$288,794, which included \$78,360 for consulting fees, \$63,495 for shareholder communications, \$49,075 for legal and corporate services; and \$40,035 for accounting and office expenses. These increased costs reflect additional expenses being incurred for purposes of our initial public offering.

We have issued flow-through Shares in the past, and in fiscal 2009 we renounced \$440,000 of exploration expenditures to flow-through shareholders (and reduced our share capital by \$98,000), and in fiscal 2008 we renounced \$251,000 of exploration expenditures to flow-through shareholders (and reduced our share capital by \$72,000). We also issued 561,815 flow-through Shares subsequent to July 31, 2010, and renounced to the holders of those Shares \$154,499 of exploration expenditures effective December 31, 2010 (and in this regard we anticipate we will reduce our share capital by \$44,805 in the three months ended April 30, 2011).

### ***Liquidity and Capital Resources***

To date we have financed our operations through the sale of our Shares. We have raised an aggregate of \$3,304,370 through the sale of a total 22,195,300 Shares as listed below under the heading "Prior Sales".

In August 2010 we raised an aggregate of \$606,249 through the sale of our Shares for use toward work on the KL Project and for general working capital purposes; all of which has been utilized for such purposes. In October 2010 we raised an aggregate of \$810,250 for use toward further exploration work on the KL Project, for purposes of meeting our obligations regarding the acquisition of the McKay Hill Property, and for general working capital purposes. As at March 31, 2011 we had working capital of \$298,800.

We have no source of revenue, income or cash flow. We are wholly dependent upon raising monies through the sale of our Shares to finance our business operations. For purposes of obtaining a listing on the Exchange, we will need to have sufficient funds to complete the Phase I recommended work program (\$1,555,950), plus 12 months of general and administrative expenses (estimated at \$28,000 per month, for a total of \$336,000) for the 12 months following the Listing Date, and at least \$100,000 of unallocated working capital. Upon completion of the Offering, we will realize estimated net proceeds therefrom of \$1,730,000, which together with our existing working capital will be sufficient for all of our needs in the first 12 months following listing on the Exchange.

After listing on the Exchange, we may require additional funds to support our working capital requirements, to carry out the Phase II work program, or for other purposes, and may seek to raise additional funds through public or private equity funding, bank debt financing or from other sources. There can be no assurances that this capital will be available in amounts or on terms acceptable to us, or at all. The circumstances that could affect the Company's ability to secure equity and/or debt financing that are reasonably likely to occur are, without limitations, as follows:

- (i) the state of capital markets generally;
- (ii) prevailing market prices for precious metals;
- (iii) the nature of the exploration results pertaining to the KL Project; and
- (iv) change in laws, regulations and political conditions and currency fluctuation.

The current trends relating to the above factors are relatively favourable for the Company but could change at any time and negatively affect the Company's ability to raise financing, and consequently its operations and business. Other than as disclosed in the Prospectus, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material affect on the Company's business, financial condition or results of operations. See "Risk Factors".

### ***Working Capital***

As at July 31, 2010 we had a working capital deficit of \$68,249, including cash of \$7,305 and current liabilities of \$225,805. As at January 31, 2011 we had working capital of \$426,243, including cash of \$243,682 and current liabilities of \$10,103. The increase in working capital is due to our having raised a total of \$1,416,499 through the sale of Shares, and the settlement of \$30,703 of debt through the issuance of 122,812 Shares. As at March 31, 2011

we had working capital of \$298,800. We estimate that upon Closing of the Offering we will have available capital of approximately \$2,028,800.

We have no cash flow from operations. We are dependent upon raising equity financing to sustain our operations. See "Risk Factors".

### ***Proposed Transactions***

Other than as disclosed in this Prospectus, the Company does not have any proposed asset or business acquisitions or dispositions.

### ***Changes in our Accounting Policies***

Our significant accounting policies are set out in Note 2 of the audited financial statements for the year ended July 31, 2010.

### ***Critical Accounting Estimates***

The Company's significant accounting policies are presented in Note 2 of the audited financial statements for the period ended July 31, 2010. The preparation of financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. The Company regularly reviews these estimates; however, actual amounts could differ from the estimates used and accordingly affect the results of operations.

These estimates include:

- The carrying values of mineral properties
- The valuation of future income taxes and allowances
- The valuation of financial instruments
- The valuation of stock-based compensation

### ***Financial Instruments***

Our significant accounting policies regarding our financial instruments are set out in Note 2 to our financial statements included in this Prospectus. Our only financial instruments consist of cash, receivables, marketable securities, accounts payable, accrued liabilities and notes payable. We are of the opinion that we are not exposed to significant interest, currency or credit risks arising from these financial instruments. As at July 31, 2010 we had cash, in the amount of \$7,305 held in our bank account; and current payables of \$225,805.

### ***Off-Balance Sheet Arrangements***

As at the date hereof, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources.

### ***Contractual Obligations for Next Five Years***

We have no long-term financial commitments. The payments necessary to acquire the KL Project and the McKay Hill Property are optional to us. See "Description of Mineral Property" above.

### ***Transactions with Related Parties***

Since our inception on May 3, 2007 to January 31, 2011, we have had the following related party transactions:

- (a) 10,004,000 Common Shares were issued to a number of our directors, officers and founders for cash proceeds of \$50,020.

- (b) 583,329 Common Shares were issued in October 2007 to a number of our directors, officers, founders and their spouses and associates at \$0.18 per Share for total cash proceeds of \$105,000.
- (c) 357,735 Shares were issued in July 2010 at the deemed price of \$0.25 per Share to a company controlled by a director, in settlement of \$89,434 of debt.
- (d) 400,000 Shares were issued in August 2010 to a spouse of a former director and a company controlled by another of our directors, at \$0.25 per Share, for total cash proceeds of \$100,000.
- (e) 271,817 shares were issued as flow-through shares in August 2010 to directors and/or officers at \$0.275 per Share for total cash proceeds of \$69,750.
- (f) an aggregate of \$42,500 of management fees were paid to companies controlled by current and former directors of the Company (\$12,500 in the year ended July 31, 2009; and \$30,000 in the year ended July 31, 2008). In addition, \$1,750 was paid to Andrew de Verteuil for fees in his capacity as controller, prior to him becoming a director of the Company.
- (g) an aggregate of \$23,863 in accounting and office administration fees were paid to a company controlled by current and former directors and officers of the Company (\$21,363 in the six months ended January 31, 2011; and \$2,500 in the year ended July 31, 2010).
- (h) an aggregate of \$18,500 in office rent was paid to a company controlled by an officer of the Company (\$16,000 in the six months ended January 31, 2011; and \$2,500 for the year ended July 31, 2010).
- (i) an aggregate of \$28,157 in interest was paid to a company controlled by current and former directors of the Company (\$733 in the six months ended January 31, 2011; \$13,795 in the year ended July 31, 2010; and \$13,629 in the year ended July 31, 2009)
- (j) an aggregate of \$8,750 in shareholder communications expenses was paid to a company controlled by an officer of the Company (\$7,500 in the six months ended January 31, 2011; and \$1,250 in the year ended July 31, 2010).
- (k) an aggregate of \$122,683 in mineral property exploration costs have been paid to a company controlled by current and former directors (\$80,433 in the six months ended January 31, 2011; \$9,750 in the year ended July 31, 2010; and \$32,500 in the year ended July 31, 2009).

As at January 31, 2011:

1. Included in prepaid expenses is \$nil for advances to a company with a director in common (\$30,488 as at July 31, 2010; \$19,000 as at July 31, 2009; and \$69,000 as at July 31, 2008).
2. Included in accounts payable and accrued liabilities is \$738 due to companies controlled by directors for consulting, expenses reimbursement and management fees (\$39,631 as at July 31, 2010; \$120,010 as at July 31, 2009; and \$44,562 as at July 31, 2008).

The assumption of each of the above transactions in the normal course of operations was approved by a majority of the directors of the Company who did not have an interest in the transaction.

#### **Disclosure of Outstanding Security Data**

As at the date of this Prospectus, we have 22,875,847 issued and outstanding Common Shares. We do not have any warrants, options or other securities outstanding which are convertible to Shares. See "Prior Sales" We expect to set incentive stock options under our Stock Option Plan within 90 days following the Listing Date. Under the Plan, we can grant up to 10% of the issued share capital in incentive stock options at any time and from time to time. See "*Options and Other Rights to Purchase Securities of the Company*".

#### **Additional Disclosure for Junior Issuers**

Our financial statements included herein provide a detailed breakdown of various expenses incurred by us during each fiscal year. Aside from general and administrative expenses, our costs incurred toward acquiring and exploring our mineral property interests have all been capitalized under "Mineral Properties".

Our financial statements included herein also provide a detailed breakdown of the costs incurred toward acquiring and exploring the KL Project and our other minor mineral property interests, which have all been capitalized under

“Mineral Properties”. In aggregate, as at January 31, 2011 we have incurred mineral property acquisition costs of \$148,000 (which includes 200,000 Shares with a deemed aggregate value of \$55,000), and \$2,150,076 of exploration costs.

## **Adoption of New Accounting Standards**

### ***Transition to International Financial Reporting Standards (“IFRS”)***

Canadian publicly accountable enterprises are required to adopt IFRS in replacement of Canadian generally accepted accounting principles (“GAAP”) on January 1, 2011. This transition is effective, and will require the Company to present its financial statements under IFRS, starting with its fiscal year end on July 31, 2012, with restated comparative information for the comparative quarter ended October 31, 2011, also under IFRS.

#### *Management of the IFRS Convergence Project*

We are evaluating our overall readiness to transition from Canadian GAAP to IFRS including the readiness of our staff, directors and auditors.

The IFRS convergence project consists of three primary phases:

- Phase 1: Initial Scoping and Impact Assessment Analysis: to identify areas that will be impacted by the transition to IFRS. This phase is currently in progress.
- Phase 2: Evaluation and Design: to identify changes required to existing accounting policies and information systems, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statements.
- Phase 3: Implementation and Review: to execute the changes to information systems and business processes. This will involve the collection of financial information necessary to compile IFRS compliant financial statements, including embedding IFRS principles in business processes, and audit committee review and approval of the financial statements.

#### *IFRS 1 – First Time Adoption of International Financial Reporting Standards*

IFRS 1 sets forth guidance for the initial adoption of IFRS. Commencing for the period ending on October 31, 2011, being the first quarter of the fiscal year, we will restate our comparative fiscal 2011 financial statements for annual and interim periods to be consistent with IFRS. In addition, we will reconcile equity and net earnings from the then-previously reported fiscal 2011 Canadian GAAP amounts to the restated 2011 IFRS amounts. In general, IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for the entity’s first IFRS financial statements. This requires that an entity apply IFRS to its opening IFRS balance sheet as at August 1, 2010 (i.e. the balance sheet prepared at the beginning of the earliest comparative period presented in the entity’s first IFRS financial statements). In the period leading up to the transition to IFRS, the Accounting Standards Board (the “AcSB”) has issued accounting standards that are converged with IFRS such as IAS 2, Inventories, and IAS 38, Intangible assets, thus mitigating the impact of adopting IFRS at the mandatory transition date.

In preparation for the transition to IFRS, key members of the IFRS project team attended various seminars and information sessions and reviewed IFRS standards with a focus on identifying existing and emerging issues relating to the conversion to IFRS and ensuring their inclusion in the Company’s preliminary conversion project scoping analysis. Based on those transition issues identified, the Company’s IFRS project team has performed an evaluation of the impact of the adoption of IFRS on its financial statements, including the optional exemptions which may be elected by the Company under IFRS 1, the transitional standard addressing initial adoption of IFRS.

IFRS requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and certain optional exemptions to this general principle.

The Company has determined that the IFRS 1 optional exemptions which are likely to be elected by the Company at the time of transition to IFRS on August 1, 2010 are those related to: business combinations; share-based payment transactions; leases; and compound financial instruments.. The IFRS 1 elections relating to insurance contracts and assets and liabilities of subsidiaries, associates and joint ventures will not likely apply to the Company as it does not hold any insurance contracts and the Company has no subsidiaries. In addition, IFRS 1 elections relating to fair value as deemed cost or cumulative translation differences are not expected to be applied. The Company is currently completing its review of the applicability of remaining IFRS 1 elections and will continue to review the impacts of amendments to IFRS standards regarding its present position relating to the above elections prior to the adoption of IFRS on August 1, 2011.

In addition to the identification of IFRS 1 elections, the Company has identified potential transition differences existing between Canadian GAAP and IFRS standards at the date of this Prospectus.

#### *Financial Instruments*

For IFRS, the measurement and allocation of fair values between the debt and equity components of compound financial instruments issued by the Company is performed differently from the pro-rata method applied under Canadian GAAP. Although the Company's election under IFRS relating to compound financial instruments is expected to eliminate transition variances relating to those debt instruments fully repaid prior to the August 1, 2010 transition date, outstanding debt instruments and compound instruments denominated in foreign currencies will require retrospective restatement at the time of transition to IFRS on August 1, 2010. However, recent and proposed amendments to IFRS standards relating to financial instruments may materially impact the adjustments required. Therefore, the Company's determination of the reported value of the transition adjustments will be subject to its review of these amendments to IFRS standards. Regardless of the outcome of these proposed amendments, however, the Company did not have any outstanding debt instruments or compound instruments at August 1, 2010 and so it is anticipated that there will be no effect on the Company's financial statements.

#### *Mine Restoration Obligations*

The measurement of decommissioning liabilities and related balances included in the cost of mineral property expenditures in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets differs from that applied by the Company under Canadian GAAP. An election by the Company under IFRS 1 would permit the measurement of these amounts as at August 1, 2010 with prospective application of IFRS standards subsequent to that date. The revaluation of the Company's mine restoration obligations and related balances included in the cost of mineral property expenditures may result in material restatements to those balances or the accumulated amortization recorded to date on the cost of property, plant and equipment. The Company is continuing to evaluate the potential impact of existing IFRS standards and proposed amendments to those standards on its reported balances under IFRS. As a result of ongoing analyses and the potential amendments proposed to key IFRS standards, the specific impact that these standards and related exemptions will have upon the reporting and disclosures within the Company's financial statements cannot be effectively determined at this time.

#### *Other accounting policies*

The Company continues to evaluate the impact of IFRS adoption on other areas, such as the accounting for income taxes and decommissioning liabilities (asset retirement obligations), which may result in significant differences from current Canadian GAAP.

#### *Other IFRS Considerations*

The conversion to IFRS will impact the way we present our financial results. The first financial statements prepared using IFRS, being our interim financial statements for the year ending on October 31, 2011, will include notes disclosing transitional information and disclosure of new, IFRS-compliant, accounting policies.

We are currently evaluating the impact of the conversion on our accounting systems and have determined no significant changes to our accounting systems are required.

### **Forward-Looking Information**

The disclosure in our MD&A, and in other parts of this Prospectus, contain some forward-looking information. See “Caution Regarding Forward-Looking Statements” on page viii of this Prospectus.

## **DESCRIPTION OF SECURITIES DISTRIBUTED**

The securities qualified by this Prospectus consist of:

- (a) 5,000,000 Shares;
- (b) 2,500,000 Warrants; and
- (c) 500,000 Agent’s Options.

### **Common Shares**

We have one class of shares, being Common Shares without par value. We are authorized to issue an unlimited number of Common Shares, of which as of the date hereof 22,875,847 Common Shares are issued and outstanding as fully paid and non-assessable. We are seeking to sell and distribute 5,000,000 Shares by way of the Offering; and up to an additional 2,500,000 Shares may be issued upon exercise of the Warrants and up to an additional 500,000 Agent’s Option Shares may be issued upon exercise of the Agent’s Options.

Our Common Shares are not subject to any future call or assessment and do not have any pre-emptive, conversion or redemption rights, and all have equal voting rights. There are no special rights or restrictions of any nature attached to any of our Common Shares, all of which rank equally as to all benefits which might accrue to the holders of the Common Shares. All holders of Common Shares are entitled to receive a notice of any general meeting to be convened by us. At any general meeting, subject to the restrictions on joint registered owners of Common Shares, every shareholder has one vote for each Common Share of which he is the registered owner. Voting rights may be exercised in person or by proxy.

The holders of Common Shares are entitled to share pro rata in any: (i) dividends if, as and when declared by our directors, and (ii) such of our assets as are distributable to them upon liquidation of the Company. The Common Shares issued and outstanding upon completion of the Offering will be fully paid and non-assessable. Rights pertaining to the Shares may only be amended in accordance with applicable corporate law.

### **Warrants**

Each whole Warrant will be transferable, and will entitle the holder to purchase one Share at a price of \$0.65 per Share at any time during the 12 months following the Closing Day, subject to the Warrant Acceleration, after which time the Warrants will expire. We will issue an aggregate 2,500,000 Shares in the event all of the Warrants are exercised. There will no indenture governing the administration of the Warrants.

The certificates representing the Warrants will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Shares to be issued on exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of our Common Shares, the payment of stock dividends, and any corporate reorganization of the Company. The issue of Warrants will not restrict or prevent us from obtaining any other financing, or from issuing additional securities or rights, during the period within which the options may be exercised.

### **Securities Issuable to the Agent**

On the Closing Day, we will issue the Agent’s Options to the Agent. We will issue an aggregate of 500,000 Agent’s Option Shares to the Agent in the event the Agent’s Options are exercised.

The certificates representing the Agent’s Options will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Agent’s Option Shares to be issued on exercise of such options upon the occurrence of certain events, including any subdivision, consolidation or reclassification of our Common Shares, the payment of stock dividends, and any corporate reorganization of the Company. The issue of Agent’s

Options will not restrict or prevent us from obtaining any other financing, or from issuing additional securities or rights, during the period within which the options may be exercised.

## CAPITALIZATION

The following table summarizes our capitalization; and should be read in conjunction with the financial statements appearing elsewhere in this Prospectus:

Designation of Security	Amount Authorized	Amount Outstanding at July 31, 2010	Amount Outstanding at January 31, 2011	Amount Outstanding upon Completion of the Offering <sup>1</sup>
Common Shares	Unlimited	17,143,220	22,875,847	28,875,847

1. Includes 1,000,000 Shares issuable on the Listing Date under our mineral property option agreements to acquire interests in the KL Project and the McKay Hill property.

We do not presently have outstanding any options, warrants or other securities convertible into Shares.

## OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES

### Stock Option Plan

Incentive stock options are governed by our stock option plan (the “**Plan**”). The purpose of the Plan is to offer to our directors, officers, employees and consultants (and those of our affiliates) the opportunity to acquire a proprietary interest in the Company, thereby providing an incentive to such persons to promote the best interests of the Company, and to provide us with the ability to attract qualified persons as directors, officers and employees.

The Plan is administered by our directors. The maximum number of shares or bonus shares which may be issuable pursuant to options subject to the Plan shall not exceed 10% of the number of Shares outstanding as of the date of each grant, on a non-diluted basis. Options issued pursuant to the Plan will have an exercise price determined by our directors provided that the exercise price shall not be less than the price permitted by the Exchange.

Subject to the particular provisions of option agreements, options granted under the Plan are non-transferable, have a maximum term of five years from the date of grant, and will expire 30 days from the date the optionee ceases to be an officer, director, employee or consultant of the Company, except in the event of death of an optionee, in which case options held by the estate of such optionee will expire the earlier of 12 months from the date of the optionee’s death or the expiry date of the options, or in the case of an optionee providing investor relations activities, in which case the options will expire on the date the optionee ceases to provide services to the Company. The Plan is subject to annual Shareholder approval and acceptance for filing by the Exchange.

As of the date hereof, no stock options have been granted under the Plan. The Company intends to grant incentive stock options from time to time following the Listing Date.

### Warrants

As part of the Offering, we will distribute 2,500,000 Warrants; each Warrant entitling the holder thereof to acquire one Share at the price of \$0.65 for a period of 12 months following the Closing Day, subject to the Warrant Acceleration.

### Agent’s Options

Pursuant to the terms of the Agency Agreement, the Agent will be granted the Agent’s Options to acquire up to 500,000 Agent’s Option Shares exercisable at a price of \$0.65 per Agent’s Option Share for a period of 12 months from the Listing Date.

## PRIOR SALES

The following Common Shares have been issued in the last 12 months:

Date	Number of Shares	Issue Price Per Share	Aggregate Issue Price	Nature of Consideration Received
31-Jul-10	357,735 <sup>1</sup>	\$0.25	\$89,434	debt settlement
17-Aug-10	967,000 <sup>2</sup>	\$0.25	\$241,750	cash
30-Aug-10	840,000 <sup>3</sup>	\$0.25	\$210,000	cash
30-Aug-10	561,815 <sup>4</sup>	\$0.275	\$154,499	cash
6-Oct-10	122,812 <sup>1</sup>	\$0.25	\$30,703	debt settlement
14-Oct-10	3,241,000	\$0.25	\$810,250	cash

1. All of these Shares are held in escrow under the Escrow Agreement. See “Escrowed Securities” below.
2. 80,000 of these Shares are held in escrow under the Escrow Agreement. See “Escrowed Securities” below.
3. 320,000 of these Shares are held in escrow under the Escrow Agreement. See “Escrowed Securities” below.
4. 271,817 of these Shares are held in escrow under the Escrow Agreement. See “Escrowed Securities” below.

## FULLY DILUTED SHARE CAPITAL

The following table sets out our share capital on a fully diluted basis after closing of the Offering:

	No. of Common Shares	Percentage of Common Shares
Shares outstanding prior to the Offering	22,875,847	65.80%
Shares issued under the Offering	5,000,000	14.38%
Shares issued under the Property Option Agreement	700,000	2.01%
Shares issued to acquire the McKay Hill Property	300,000	0.86%
<b>Sub-total</b>	<b>28,875,847</b>	<b>83.06%</b>
Shares issuable upon exercise of Warrants	2,500,000	7.19%
Shares issuable upon exercise of Agent’s Option	500,000	1.44%
Shares issuable pursuant to the Stock Option Plan <sup>(1)</sup>	2,887,584	8.31%
<b>Total</b>	<b>34,763,431</b>	<b>100%</b>

- (1) Maximum number under the Company’s Stock Option Plan.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTIONS ON TRANSFER

### Escrowed Securities

National Policy 46 – 201, *Escrow for Initial Public Offerings* (“NP 46-201”), sets out a national escrow regime applicable to initial public distributions. Pursuant to that policy, the Common Shares held by certain shareholders must be placed in escrow with the Escrow Agent, to be released therefrom over a period of three years. The following table sets forth details of our Shares to be held in escrow following the completion of the Offering:

Designation or Class	Number of Shares Held in Escrow	Percentage of Class upon Completion of Offering <sup>1</sup>
Common Shares	11,616,881 Shares	40.23%

1. Based on there being 28,875,847 Shares outstanding and that none of the escrowed shareholders participate in the Offering.

Escrowed Shares are held in escrow pursuant to the Escrow Agreement. The shareholders subject to escrow are set forth in the table below. Pursuant to the Escrow Agreement the Escrowed Shares will be released from escrow as to 10% upon the Listing Date, with the balance in six equal releases at six month intervals over the 36 months following the Listing Date. The Escrow Agent is Computershare Investor Services Inc.

The following is a list of those shareholders who own Escrowed Shares subject to the Escrow Agreement:

Name and Municipality of Residence	No. of Escrowed Shares
Fraser Hindson, <i>Richmond, B.C.</i>	1,202,000
Patricia Hindson, <i>Richmond, B.C.</i>	542,219
Bill Harris, <i>Whitehorse, Yukon</i>	1,559,735 <sup>(1)</sup>
Tara Christie, <i>Dawson, Yukon</i>	1,255,555
John Anderson, <i>Vancouver, B.C.</i>	1,394,444 <sup>(2)</sup>
Stephen Pearce, <i>Vancouver, B.C.</i>	1,311,111
Estate of Art Ettlinger, <i>Vancouver, B.C.</i>	1,170,000 <sup>(3)</sup>
Gary Arca, <i>Delta, B.C.</i>	1,163,636
Robert Eadie, <i>Mexico City, Mexico</i>	2,000,000
Andrew de Verteuil, <i>North Vancouver, B.C.</i>	18,181
<b>Total</b>	<b>11,616,881</b>

(1) 357,735 of these Shares are held by 40342 Yukon Inc., a private company controlled by Bill Harris.

(2) 194,444 of these Shares are held by Purplefish Capital Ltd., a private company controlled by John Anderson.

(3) 80,000 of these Shares are held by Rocks and Stocks Management Corp., a private company controlled by the estate of Art Ettlinger.

We are an “emerging issuer” as defined in NP 46-201. If we achieve “established issuer” status during the term of the Escrow Agreement, we will “graduate”, resulting in an accelerated release of any Escrowed Shares remaining in escrow as if an 18 month release schedule had originally been in effect since the Listing Date (being 25% on such date, and 25% every six months thereafter).

Pursuant to the terms of the Escrow Agreement, the Escrowed Shares may not be transferred or otherwise dealt with during the term of the Escrow Agreement except for certain circumstances, including:

(a) transfers to our continuing or incoming directors and senior officers, subject to Board approval;

- (b) transfers to an RRSP or similar trust plan provided that the only beneficiaries are the transferor or the transferor's spouse or children;
- (c) transfers upon bankruptcy to a trustee in bankruptcy; and
- (d) pledges to a financial institution as collateral for a *bona fide* loan, provided that upon a realization the Shares remain subject to escrow.

The complete text of the Escrow Agreement is available for inspection at our registered and records office and is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Securities Subject to Resale Restrictions

Exchange policies require that in certain circumstances securities distributed prior to an issuer completing an initial public offering which are sold at a discount to the initial public offering price, will be subject to resale restrictions over and above any which may be imposed by applicable securities legislation. The 122,182 Shares issued on October 6, 2010, and the 3,241,000 Shares sold October 14, 2010 will all be subject to resale restrictions imposed by Exchange policies such that in each instance 20% will be released from resale restrictions on the Closing Day and additional 20% will be released every month thereafter for four months.

The resale restrictions imposed by Exchange policies apply in addition to the escrow restrictions imposed by the Escrow Agreement.

### PRINCIPAL SHAREHOLDERS

To the knowledge of our directors and officers, no person will beneficially own, as of the Closing Day, directly or indirectly, or exercise control or direction over, more than 10% of our Shares, save and except Mr. Robert Eadie.

Mr. Eadie, of Mexico City, Mexico is the beneficial owner of 2,000,000 Shares. He also holds the right to vote an additional 9,056,481 Shares pursuant to a Voting Trust Agreement dated as of July 30, 2010 whereby each of Stephen Pearce, John Anderson, Fraser Hindson, Bill Harris, Tara Christie, the estate of Art Ettlinger and Gary Arca, granted Mr. Eadie the right to vote their Shares. The Voting Trust Agreement continues for three years, unless the shareholder otherwise disposes of his Shares in an arm's length disposition.

### DIRECTORS AND EXECUTIVE OFFICERS

#### Directors and Executive Officers

The name, province or state and country of residence, and position with the Company, of each of our directors and executive officers are set out in the table below. Details of their principal business or occupation in which they have been engaged during the immediately preceding five years are as set out under "Management of Reporting Issuers" following the table.

Name, Position, Province or State and Country of Residence	Principal Occupation or Employment for the Past Five Years	Date Elected or Appointed
<b>Robert Eadie</b> <sup>(1)</sup> Mexico City, Mexico President, CEO and Director	Business Executive. See "Management of Reporting Issuers" below.	June 23, 2010
<b>Bill Harris</b> Yukon, Canada Director	Prospector. See "Management of Reporting Issuers" below.	March 1, 2008
<b>Tara Christie</b> <sup>(1)</sup> Yukon, Canada Director	Engineer See "Management of Reporting Issuers" below.	January 1, 2009
<b>Andrew de Verteuil</b> <sup>(1)</sup> British Columbia, Canada Director	Certified General Accountant See "Management of Reporting Issuers" below.	December 1, 2010

Name, Position, Province or State and Country of Residence	Principal Occupation or Employment for the Past Five Years	Date Elected or Appointed
<b>Gary Arca</b> British Columbia, Canada CFO and Secretary	Chartered Accountant. See "Management of Reporting Issuers" below.	June 23, 2010 as CFO and August 13, 2010 as Secretary

(1) Member of Audit Committee.

The term of office for our directors and members of our committees expires at each annual general meeting. The board of directors after each such meeting appoints our committees for the ensuing year. We currently have one board committee, being the Audit Committee which presently consists of Robert Eadie (Chair), Andrew de Verteuil and Tara Christie.

As of the date hereof, our directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over 9,904,662 Common Shares representing 43.30% of the issued and outstanding Common Shares prior to the Offering, and 34.30% of the issued and outstanding Common Shares upon completion of the Offering (assuming no Stock Options or Agent's Options are exercised).

### Management of the Company

The following provides additional information regarding our directors and executive officers:

#### ***Robert Eadie, President, CEO & Director***

Robert Eadie, age 45, has been a director of the Company since June 23, 2010.

Mr. Eadie has been actively involved in public resource companies for many years. He is currently an officer and/or director of a number of junior public companies, primarily in the natural resource sector, namely Starcore International Mines Ltd., American Consolidated Minerals Corp., Cortez Gold Corp., Highland Resources Inc. and Parlane Resource Corp. All of these companies are headquartered in Vancouver, British Columbia and listed on the Exchange, with the exception of Starcore which is listed on the Toronto Stock Exchange. In 2008, Mr. Eadie was invited to join and completed the Quantum Shift Program, an exclusive by-invitation-only leadership development program limited to 40 of Canada's most promising entrepreneurs, founded by KPMG Enterprise and the Richard Ivey School of Business. Robert divides his time between Vancouver, Toronto and Mexico.

Mr. Eadie will be responsible for managing all aspects of the Company's business and affairs, including fund raising and corporate strategy and direction. Mr. Eadie is not an employee of the Company; and in his capacities as President and CEO will dedicate as much time as required, estimated at 25% of his time, to the affairs of the Company. Mr. Eadie is not a party to any non-competition or confidentiality agreement with the Company.

#### ***Tara Christie, Director***

Ms. Christie, age 37, has been a director of the Company since January 1, 2009.

Tara Christie is currently a Director of Constantine Metal Resources Ltd. (TSXV: CEM) and the President of Gimlex Gold Mines Ltd., a private placer mining company operating in the Yukon. Tara is a graduate of the University of British Columbia with a Masters of Applied Science, specializing in Geotechnical Engineering. She is a Board Member of the Yukon Environmental and Socio-economic Assessment Board. Tara has been involved in resolving environmental and regulatory issues between various government agencies, First Nations and mining interests in various Canadian jurisdictions.

Ms. Christie is not an employee of the Company, and in her capacity as director will only dedicate approximately 5% of her time to the affairs of the Company. Ms. Christie is not a party to any non-competition or confidentiality agreement with the Company.

***Bill Harris, Director***

Mr. Harris, age 52, has been a director of the Company since March 1, 2008.

Bill Harris is a prospector, born and raised in the Yukon. He has been a self-employed prospector since 1980. He is a founder, and has held various executive positions with Northern Freegold Resources Ltd., including CEO, COO, President and Chairman since September 2006.

Mr. Harris is not an employee of the Company, and in his capacity as director will only dedicate approximately 5% of his time to the affairs of the Company. Mr. Harris is not a party to any non-competition or confidentiality agreement with the Company.

***Andrew de Verteuil, Director***

Mr. de Verteuil, age 32, was appointed a director on December 1, 2010.

Mr. de Verteuil is a Certified General Accountant (CGA) and has been a member of Certified General Accountants Association of Canada and Certified General Accountants Association of British Columbia since August 2009. He graduated from Laurentian University with an Honours Bachelor of Commerce in 2009 and from Camosun College with a Diploma in Business Administration -- Accounting Option in 2001.

In 2004, he joined Amisano Hanson Chartered Accountants as an accounting student. Since 2007, Mr. de Verteuil has acted as Controller for Starcore International Mines Ltd. Mr. de Verteuil, currently serves as a director for Cortez Gold Corp, which is listed on the Exchange.

Mr. de Verteuil is not an employee of the Company, and in his capacity as director will only dedicate approximately 5% of his time to the affairs of the Company. Mr. de Verteuil is not a party to any non-competition or confidentiality agreement with the Company.

***Gary Arca, CFO and Corporate Secretary***

Gary Arca (age 50) is a Chartered Accountant (CA) and has been a member of the Canadian Institute of Chartered Accountants and British Columbia Institute of Chartered Accountants since 1985. Mr. Arca currently serves as a director and Chief Financial Officer of Starcore International Mines Ltd., and a director, Chief Financial Officer and Corporate Secretary of American Consolidated Minerals Corp., Highland Resources Inc., Cortez Gold Corp. and Parlane Resource Corp., all of which are listed on the Exchange, except for Starcore which is listed on the Toronto Stock Exchange.

Mr. Arca is not an employee of the Company, and in his capacity as CFO will only dedicate approximately 15% of his time to the affairs of the Company. Mr. Arca is not a party to any non-competition or confidentiality agreement with the Company.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of our directors or executive officers are, as at the date of this Prospectus, or have been within 10 years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including the Company and any personal holding company of any of such individuals) that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, (in each instance, which order was in effect for a period of more than 30 consecutive days):

- (a) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of our directors, executive officers or shareholders, holding a sufficient number of our securities to affect materially the control of the Company:

- (a) is, or has been within the 10 years before the date of this Prospectus, a director or executive officer of any company (including the Company and any personal holding company of any of such individuals) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Our directors are required to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. However, our directors and officers may serve on the boards and/or as officers of other companies which may compete in the same industry as the Company, giving rise to potential conflicts of interest. To the extent that such other companies may participate in ventures in which we may participate, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such conflicts of interest arise at a meeting of our directors, such conflicts of interest must be declared and the declaring parties must abstain from voting for or against the approval of such participation. The remaining directors will determine whether or not we will participate in any such project or opportunity.

Our directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and we will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. Such directors or officers in accordance with the *Business Corporations Act* (British Columbia) will disclose all such conflicts and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

In assessing the compensation of its executive officers, the Company does not have in place any formal objectives, criteria or analysis. Compensation payable is currently determined by the Board. The Company's executive compensation program is based on comparisons of similar type and size companies, primarily junior mineral exploration companies with properties in the Yukon and with exploration programs and budgets similar to those of the Company. Specifically, the executive compensation of 31 companies was reviewed being Anglo Canadian Uranium Corp., Arcturus Ventures Inc., Arcus Development Corp., Ashburton Ventures Inc., BCGold Corp., Chai Cha Na Mining Inc., Central Resources Corp., CMC Metals Ltd., Copper Canyon Resources Ltd., Copper Ridge Exploration Inc., Eagle Plains Resources Ltd., Endurance Gold Corporation, E-Energy Ventures Inc., Emerick Resources Corp., Expedition Mining Inc., First Lithium Resources Inc., Full Metal Minerals Ltd., Goldbank Mining Corp., Golden Predator & Royalty Development Corp., Habanero Resources Inc., Hinterland Metals Inc., Killdeer Minerals Inc., Logan Resources Ltd., Network Exploration Ltd., Newcastle Minerals Ltd., Northern Freegold Resources Ltd., Northern Platinum Ltd., Pacific Ridge Exploration Inc., Taku Gold Corp., Taxisis Resources Ltd., and Zincorp Resources Inc. Both individual and corporate performances are also taken into account.

Payments may be made from time to time to executive officers or companies they control for the provision of consulting services. Such consulting services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm's length services providers.

### Option Based Awards

Stock options will be granted pursuant to the Company's Plan to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company.

### Named Executive Officers' Compensation

In accordance with applicable securities legislation, we currently have two Named Executive Officers ("NEOs"); being Robert Eadie as CEO and President and Gary Arca as CFO. Both of our NEOs assumed their positions on June 23, 2010. Compensation was paid to our NEOs during the fiscal year ended July 31, 2010 as detailed below. Previously, management fees were paid to prior management as to \$12,500 during the fiscal year ended July 31, 2009 and \$30,000 during the fiscal year ended July 31, 2008.

Name and Principal Position	Fiscal Year Ended <sup>1</sup>	Salary (\$)	Share Based Awards (\$)	Option Based Awards <sup>1</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long Term Incentive Plans			
<i>Robert Eadie</i> CEO & President	07/31/10	nil	nil	nil	nil	nil	nil	nil	nil
<i>Gary Arca</i> CFO & Secretary	07/31/10	nil	nil	nil	nil	nil	nil	2,500	2,500

We do not provide any retirement benefits for our directors or officers; nor do we have any long term incentive plan ("LTIP") or SAR.

During the fiscal period ended July 31, 2010, there were no stock options granted; therefore no stock based compensation expense was recorded.

### Outstanding Share-Based Awards and Option-Based Awards

The Company has a stock option plan in place. No options have ever been granted under the Plan, or otherwise, to any person (including our NEOs) from our incorporation on May 3, 2007 to July 31, 2010. No options will be granted under the Plan until the Listing Date, at which time we intend to grant up to 2,887,500 options, exercisable at \$0.40 per share for a five year term. For a description of our Stock Option Plan, see "*Options and Other Rights to Purchase Securities of the Company – Stock Option Plan*" above.

### Management and Consulting Agreements

We do not have in place any management, employment or consulting agreements. We do have verbal understandings with each of our CEO/President and CFO as to their respective compensation to be received from time to time. Each of Robert Eadie and Gary Arca are paid management fees of \$5,000 and \$2,500 per month, respectively. Robert Eadie began receiving his monthly management fee as of November 1, 2010; and Gary Arca began receiving his monthly management fees as of July 1, 2010. No directors' fees are payable.

### Termination of Employment, Change of Control Benefits and Employment Contracts

We have not entered into any employment contracts for management services or otherwise. No benefits will accrue to any of our executive officers or employees upon their termination, or upon any change of control of the Company.

### **Directors' Compensation**

Directors will not receive any fees or other compensation for their acting as directors, except that directors will be entitled to incentive stock options pursuant to the Company's stock option plan in such individual amounts as the board of directors may determine from time to time, and reimbursement for out-of-pocket expenses incurred on our behalf or in providing services as a director for the Company.

The purpose of granting stock options is to assist the Company in compensating, attracting, retaining and motivating the directors of the Company and to closely align the personal interests of such persons to that of the shareholders.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director or officer of the Company, or any associate or affiliate of such person, is or has ever been indebted to the Company; nor has any such person's indebtedness to any other entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

### **AUDIT COMMITTEE**

Pursuant to Exchange Policies, National Instrument 52-110 *Audit Committees* ("NI 52-110"), and the provisions of section 224 of the *Business Corporations Act* of British Columbia, we are required to have an Audit Committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company.

We must also, pursuant to the provisions of NI 52-110, have a written charter, which sets out the duties and responsibilities of our audit committee.

#### **Audit Committee's Charter**

##### ***Mandate***

The audit committee will assist the board of directors (the "Board") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the company's business, operations and risks.

##### ***Composition***

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors. A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

##### ***Meetings***

The Committee shall meet in accordance with a schedule established each year by the Board, and at other times that the Committee may determine. The Committee shall meet at least annually with the Chief Financial Officer and external auditors in separate sessions.

##### ***Roles and Responsibilities***

The audit committee shall fulfill the following roles and discharge the following responsibilities:

##### ***External Audit***

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

#### *Internal Audit*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### *Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

##### *Annual Financial Statements*

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Interim Financial Statements*

- (f) review and approve the interim financial statements prior to their release to the public; and
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

*Release of Financial Information*

- (a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

*Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

*Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

*De-Minimis Non-Audit Services*

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

*Pre-Approval Policies and Procedures*

- (c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;
  - (ii) the audit committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

*Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and

- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

***Resources and Authority of the Audit Committee***

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

**Composition of the Audit Committee**

The Audit Committee is presently comprised of Robert Eadie, Andrew de Verteuil and Tara Christie, two of whom are independent directors of the Company within the meaning of NI 52-110. The Chairman of the Audit Committee is Robert Eadie. Mr. de Verteuil and Ms. Christie are independent. Mr. Eadie is President and CEO of the Company and is therefore not independent. All members of the Audit Committee are financially literate. The members of the Audit Committee are elected by the Board of Directors at its first meeting following each annual shareholders' meeting to serve one year terms and are permitted to serve an unlimited number of consecutive terms.

**Relevant Education and Experience**

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

- *Robert Eadie* is president and CEO of several companies listed on the Toronto and TSX Venture Exchanges. His experience in the management of companies, in venture capital raising, acquisitions, joint ventures, and mergers provides him with the expertise to understand and evaluate financial statements that are prepared using Canadian GAAP, the principles applied to natural resource companies' financial statements, and the internal controls required to accurately report the Company's financial position.
- *Andrew de Verteuil* is a Certified General Accountant who has acted as a director and/or controller for public companies. See "Management of the Company" above.
- *Tara Christie* is a director of a public company in the natural resource sector and in such capacity has been responsible for reviewing and approving financial statements. See "Management of the Company" above.

**Audit Committee Oversight**

At no time has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board.

**Reliance on Certain Exemptions**

At no time has the Company relied on any of the following exemptions contained in NI 52-101:

- (a) Section 2.4 (De Minimis Non-audit Services);
- (b) Section 3.2 (Initial Public Offerings);
- (c) Section 3.4 (Events Outside Control of Member);
- (d) Section 3.5 (Death, Disability or Resignation of Audit Committee Member);
- (e) Subsection 3.3(2) (Controlled Companies);

- (f) Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances);
- (g) Section 3.8 (Acquisition of Financial Literacy); or
- (h) the general provisions of Part 8.

### Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading “External Auditors”.

### External Auditor Service Fees (By Category)

We did not incur any auditing fees until our fiscal year ended July 31, 2010. The aggregate fees billed by our external auditors for audit and other fees during the fiscal year ended July 31, 2010 are as follows:

Period Ended	Audit Fees	Audit Related Fees <sup>(1)</sup>	Tax Fees <sup>(2)</sup>	All Other Fees <sup>(3)</sup>
July 31, 2010 <sup>(4)</sup>	\$nil <sup>5</sup>	\$nil	\$nil	\$nil

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under “Audit Fees”.
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.
- (4) For the period from incorporation to July 31, 2010.
- (5) Our estimated audit fees for the period from incorporation to July 31, 2010 are \$15,000.

## CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board of Directors and who are charged with day-to-day management of the Company. National Instrument 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board of Directors is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

In accordance with National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”) our corporate governance practices are summarized below. The Board of Directors will continue to monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

### Board of Directors

The Company’s Board of Directors (the “Board”) is currently composed of four directors – Robert Eadie, Bill Harris, Tara Christie and Andrew de Verteuil. The Board facilitates its exercise of independent supervision over management by ensuring sufficient representation by directors independent of management.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, NI 58-101 suggests that the board of directors should include a number of directors who do not have interests in either the company or the significant shareholder. The independent directors would exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary. The majority of the Company’s Board is independent. Each of Bill Harris, Tara Christie and Andrew de

Verteuil can be considered to be “independent” within the meaning of NI 58-101. Robert Eadie, by reason of him being CEO and President, is considered to be “non-independent”.

The independent directors will meet separately from the non-independent directors, as determined necessary from time to time, in order to facilitate open and candid discussion among the independent directors. No separate meetings of the independent directors have been held to date. Robert Eadie, a non-independent director, acts as the lead director with respect to the conduct of Board meetings. Bill Harris acts as the lead director with respect to the independent directors. Given the Company’s relatively small size and start-up nature, the Board is satisfied as to the extent of independence of its members. The Board is satisfied that it is not constrained in its access to information, in its deliberations, or in its ability to satisfy the mandate established by law to supervise the business and affairs of the Company, and that there are sufficient systems and procedures in place to allow the Board to have a reasonable degree of independence from day-to-day management.

Since the Company’s incorporation on May 3, 2007 until the date of this Prospectus, the Company’s Board has held one formal Board meeting, but the directors have approved other various matters by consent resolutions.

### **Board Mandate**

The Board does not presently have a written mandate describing how the Board delineates its role and responsibilities. The size of the Company is such that all of its operations are conducted by a small management team which is also represented on the Board. The Board considers that management is effectively supervised by the independent directors on an informal basis as the independent directors are actively and regularly involved in reviewing and supervising the operations of the Company and have regular and full access to management. Further supervision is performed through the Company’s Audit Committee which is composed of a majority of independent directors who meet with the Company’s auditors without management being in attendance.

### **Position Descriptions**

The Board has not developed written position descriptions for the lead director with respect to the conduct of Board meetings, or for the lead director of any committees. The lead director’s role and responsibilities in each instance include reviewing notices of meetings, setting meeting agendas, conducting and chairing meetings in accordance with good practices, and reviewing minutes of meetings.

The Board has not developed written position descriptions for the Company’s CEO. The CEO’s general roles and responsibilities include overseeing all operations of the Company, and developing and devising the means to implement general strategies for the direction and growth of the Company.

### **Other Reporting Issuer Experience**

The following table sets out the directors of the Company that are directors of other reporting issuers in any Canadian or foreign jurisdiction:

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Name of Exchange or Market (if applicable)</b>
Robert Eadie	American Consolidated Minerals Corp. Cortez Gold Corp. Highland Resources Inc. Parlane Resource Corp. Starcore International Mines Ltd.	TSX Venture Exchange TSX Venture Exchange TSX Venture Exchange TSX Venture Exchange Toronto Stock Exchange
Bill Harris	Northern Freegold Resources Ltd.	TSX Venture Exchange
Tara Christie	Constantine Metal Resources Limited	TSX Venture Exchange
Andrew de Verteuil	Cortez Gold Corp.	TSX Venture Exchange

### **Orientation and Continuing Education**

Each new director is given an outline of the nature of the Company's business, its corporate strategy, and current issues within the Company. New directors are encouraged to review the Company's public disclosure records as filed on SEDAR; and are also required to meet with management of the Company to discuss and better understand the Company's business and are given the opportunity to meet with counsel to the Company to discuss their legal obligations as directors of the Company.

In addition, management of the Company takes steps to ensure that its directors and officers are continually updated as to the latest corporate and securities policies which may affect the directors, officers and committee members of the Company as a whole. The Company continually reviews the latest securities rules and policies and is on the mailing list of the Exchange to receive updates to any of those policies. Any such changes or new requirements are then brought to the attention of the Company's directors either by way of director or committee meetings or by direct communications from management to the directors.

### **Ethical Business Conduct**

The Board has not established a Corporate Governance Committee, but may do so in the future should the Board become larger. As some of our directors also serve as directors and officers of other companies engaged in similar business activities, our directors must comply with the conflict of interest provisions of the British Columbia *Business Corporations Act*, as well as the relevant securities regulatory instruments, in order to ensure that they exercise independent judgment in considering transactions and agreements in respect of which they may have a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke any such conflict.

The Board has established a code of ethical conduct policy pursuant to the requirements of National Policy 58-201. The full text of this policy will be available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) on the Listing Date and may be obtained free of charge upon request to the Company by mail to its business office as noted herein.

### **Nomination of Directors**

The Company's management is continually in contact with individuals involved with public sector issuers. From these sources management has made numerous contacts and in the event that the Company requires any new directors, such individuals will be brought to the attention of the Board of Directors. The Company conducts due diligence, reference and background checks on any suitable candidate. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required and a willingness to serve.

### **Compensation**

The Board is responsible for monitoring and reviewing the salary and benefits of its executive officers, and the Company's general compensation structure, policies and programs in consideration of industry standards and the Company's financial situation, and has not formed a compensation committee to assume such responsibilities (although it may do so in the future should the Board become larger). The Board is also responsible for determining the compensation of those directors who currently are not compensated in their capacity as directors, and for the administration of stock options.

### **Other Board Committees**

At present, we have only an Audit Committee. We have no present intention of creating any other committees, but may do so in the future should our Board become larger.

### **Assessments**

Neither the Company nor the Board has determined formal means or methods to regularly assess the Board, its committees or the individual directors with respect to their effectiveness and contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an

individual director is informally monitored by the other Board members, having in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

### PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement we have appointed the Agent to act on our behalf to conduct the Offering in the Selling Provinces, on a commercially reasonable efforts basis, to sell not less than 5,000,000 Units at \$0.40 per Unit to raise gross proceeds of \$2,000,000. The Agent may enter into selling arrangements with other investment dealers at no additional cost to the Company. The Agent will be paid or issued the following consideration under the Agency Agreement on the Closing Day:

- (i) the Agent's Commission;
- (ii) the Agent's Options;
- (iii) the balance of the Corporate Finance Fee; and
- (iv) reimbursement of its legal fees and expenses, toward which a \$15,000 retainer has been paid.

This Prospectus qualifies the Agent's Options for distribution in the Selling Provinces.

The Agent and its principals and employees hold 370,776 Shares of the Company.

The Agent has agreed to assist with the Offering on a commercially reasonable efforts basis, and is not obligated to purchase any of the Shares for its own accounts. The Offering must be completed within 90 days of the Effective Date, otherwise the distribution will cease, unless an amendment is filed and received, and all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent.

The Agency Agreement provides that the obligations of the Agent thereunder may be terminated at its discretion on the basis of its assessment of the state of financial markets and may also be terminated upon the occurrence of certain stated events.

Subscriptions will be received for the Units offered hereby subject to rejection or acceptance by us in whole or in part, and the Agent reserves the right to close the subscription books at any time provided the Agent has received subscriptions in aggregate equal to the Offering. Upon rejection of a subscription, the subscription price and the subscription will be returned to the subscriber forthwith without interest or deduction.

Completion of the Offering is subject to the receipt of the minimum amount of \$2,000,000. All subscription funds will be held in trust by the Agent until the Offering is realized, or the Offering is otherwise closed. If the entire Offering is not completed within the term of the Agency Agreement or the time required by the rules of the Securities Commissions, the subscription price and the subscriptions will be returned to the subscribers forthwith without interest or deduction.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering other than the payments to be made to the Agent in accordance with the terms of the Agency Agreement.

Our directors, officers and other insiders may purchase Shares from the Offering.

The price of the Units under this Prospectus was determined by negotiation between the Company and the Agent and bears no relationship to earnings, book value or other valuation criteria.

**As at the date of this Prospectus, we do not have any of our securities listed or quoted, have not applied to list or quote any of our securities, and do not intend to apply to list or quote any of our securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.**

## **Listing of Common Shares**

We have applied to the Exchange to conditionally approve a listing of (i) the Shares being offered under this Prospectus, (ii) our previously issued and outstanding Shares; and (iii) Shares which may be issued upon exercise of any Warrants, Agent's Options or stock options. The listing is subject to the Company meeting all of the listing requirements of the Exchange including prescribed distribution and financial requirements.

## **RISK FACTORS**

*An investment in the securities offered hereunder should be considered highly speculative due to the nature of our business and the present stage of development. An investment in the securities should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Prospective investors should consult with their professional advisors to assess an investment in the Company. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in this Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with our operations.*

### **Risks Related to the Offering and Holding of Shares**

#### ***High Risk, Speculative Nature of Investment***

An investment in the Shares carries a high degree of risk and should be considered speculative by purchasers. We have no history of earnings, have limited cash reserves, a limited business history, have not paid dividends, and are unlikely to pay dividends in the immediate or near future. We are in the "start up" phase of our business. Our operations are not sufficiently established such that we can mitigate the risks associated with our planned activities.

#### ***Dilution and Shareholdings***

The Offering Price significantly exceeds the average price of Shares previously sold by us. Accordingly, investors will suffer immediate dilution of their investment. Shares acquired at \$0.40 per Share will have a value, based on an average sale price per Share of the Company as of the Closing Day of approximately \$0.1966 per Share, representing a dilution of approximately 50.86%. An aggregate of 10,004,000 Shares were sold to directors at a price of \$0.005 per Share.

#### ***No Established Market***

There is currently no market through which our securities may be sold and purchasers may not be able to resell the Shares purchased under this Prospectus. Even if a market develops, there is no assurance that the price of the Shares offered under this Prospectus, which was determined through negotiations between the Company and the Agent, will reflect the market price of the Common Shares once a market has developed.

#### ***Liquidity Concerns and Future Financing Requirements***

We have no source of operating revenue. It is likely we will operate at a loss until we are able to put a mineral property into production. We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us. If additional financing is raised by the issuance of Shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

#### ***Volatility of Share Price***

As it is anticipated that our Shares will be listed on the Exchange, factors such as announcements of quarterly variations in operating results, revenues, costs, as well as market conditions in the mineral exploration industry may have a significant impact on the market price of our Shares. Global stock markets and the Exchange in particular

have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in the mineral exploration industry have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will develop or be sustained for our Shares.

#### ***Uncertainty of Use of Proceeds***

Although we have set out our intended use of proceeds from this Offering, the same are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. See “*Caution Regarding Forward-looking Statements*” for more details.

#### ***Prospect of Dividends***

We do not anticipate that any dividends will be paid on our Common Shares in the foreseeable future.

#### ***Increased Costs of Being a Publicly-Traded Company***

As a company with publicly-traded securities, we will incur significant legal, accounting and filing fees not presently incurred. Securities legislation and the rules and policies of the Exchange require us to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which will significantly increase our legal and financial compliance costs.

#### **Risks Related to our Business**

##### ***Fluctuating Mineral Prices***

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that our properties can be mined at a profit. Factors beyond our control may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond our control.

##### ***Substantial Capital Expenditures Required***

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The discovery of mineral deposits is dependent upon a number of factors. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which relate to particular attributes of the deposit, such as size, grade and proximity to infrastructure, and some of which are more general factors such as metal prices and government regulations, including environmental protection. Most of these factors are beyond our control. In addition, because of these risks, there is no certainty that the expenditures to be made by us on the exploration of our KL Project as described herein will result in the discovery of commercial quantities of ore.

##### ***Management Experience, and Dependence on Key Personnel and Employees***

Our success is currently largely dependent on the performance of our directors and officers. Our management team has experience in the resource exploration business. The experience of these individuals is a factor which will contribute to our continued success and growth. We will initially be relying on our board members, as well as independent consultants, for certain aspects of our business. The amount of time and expertise expended on our affairs by each of our management team and our directors will vary according to our needs. We do not intend to acquire any key man insurance policies and there is, therefore, a risk that the death or departure of any member of management, our board, or any key employee, could have a material adverse effect on our future. Investors who are

not prepared to rely on our management team should not invest in our securities. We intend to hire geologists on a consulting basis as needed from time to time to oversee certain of our operations on the KL Project. There is no assurance we will be able to engage geologists with the experience or expertise as needed, when needed; or on terms acceptable to us.

### ***Exploration and Development***

All of the mineral properties in which we hold an interest, including the KL Project are in the exploration stage and are without a known body of commercial ore and requires extensive expenditures during this exploration stage. See “Description of the Company’s Business”. Mineral exploration and development involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to mitigate. The vast majority of properties which are explored are not ultimately developed into producing mines. There is no assurance that our mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors.

In the event that a significant mineralized zone is identified, detailed environmental impact studies will need to be completed prior to initiation of any advanced exploration or mining activities. There is no guarantee that areas for potential mine waste disposal, heap leach pads, or areas for processing plants will be available within the KL Project.

### ***Future Acquisitions***

As part of our business strategy, we may seek to grow by acquiring companies and/or assets or establishing joint ventures that we believe will complement our current or future business. We may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for our business. We cannot guarantee that we can complete any acquisition we pursue on favourable terms, or that any acquisitions completed will ultimately benefit our business.

### ***Negative Operating Cash Flow***

We have had negative operating cash flow since our date of incorporation. We have no history of, and no current source of revenues. Funds raised by us through the sale of our Shares have been used toward acquisition and exploration costs of our mineral property interests, and for general working capital purposes. There is no assurance we will ever be successful in attaining a positive cash flow position.

### ***Reliability of Historical Information***

We have relied, and the disclosure from the Report set out under “Description of Mineral Property” above, is based, in part, upon historical data compiled by previous parties involved with the KL Project. To the extent that any of such historical data is inaccurate or incomplete, our exploration plans may be adversely affected.

### ***Operating Hazards and Risks***

Mineral exploration and development involves risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which we have a direct or indirect interest will be subject to hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage. We do not currently carry any liability insurance for such risks, electing instead to ensure our contractors have adequate insurance coverage. The nature of these risks is such that liabilities might exceed any insurance policy limits, the liabilities and hazards might not be insurable or we might not elect to insure ourselves against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon our financial condition.

***Competition***

The mining industry is intensely and increasingly competitive, and we compete for exploration and exploitation properties with many companies possessing greater financial resources and technical facilities than we do. Competition in the mining business could adversely affect our ability to acquire suitable producing properties or prospects for mineral exploration in the future.

***Title Matters***

While we have reviewed and are satisfied with the title to the claims comprising the KL Project, and, to the best of our knowledge, such title is in good standing, there is no guarantee that titles to such claims will not be challenged or impugned. The KL Project may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects.

***Environmental Risks and Other Regulatory Requirements***

Our current or future operations, including exploration or development activities and commencement of production on our properties require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which we may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which we might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material impact on us and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

***Industry Regulation***

We currently operate our business in a regulated industry. There can be no assurances that we may not be negatively affected by changes in the applicable legislation, or by any decisions or orders of any governmental or administrative body or applicable regulatory authority.

***Uninsured or Uninsurable Risks***

We may become subject to liability for cave-ins, pollution or other hazards against which we cannot insure or against which we may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce the funds available for exploration and mining activities. Payments of liabilities for which we do not carry insurance may have a material adverse effect on our financial position.

***General Business Risks******Conflicts of Interest***

Certain of our directors and officers are, and may continue to be, involved in the mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where

the other interests of these directors and officers may conflict with our interests. Directors and officers of the Company with conflicts of interest will be subject to and follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

***Dependence on, and Protection of, Key Personnel***

We depend on the continued support and involvement of our directors and officers to develop our business and operations, and the services of our key technical, sales, marketing and management personnel. The loss of any of these key persons could have a material adverse effect on our business, our results of operations, our ability to implement our business plans, and our financial condition. Our success is also highly dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified technical and management personnel. Competition for such personnel can be intense, and we cannot provide assurance that we will be able to attract or retain highly qualified personnel in the future. Our inability to attract and retain highly qualified technical, sales, marketing and management personnel may adversely affect our future growth and profitability. It may be necessary for us to increase the level of compensation paid to existing or new employees to a degree that our operating expenses could be materially increased. We do not currently maintain corporate life insurance policies on key employees.

**Risk Related to General Economic Factors**

***Current Global Financial Condition***

The recent downturn of the global capital markets generally makes the raising of capital by equity or debt financing more difficult, and we will be dependent upon the capital markets to raise financing. Access to financing has been negatively impacted by both sub-prime mortgages in the United States and elsewhere, and the liquidity crisis affecting the asset-backed commercial paper market. As such, we are subject to counterparty risk and liquidity risk. The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash; (ii) companies that have payables to the Company; and (iii) the Company's insurance providers. The Company is also exposed to liquidity risks in meeting its operating and exploration expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to raise equity or obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company's Shares could be adversely affected.

***Volatility in the Worldwide Economy***

Reduction in credit, combined with reduced economic activity and the fluctuations in the Canadian and United States dollar, have adversely affected businesses and industries in almost every sector in more significant and unpredictable ways than in more normal economic times. Prolonged depressed economic conditions and volatility in the worldwide economy will continue to adversely affect consumer and business spending, which is likely to negatively affect our businesses.

Our operations and performance may depend significantly on general economic conditions, and their impact on levels of business and consumer spending. Spending is often affected by a number of factors, including business / consumer confidence in the strength of economies, fears of recession, the tightening of credit markets, higher levels of unemployment, higher tax rates, the cost of credit and other factors. The current volatility in the North American economy in particular has resulted in an overall slowing in growth in many sectors because of decreased business and consumer spending, which may remain depressed for the foreseeable future.

**AS A RESULT OF THESE RISK FACTORS, THE OFFERING IS SUITABLE ONLY FOR THOSE PURCHASERS WHO ARE WILLING TO RELY ON THE MANAGEMENT OF THE COMPANY AND WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT IN THE OFFERED SECURITIES.**

## PROMOTER

Robert Eadie may be considered to be our promoter, as that term is defined in the *Securities Act* (British Columbia) since June 23, 2010 when he was appointed as a director and CEO / President of the Company. Mr. Eadie has not received anything of value from the Company, and has no entitlement to receive anything of value except that:

- he acquired 2,000,000 Shares at a price of \$0.005 per Share (which Shares are subject to the Escrow Agreement);
- he receives a monthly fee of \$5,000; and
- he will be granted incentive stock options on the Listing Date pursuant to our Plan, exercisable at \$0.40 per share for five years.

Bill Harris may be considered to be our promoter prior to June 23, 2010. He was instrumental in the founding and organization of the Company. He has not received anything of value from the Company, and has no entitlement to receive anything of value except that:

- he acquired 1,202,000 Shares at a price of \$0.005 per Share (which Shares are subject to the Escrow Agreement);
- he (through his private Yukon company) received 357,735 Shares in settlement of \$89,434 of debt (\$0.25 per Share) in October 2007;
- he is entitled to 30% of the consideration paid by the Company under the Property Option Agreement pertaining to the KL Project, in that he is one of the Optionors holding a 30% interest in the KL Project;
- he is entitled to receive \$44,000 of the cash payments and 190,000 of the Shares to be issued by the Company pursuant to its acquisition of the McKay Hill property; and
- he will be granted incentive stock options on the Listing Date pursuant to our Plan, exercisable at \$0.40 per share for five years.

See “*Options and Other Rights to Purchase Securities of the Company*” for details of stock options to be granted to him; “*Directors and Executive Officers – Management of Reporting Issuers; Corporate Cease Trade Orders or Bankruptcies*”; “*Penalties or Sanctions*”; and “*Interest of Management and Others in Material Transactions*” for disclosure regarding our promoter.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

There are no legal proceedings outstanding, threatened or pending, as of the date hereof, by or against us or which we are a party or to which our business or any of our assets is subject, nor to our knowledge are any such legal proceedings contemplated which could become material to a purchaser of our securities.

### Regulatory Actions

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

For purposes of this Prospectus, “informed person” means:

- (a) any director or executive officer of the Company;
- (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Company’s outstanding Shares; and

- (c) any associate or affiliate of any of the foregoing persons.

Other than as described in this Prospectus, no informed person has had any material interest, direct or indirect, in any material transaction with the Company since its incorporation. (See “Description of Mineral Property” and “Other Mineral Property Interests.”)

### **RELATIONSHIP BETWEEN THE COMPANY AND THE AGENT**

We are not a “related issuer” or a “connected issuer” of or to the Agent (as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*).

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Our auditor is MacKay LLP, Chartered Accountants, of 1100 – 1177 West Hastings Street, Vancouver, British Columbia, V6E 4T5.

Our registrar and transfer agent is Computershare Investor Services Inc., of 510 Burrard Street, Vancouver, B.C. V6C 3A8.

### **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by us, or which affect us, since our incorporation on May 3, 2007:

- (a) Property Option Agreement dated August 1, 2007 whereby we were granted the option to acquire a 100% interest in the KL Project (subject to the retained Royalty) from the Optionors;
- (b) Agency Agreement dated ●, 2011, between the Company and the Agent. See “Plan of Distribution – Agency Agreement”;
- (c) Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated December 13, 2010 between the Company and Computershare Investor Services Inc.;
- (d) Escrow Agreement dated December 13, 2010, among the Company, the Escrow Agent and certain shareholders of the Company. See “Escrowed Securities”;

Copies of all material contracts may be inspected at our registered office at Maitland & Company, Barristers and Solicitors, Suite 700, 625 Howe Street, Vancouver, BC V6C 2T6, during normal business hours while distribution of the securities offered hereunder is in progress, and for a period of 30 days thereafter. The material contracts will also be available on the SEDAR website ([www.sedar.com](http://www.sedar.com)) upon the issuance of the final receipt for this Prospectus.

### **EXPERTS**

The Report on our KL Project was prepared by Jean Paulter, P. Geo., of Whitehorse, Yukon. Ms. Paulter does not have any interest in us, our Shares, or any of our mineral property interests.

Maitland & Company, Barristers and Solicitors, of Vancouver, BC expressed an opinion herein regarding the eligibility of our Shares for contribution to RRSPs and other similar trusts. See “Summary of Prospectus – RRSP Eligibility”. None of the partners, associates or employees of Maitland & Company has any interest in our Shares.

The auditors’ report attached to our audited financial statements for the years ended July 31, 2010, 2009 and 2008 was prepared by our auditors, MacKay LLP. MacKay LLP has confirmed they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

No other person whose profession or business gives authority to a statement made by such person and who is named in this Prospectus has received or will receive a direct or indirect interest in our KL Project or any associate or affiliate of the Company. As at the date hereof, and except as disclosed above, none of the aforementioned persons

beneficially owns, directly or indirectly, securities of the Company or its associates and affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an associate or affiliate of the Company, or a promoter of the Company or of an associate or affiliate of the Company.

### **OTHER MATERIAL FACTS**

There are no further facts or particulars in respect of the securities being distributed pursuant to this Prospectus that are not already disclosed herein that are necessary to be disclosed for this Prospectus to contain full, true and plain disclosure of all material facts relating to such securities.

### **RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission, revision of the price, or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. **The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.**

### **LIST OF EXEMPTIONS**

The Company has applied for exemptive relief under Part 19 of NI 41-101 from the requirement under section 2.3(1) of NI 41-101 to file its prospectus 90 days from December 16, 2010, the date of receipt to its preliminary prospectus.

### **FINANCIAL STATEMENT DISCLOSURE**

Our audited financial statements for the fiscal years ended July 31, 2008, 2009 and 2010, together with our unaudited financial statements for the six month period ended January 31, 2011 are included herein. Our fiscal year end is July 31.

### **SIGNIFICANT ACQUISITIONS**

All of our material acquisitions to date have been described above in this Prospectus. See "Description of the Business" above for details.

Other than as described herein, we have not completed any acquisitions or dispositions since the Company's date of incorporation, and are not currently in negotiations with respect to any potential material acquisitions or dispositions.

**AUDITOR'S CONSENT**

We have read the Amended and Restated Preliminary Prospectus of Monster Mining Corp. (the "Company") dated April , 2011 relating to the issue and sale of 5,000,000 Units at a price of \$0.40 per Unit for gross proceeds of \$2,000,000. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned Amended and Restated Preliminary Prospectus of our report to the directors of the Company on the balance sheets of the Company as of July 31, 2008, 2009 and 2010, and the statements of operations and comprehensive loss, deficit and cash flows for the fiscal years ended July 31, 2008, 2009 and 2010. Our report is dated April ●, 2011 (except as to Note ● which is as of ●, 2011).

Vancouver, Canada  
April ●, 2011

"MacKay LLP"  
Chartered Accountants

**MONSTER MINING CORP.**  
REPORT AND FINANCIAL STATEMENTS  
July 31, 2010, 2009 and 2008  
(Stated in Canadian Dollars)

## AUDITORS' REPORT

To the Directors,  
Monster Mining Corp.

We have audited the balance sheets of Monster Mining Corp. as at July 31, 2010, 2009 and 2008 and the 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 financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2010, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada  
●, 2010  
(Except for note which is dated, 2010)

**MONSTER MINING CORP.**  
**BALANCE SHEETS**  
**July 31, 2010, 2009 and 2008**  
(Stated in Canadian Dollars)

<b>July 31,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b><u>ASSETS</u></b>			
Current			
Cash	\$ 7,305	\$ 240,645	\$ 182,120
Marketable securities – Note 3	65,000	-	-
GST/HST recoverable	17,214	8,469	20,940
Subscriptions receivable	-	-	65,000
Prepaid expenses – Note 9	68,037	46,936	99,216
	<b>157,556</b>	<b>296,050</b>	<b>367,276</b>
Equipment – Note 4	3,368	-	-
Drilling Advance - Note 5	400,000	400,000	-
Mineral properties – Notes 6 and 7	1,525,893	1,327,731	468,701
	<b>\$ 2,086,817</b>	<b>\$ 2,023,781</b>	<b>\$ 835,977</b>
<b><u>LIABILITIES</u></b>			
Current			
Accounts payable and accrued liabilities – Note 9	\$ 110,805	\$ 153,142	\$ 137,899
Notes payable – Note 7 and 9	115,000	135,000	-
	<b>225,805</b>	<b>288,142</b>	<b>137,899</b>
Future income tax liabilities – Note 10	122,000	132,000	59,000
	<b>347,805</b>	<b>420,142</b>	<b>196,899</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Share capital – Note 8	1,814,354	1,661,920	646,020
Subscription received – Note 8	50,500	20,000	25,000
Contributed surplus – Note 8	450,180	450,180	450,180
Deficit	(576,022)	(528,461)	(482,122)
	<b>1,739,012</b>	<b>1,603,639</b>	<b>639,078</b>
	<b>\$ 2,086,817</b>	<b>\$ 2,023,781</b>	<b>\$ 835,977</b>

Nature of Operations and Going Concern – Note 1  
Commitments – Notes 6, 8 and 11  
Subsequent Events – Notes 6, 7 and 13

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_  
*“Robert Eadie”* Director  
Robert Eadie

\_\_\_\_\_  
*“Art Ettlinger”* Director  
Art Ettlinger

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
**STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**  
**for the years ended July 31, 2010, 2009 and 2008**  
(Stated in Canadian Dollars)

<b>July 31,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Expenses			
Accounting and office administration – Note 9	\$ 9,863	\$ 3,937	\$ 1,134
Amortization	1,950	-	-
Audit fees	15,000	-	-
Bank charges and interest	900	860	669
Consulting fees – Note 9	25,428	1,237	-
Interest expense – Note 9	13,795	21,988	-
Legal and corporate services	8,570	1,831	-
Management fees – Note 9	-	12,500	30,000
Rent – Note 9	9,009	10,980	7,871
Shareholder communications – Note 9	24,046	20,000	631
Stock-based compensation – Note 8	-	-	450,180
Loss for the year before other items and income taxes	<b>108,561</b>	73,333	490,485
Other items			
Unrealized gain on marketable securities – Note 3	51,000	-	-
Interest income	-	1,994	2,863
Total other items	<b>51,000</b>	1,994	2,863
Loss for the year before income taxes	<b>(108,561)</b>	(71,339)	(487,622)
Income tax recovery – Note 10	<b>10,000</b>	25,000	13,000
Net income (loss) and comprehensive income (loss) for the year	<b>\$ (47,561)</b>	\$ (46,339)	\$ (474,622)
Basic and diluted loss per share	<b>\$ (0.01)</b>	\$ (0.00)	\$ (0.05)
Weighted average number of shares outstanding	<b>16,694,657</b>	15,199,715	10,384,626

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
**STATEMENTS OF DEFICIT**  
**As at July 31, 2010, 2009 and 2008**  
**(Stated in Canadian Dollars)**

<b>July 31,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Deficit beginning of the year	\$ (528,461)	\$ (482,122)	\$ (7,500)
Net Income (loss) for the year	(47,561)	(46,339)	(474,622)
Deficit end of the year	\$ (576,022)	\$ (528,461)	\$ (482,122)

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
**STATEMENTS OF CASH FLOWS**  
**for the years ended July 31, 2010, 2009 and 2008**  
(Stated in Canadian Dollars)

<b>July 31,</b>	<b>2010</b>	2009	2008
<b>Operating Activities</b>			
Net income (loss) and comprehensive income (loss) for the year	\$ (47,561)	\$ (46,339)	\$ (474,622)
Items not affecting cash:			
Amortization	1,950	-	-
Stock-based compensation	-	-	450,180
Income tax recovery	(10,000)	(25,000)	(13,000)
Unrealized gain on marketable securities	(51,000)	-	-
	<b>(106,611)</b>	(71,339)	(37,442)
Changes in non-cash working capital balances:			
GST/HST recoverable	(8,745)	12,471	(20,920)
Prepaid expenses	(21,101)	52,280	(99,216)
Accounts payable and accrued liabilities	85,294	131,087	32,967
	<b>(51,163)</b>	124,499	(124,611)
<b>Cash Flows used in Investing Activities</b>			
Advances for drilling and geological services	-	(400,000)	-
Marketable securities	(9,000)	-	-
Equipment	(5,318)	-	-
Mineral property costs	(231,359)	(839,874)	(346,269)
	<b>(245,677)</b>	(1,239,874)	(346,269)
<b>Cash Flows provided by (used in) Financing Activities</b>			
Issuance of common shares	33,000	1,221,850	628,000
Subscriptions received	30,500	-	25,000
Share issuance costs	-	(47,950)	-
	<b>63,500</b>	1,173,900	653,000
Increase (decrease) in cash during the year	<b>(233,340)</b>	58,525	182,120
Cash, beginning of the year	<b>240,645</b>	182,120	-
Cash, end of the year	<b>\$ 7,305</b>	\$ 240,645	\$ 182,120
<b>Supplementary disclosure of cash flow information:</b>			
Cash paid for:			
Interest	\$ 11,392	\$ 10,428	\$ -
Income taxes	\$ -	\$ -	\$ -

Non-cash Transactions – Note 8

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
July 31, 2010, 2009 and 2008  
(Stated in Canadian Dollars)

**Note 1**     **Nature of Operations and Going Concern**

The Company was incorporated in the Province of British Columbia on May 3, 2007 under the *Business Corporations Act* (British Columbia) under the name “Northex Ventures Inc.” and changed its name to “Monster Mining Corp.” on August 20, 2008. The Company was registered as an extra-territorial corporation under the *Business Corporations Act* (Yukon) on July 10, 2009.

The Company is in the exploration stage and has entered into option and purchase agreements to acquire resource properties in Canada. The economic recoverability of the properties’ reserves has yet to be determined. The recoverability of amounts from the properties will be dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property agreements and to complete the development of the properties and upon future profitable production or proceeds from the sale thereof. The outcome of these matters cannot be predicted with any certainty at this time.

The financial statements have been prepared using Canadian generally accepted accounting principles (“Canadian GAAP”) applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at July 31, 2010, the Company has not achieved profitable operations and has accumulated losses of \$576,022 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These 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 and therefore be required to realize its assets and discharge its liabilities and commitments at amounts different from those reported in the financial statements. Working capital deficit at July 31, 2010 is \$68,249 which is not adequate to meet the Company’s obligations over the next twelve months. As such, the Company’s ability to continue as a going concern is in substantial doubt. If required, it is anticipated that any additional funding will be in the form of equity financing from the sale of common shares; however there is no guarantee that funding from such financings will be available in amounts sufficient to meet the commitments of the Company on acceptable terms (see Note – 13 for subsequent financings totalling \$1,416,500).

**Note 2**     **Significant Accounting Policies**

Management has prepared the financial statements of the Company in accordance with Canadian GAAP. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. These financial statements have been prepared within the framework of the significant accounting policies summarized below.

## Monster Mining Corp.

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 2

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### Note 2 Significant Accounting Policies – (cont'd)

#### a) Use of Estimates

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of these financial statements requires management to make estimates and assumptions. The most significant estimates include, but are not limited to: the recoverability of mineral property costs; the future cost of asset retirement obligations; the anticipated costs of reclamation and closure cost obligations; the amounts of contingencies; and assumptions used in the accounting for stock-based compensation such as volatility, expected term and risk free interest rate. Using these estimates and assumptions, management makes various decisions in preparing the financial statements including:

- Whether long-lived assets, equipment, mineral properties and deferred exploration costs are impaired, and if so, estimates of the fair value of those assets and any corresponding impairment charge;
- The ability to realize future income tax assets;
- The useful lives of long-lived assets and the measurement of amortization;
- The fair value of reclamation and closure cost obligations where estimable;
- The likelihood of loss contingencies occurring and the amount of any potential loss; and
- The amount of stock-based compensation expense.

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the financial statements.

#### b) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. The Company does not have any dilutive securities and accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

#### c) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the tax rates for the period in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

## Monster Mining Corp.

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 3

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### Note 2 Significant Accounting Policies – (cont'd)

#### d) Stock-based Compensation

The Company has a stock-based compensation plan, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options granted is expensed over their vesting period using the graded vesting method with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, 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.

The Company uses the Black-Scholes valuation model to determine the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value.

#### e) Share issue costs

Share issue costs and deferred costs of future financings, which include commissions, professional and regulatory fees are deferred and charged to share capital on completion of the financing or expensed if the financing is not completed.

#### f) Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

The Company's financial instruments consist of cash and marketable securities which are classified as held-for-trading, and amounts receivable which are classified as loans and receivables, and accounts payable and accrued liabilities and notes payables, which are classified as other financial liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 4

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**Note 2      Significant Accounting Policies – (cont'd)**

f)      Financial Instruments – (cont'd)

In 2009, the CICA amended Section 3862, “Amendment to Financial Instruments – Disclosures” to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

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

The adoption of this standard is consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards (“IFRS”). All of the financial instruments measured at fair value on the balance sheet are included in Level 1 and 2.

g)      Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company and the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry norms for the stage of exploration of such properties, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

## Monster Mining Corp.

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 5

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### Note 2 Significant Accounting Policies – (cont'd)

#### h) Asset Retirement Obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount or timing of the underlying future cash flows. Capitalized asset retirement costs are depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations. As at July 31, 2010, 2009 and 2008, the Company did not have any asset retirement obligations.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or of cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

#### i) Impairment of Long-lived Assets

Canadian GAAP requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at July 31, 2010, 2009 and 2008.

#### j) Future Accounting Changes

##### *International Financial Reporting Standard*

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 generally accepted accounting principles 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 generally accepted accounting principles. The effective date for the Company is for interim and annual financial statements relating to fiscal years beginning on or after August 1, 2011. This transition will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

## Monster Mining Corp.

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 6

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### Note 2 Significant Accounting Policies – (cont'd)

k) Equipment

Equipment is recorded at cost. The Company provides for amortization using the straight line method and the following annual rates:

Computer software	2.5 years
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l) Goodwill and intangible assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and did not have an impact on the Company's financial results when adopted on August 1, 2009.

m) Flow through shares

The Company accounts for flow-through shares in accordance with "Abstract EIC 146" of the Canadian Institute of Chartered Accountants ("CICA"). The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and record a temporary future income tax liability for the amount of the tax deduction renounced to shareholders. In instances where the Company has sufficient available discretionary deductible differences available to offset the renounced tax deductions, the realization of these differences will be credited to operations at the date of renunciation.

n) Recent Changes

In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results as they are not expected to be adopted prior to adoption of IFRS.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 7

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**Note 3      Marketable Securities**

At July 31, 2010 the Company held 300,000 shares of Uldaman Capital Corp. and 100,000 shares of O'Conner Lake Mines Ltd. which are classified as held-for-trading and have historical costs of \$9,000 and \$5,000 (2009: Nil, 2008: Nil), respectively, which is based on the fair value determined by the Company at the time of receipt of shares. During the year ended July 31, 2010 the Company reported an unrealized gain on Uldaman Capital Corp. shares of \$51,000 in its statement of operations for the year ended July 31, 2010.

**Note 4      Equipment**

<b>July 31,</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2010 Net</b>	<b>2009 Net</b>	<b>2008 Net</b>
Computer software	\$ 5,318	\$ 1,950	\$ 3,368	\$ -	\$ -

**Note 5      Drilling Advance**

The Company advanced \$400,000 (2009: \$400,000, 2008: \$nil) to a shareholder for drilling and geological services on the Company's mineral properties. This transaction was measured at the exchange amount, which is the amount agreed upon by the transacting parties and was made by the Company in order to secure favourable terms and priority on drilling costs and timing.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 8

**Note 6**      **Mineral Properties**a)      Summary of Expenditures

	<b>Blanche</b>	<b>Franklin Creek</b>	<b>Keno Lighting</b>	<b>McKay Hill</b>	<b>Total</b>
<u>Acquisition costs</u>					
Balance July 31, 2009	\$ -	\$ 75,000	\$ 10,000	\$ 20,000	\$ 105,000
Property payments					
100,000 common shares issued at \$0.30	30,000	-	-	-	30,000
Option payment received	-	(5,000)	-	-	(5,000)
Balance July 31, 2010	30,000	70,000	10,000	20,000	130,000
<u>Exploration costs:</u>					
Balance July 31, 2009	-	4,890	1,188,971	28,870	1,222,731
Assays and sampling	-	-	2,917	9,534	12,451
Claim maintenance	-	1,698	-	-	1,698
Mapping and reports	-	-	1,382	377	1,759
Transportation	-	-	2,673	22,279	24,952
Geological	-	-	88,068	10,500	98,568
Equipment rental	-	-	3,967	-	3,967
Drilling	-	-	367	-	367
Field cost	-	-	35,865	300	36,165
Staking	-	-	-	13,429	13,429
YMIP funding	-	-	-	(20,194)	(20,194)
Expenditures during year	-	1,698	135,239	36,225	173,162
Balance July 31, 2010	-	6,588	1,324,210	65,095	1,395,893
<b>Mineral Properties, July 31, 2010</b>	<b>\$ 30,000</b>	<b>\$ 76,588</b>	<b>\$ 1,334,210</b>	<b>\$ 85,095</b>	<b>\$ 1,525,893</b>

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 9

**Note 6** **Mineral Properties** – (cont'd)a) Summary of Expenditures – (cont'd)

	<b>Franklin Creek</b>	<b>Keno Lighting</b>	<b>McKay Hill</b>	<b>Total</b>
<u>Acquisition costs:</u>				
Balance July 31, 2009	\$ 75,000	\$ 10,000	\$ 20,000	\$ 105,000
<u>Exploration costs:</u>				
Balance July 31, 2008	-	353,755	9,946	363,701
Assays and sampling	-	8,534	1,214	9,748
Claim maintenance	-	150	-	150
Mapping and reports	-	480	410	890
Transportation	-	12,631	-	12,631
Geological	-	170,513	17,300	187,813
Trenching	-	57,214	-	57,214
Equipment rental	-	36,414	-	36,414
Drilling	-	408,970	-	408,970
Payment in lieu	4,890	-	-	4,890
Field cost	-	140,310	-	140,310
Expenditures during year	4,890	835,216	18,924	859,030
Balance July 31, 2009	4,890	1,188,971	28,870	1,222,731
Mineral Properties, July 31, 2009	\$ 79,890	\$ 1,198,971	\$ 48,870	\$ 1,327,731

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 10

**Note 6** **Mineral Properties** – (cont'd)a) **Summary of Expenditures** – (cont'd)

	<b>Franklin Creek</b>	<b>Keno Lighting</b>	<b>McKay Hill</b>	<b>Total</b>
<u>Acquisition costs:</u>				
Property payments				
100,000 common shares issued at \$0.25	\$ 25,000	\$ -	\$ -	\$ 25,000
Cash payment	50,000	10,000	20,000	80,000
Balance July 31, 2008	75,000	10,000	20,000	105,000
<u>Exploration costs:</u>				
Assays and sampling	-	4,832	-	4,832
Claim maintenance	-	320	-	320
Mapping and reports	-	21,630	3,500	25,130
Transportation	-	16,074	6,048	22,122
Geological	-	142,606	350	142,956
Trenching	-	126,175	-	126,175
Equipment rental	-	16,780	-	16,780
Field cost	-	25,338	48	25,386
Expenditures during year and balance at July 31, 2008	-	353,755	9,946	363,701
Mineral Properties, July 31, 2008	\$ 75,000	\$ 363,755	\$ 29,946	\$ 468,701

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 11

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**Note 6**      **Mineral Properties** – (cont'd)

a)      Blanche

The Company acquired a 25% interest in the Blanche Claim in the Keno Hill area of the Yukon on August 1, 2007 pursuant to a third party property option agreement whereby the Company was granted the claims as they fell within an area of interest. By agreement dated January 17, 2010, the Company acquired another 50% interest in the Blanche Claim, in consideration of 100,000 shares of the Company.

b)      Franklin Creek

Pursuant to a purchase agreement dated May 5, 2007, as amended on March 14, 2008, between the Company and Dynamic Resources Corp. (“Dynamic”) the Company acquired a 100% interest in three claim groups in the Yukon and Northwest Territories, more commonly known as the MAG Claim Group and the ALAN Claim Group, Northwest Territories and 16 claims known as the Franklin Creek Claim Group (Guy 1 – 16) located in the Whitehorse Mining District, Yukon Territory. Consideration paid is as follows:

- i)      Payment of \$50,000 in cash (paid);
- ii)     issuance of 100,000 common shares (issued); and
- iii)    The Company has the right to re-purchase the 100,000 common shares from Dynamic at \$0.50 per share for a period of six months from the date of listing of the Company’s shares on a recognized stock exchange.

By Sale Agreement dated March 25, 2010, between the Company and O’Connor Lake Mines Ltd., (“O’Connor”) the Company granted O’Connor an undivided 100% interest in the MAG Claim Group and the ALAN Claim Group, in consideration of O’Connor issuing to the Company 100,000 common shares (received and recorded at a deemed value of \$5,000).

In consideration for the acquisition of the MAG Claim Group, the Company is to receive:

- i)      Payment of \$10,000 and 100,000 shares of O’Connor common stock to the Company within 15 business days of O’Connor’s shares being listed on the Canadian National Stock Exchange (“CNS”) or the TSX Venture Exchange (“TSXV”);
- ii)     a further \$10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O’Connor’s shares on the CNSX or the TSXV; and
- iii)    1,000,000 shares of O’Connor upon completion of a bankable feasibility study.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 12

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**Note 6**     **Mineral Properties** – (cont'd)

b)     **Franklin Creek** – (cont'd)

In consideration for the acquisition of the ALAN Claim Group, the Company is to receive:

- i)     Payment of \$10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the CNSX or the TSXV;
- ii)    a further \$10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the TSXV; and
- iii)   1,000,000 shares of O'Connor upon completion of a Bankable Feasibility study.

Under the agreement O'Connor is required to maintain all claims in good standing and to pay to the Company a 2% NSR.

c)     **Keno Lighting**

By agreement dated August 1, 2007, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owners (the "Optionors") of certain mining claims situated in the Mayo Mining District, Yukon, more commonly known as the Keno Lightning Property ("Keno").

In order to maintain the Option in good standing and earn a 100% undivided interest in Keno, the Company must pay \$100,000 and issue 700,000 common shares of the Company to the Optionor and incur \$300,000 in exploration expenditures as follows:

- i)     pay to the Optionors \$10,000 upon signing the Agreement (paid);
- ii)    pay to the Optionors a further \$15,000 on or before the date which is 15 days from listing the Company's shares on a stock exchange;
- iii)   pay to the Optionors \$15,000 within each of 12, 24, 36, 48 and 60 months from listing of the Company's shares on a stock exchange;
- iv)    issue to the Optionors 700,000 common shares of the Company on or before the date which is 15 days from listing of the Company's shares on a stock exchange; and
- v)     Incur \$300,000 in exploration expenses on Keno on or before December 31, 2009 (incurred).

Keno is subject to a 3% NSR to the Optionors. The Company has the option to purchase up to 2% of this royalty interest for \$300,000 for the first 1%, and \$1,200,000 for the second 1%.

Of the consideration, \$30,000 in cash payments and 210,000 of the shares to be issued will be paid to a director of the Company.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 13

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**Note 6**      **Mineral Properties** – (cont'd)

d)      McKay Hill

By agreement dated September 1, 2007 and amended November 21, 2010, the Company entered into an option agreement to acquire a 100% interest in 20 mining claims situated in the Mayo Mining District, Yukon ("McKay Hill").

In order to maintain the option in good standing and to acquire a 100% undivided interest in the McKay Hill property the Company must pay \$110,000, issue 300,000 common shares of the Company to the vendors and incur an aggregate of \$100,000 in exploration expenditures as follows:

- i)      pay \$20,000 upon signing the Agreement (paid);
- ii)     pay \$15,000 within 15 days from listing of the Company's shares on a stock exchange;
- iii)    pay \$15,000 within each of 12, 24, 36, 48 and 60 months from listing of the Company's shares on a stock exchange;
- iv)    issue 300,000 common shares 15 days from listing of the Company's shares on a stock exchange; and
- v)     incur \$100,000 in exploration expenses on McKay Hill before December 31, 2011.

The property is subject to a 3% NSR to the vendors. The Company has the option to purchase up to 2% of this royalty interest for \$300,000 for the first 1%, and \$1,200,000 for the second 1%.

Of the consideration, \$44,000 in cash payments and 190,000 of the shares to be issued will be paid to a director of the Company.

In 2010, an additional 124 claims were staked by the Company at a cost of \$13,429.

e)      Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 14

**Note 7      Notes payable**

At July 31, 2010 the Company has notes payable to directors of \$115,000 (2009: \$135,000. 2008: \$Nil) which bear interest at 7%. Subsequent to July 31, 2010, these notes were repaid by the Company.

**Note 8      Share Capital and Contributed Surplus**a)      Authorized:

Unlimited common shares without par value.

b)      Shares issued:

	Shares	Amount	Contributed Surplus	Total
Balance July 31, 2007	2,000	\$ 20	\$ -	\$ 20
Issued for cash pursuant to:				
Private placement at \$0.005	10,002,000	50,000	-	50,000
Private placement at \$0.18	1,644,430	296,000	-	296,000
Flow through private placement at \$0.25	428,000	107,000	-	107,000
Flow through private placement at \$0.45	320,000	144,000	-	144,000
Private placement at \$0.25	384,000	96,000	-	96,000
Issued for acquisition of mineral property at \$0.25	100,000	25,000	-	25,000
Renunciation of expenditures to flow through shareholders		(72,000)	-	(72,000)
Stock-based compensation	-	-	450,180	450,180
Balance July 31, 2008	12,880,430	646,020	450,180	1,096,200
Issued for cash pursuant to:				
Private placement at \$0.30	2,539,500	761,850	-	761,850
Flow through private placement at \$0.25	600,000	150,000	-	150,000
Flow through private placement at \$0.45	555,555	250,000	-	250,000
Renunciation of expenditures to flow through shareholders	-	(98,000)	-	(98,000)
Agents' commissions	-	(47,950)	-	(47,950)
Balance July 31, 2009	16,575,485	1,661,920	450,180	2,112,100
Issued for cash pursuant to:				
Private placement at \$0.30	110,000	33,000	-	33,000
Issued for debt settlement at \$0.25	357,735	89,434	-	89,434
Issued for acquisition of mineral property at \$0.30	100,000	30,000	-	30,000
<b>Balance July 31, 2010</b>	<b>17,143,220</b>	<b>\$1,814,354</b>	<b>\$ 450,180</b>	<b>\$ 2,264,534</b>

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 15

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**Note 8**    **Share Capital** – (cont'd)

b)    Share issued: – (cont'd)

During the year ended July 31, 2010, the Company:

- i)    Issued 100,000 common shares at \$0.30 per share pursuant to the Blanche property option agreement;
- ii)   Completed private placements for proceeds of \$33,000 pursuant to the issue of 110,000 shares at \$0.30 per share; and
- iii)   Issued 357,735 common shares at a price of \$0.25 pursuant to a debt settlement of \$89,434 to one of the Company's directors.

During the year ended July 31, 2009, the Company completed private placements for proceeds of \$1,161,850, as follows:

- i)    1,155,555 flow-through shares at \$0.25 to \$0.45 per share for proceeds of \$400,000; and
- ii)   2,539,500 shares at \$0.30 per share for proceeds of \$761,850.

The Company incurred cash commissions of \$47,950, pursuant to these private placements.

During the year ended July 31, 2008 the Company:

- i)    Issued 10,004,000 common shares to founders for cash proceeds of \$50,020 and services valued at \$450,180;
- ii)   Completed private placements for proceeds of \$392,000 pursuant to the issue of 2,028,430 shares at \$0.18 to \$0.25 per share and \$251,000 pursuant to the issue of 748,000 flow through shares at \$0.25 to \$0.45 per share; and
- iii)   Issued 100,000 common shares valued at \$25,000 pursuant to the Franklin Creek property option agreement.

c)    Commitments:

Effective 2009, the Company renounced \$440,000 in exploration expenditures to flow-through shareholders. As a result of this renunciation, during the year ended July 31, 2009, the Company reported a reduction of share capital in the amount of \$98,000.

Effective 2008, the Company renounced \$251,000 in exploration expenditures to flow-through shareholders. As a result of this renunciation, during the year ended July 31, 2008, the Company reported a reduction of share capital in the amount of \$72,000.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 16

**Note 9** **Related Party Transactions** – Notes 6, 7 and 8

The Company incurred the following costs with companies controlled by directors of the Company and with companies controlled by significant shareholders:

	<b>July 31, 2010</b>	July 31, 2009	July 31, 2008
Shareholder communications	\$ 1,250	\$ -	\$ -
Interest	13,795	13,629	-
Management fees	-	12,500	30,000
Rent	2,500	-	-
Mineral properties – exploration costs	9,750	32,500	-
Accounting and office administration	2,500	-	-
	<b>\$ 29,795</b>	<b>\$ 58,629</b>	<b>\$ 30,000</b>

Included in prepaid expenses at July 31, 2010, is \$30,700 (2009: \$19,000 and 2008: \$69,000) for advances to a company with a director in common and \$2,500 in expense advances to a director.

Included in accounts payable and accrued liabilities at July 31, 2010, is \$39,631 (2009: \$120,010 and 2008: \$44,562) due to companies controlled by directors for consulting, expenses reimbursement and management fees.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

**Note 10** **Income Taxes**

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<b>July 31, 2010</b>	July 31, 2009	July 31, 2008
Basic statutory and provincial income tax rate	<b>29%</b>	30%	33%
Loss before income taxes	\$ (57,561)	\$ (71,339)	\$ (487,622)
Expected income tax recovery (expense)	\$ (17,000)	\$ (22,000)	\$ (159,000)
Non-deductible items	-	-	147,000
Change in tax rate	7,000	(3,000)	(1,000)
Net income tax provision (recovery)	<b>\$ (10,000)</b>	<b>\$ (25,000)</b>	<b>\$ (13,000)</b>

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 17

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**Note 10** **Income Taxes** – (cont'd)

Significant components of the Company's future tax assets and liabilities are as follows:

	<b>July 31, 2010</b>	July 31, 2009	July 31, 2008
Future income tax assets			
Non-capital losses carried forward	\$ <b>48,000</b>	\$ 31,000	\$ 13,000
Share issuance costs	<b>7,000</b>	10,000	-
Marketable securities	<b>(6,000)</b>	-	-
Cumulative exploration and development expenses	<b>(171,000)</b>	(173,000)	(72,000)
Future income tax assets	<b>\$ (122,000)</b>	\$ (132,000)	\$ (59,000)

The Company records a valuation allowance against its net future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the net future tax assets.

At July 31, 2010, the Company has accumulated non-capital losses totalling \$241,756, which may be applied against future years' taxable income. The non-capital losses expire as follows:

2027	\$ (7,500)
2028	(37,126)
2029	(80,929)
2030	<u>(116,201)</u>
	<u>\$ (241,756)</u>

The Company also has \$744,893 in deferred exploration resource expenditure pools available for use against future income.

**Note 11** **Financial Instruments**a) **Interest Rate Risk**

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 2010. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 18

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**Note 11**    **Financial Instruments** – (cont'd)

- (ii)    To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b)    **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. The Company is exposed to credit risk with respect to its cash, the balance of which at July 31, 2010 is \$7,305 (2009: \$240,645 and 2008: \$182,120). Cash is held at a chartered Canadian financial institution. The Company is also exposed to credit risk relating to the \$400,000 (2009: \$400,000, 2008: Nil) advanced for drilling and geological services.

c)    **Liquidity Risk**

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves. As at July 31, 2010, the Company was holding cash of \$7,305 (2009: \$240,645 and 2008: \$182,120). The Company's accounts payable and accrued liabilities are due in the short term (see Note – 13 for subsequent financings totalling \$1,341,500).

d)    **Currency Risk**

Currency risk is the risk that funds held in currencies other than the operating currency will fluctuate negatively, resulting in a foreign exchange loss. The Company holds all of its cash in Canadian dollars and does not have significant transactions denominated in foreign currencies. As such, the Company is not significantly exposed to currency risk.

**Note 12**    **Capital Management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

**Monster Mining Corp.**

Notes to the Financial Statements

July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 19

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**Note 13**    **Subsequent Events**

- a)      Subsequent to July 31, 2010, the Company completed three non-brokered private placements for proceeds of \$1,262,000 pursuant to the issuance of 5,048,000 common shares at \$0.25 per share.
- b)      Subsequent to July 31, 2010, the Company completed a non-brokered flow through private placement for proceeds of \$154,500 pursuant to the issuance of 561,815 common shares at \$0.275 per share.
- c)      Subsequent to July 31, 2010, the Company issued 122,812 common shares at a price of \$0.25 pursuant to a debt settlement of \$30,703.
- d)      On September 15, 2010, the Company entered into an agreement with Strategic Metals Ltd. (“SMD”) to sell the Franklin Creek Claim Group (Guy 1-16).

The Company has agreed to sell an undivided 100% interest in the claims to SMD in consideration of one half (50%) of any of the proceeds from any sale, option or other disposition of all or any part of the claims made by SMD.

- e)      The Company has entered into an agency agreement to complete an Initial Public Offering for the sale up to 5,000,000 units at a price of \$0.40 per unit for proceeds of \$2,000,000. Each unit is comprised of one share and one-half of one share purchase warrant, each whole warrant exercisable at \$0.65 for 12 months. The Company will pay a cash commission of 8% of the proceeds and grant Agent Options to purchase common shares equal to 10% of the number of Units sold, exercisable at \$0.65 for a period of 12 months. The Company will also pay \$25,000 to the Agent, of which \$15,000 has been paid, as a non-refundable due diligence fee. The Company will also reimburse the Agent an estimated of \$25,000 for its legal fees and expenses on closing.

**MONSTER MINING CORP.**

**FINANCIAL STATEMENTS**

(Unaudited)

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars)

## AUDITORS' REPORT

To the Directors,  
Monster Mining Corp.

We have audited the balance sheets of Monster Mining Corp. as at July 31, 2010, 2009 and 2008 and the 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 financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2010, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada  
●, 2010  
(Except for note which is dated, 2010)

**MONSTER MINING CORP.**  
**BALANCE SHEETS**  
(Stated in Canadian Dollars)

As at	January 31, 2011 (Unaudited)	July 31, 2010	July 31, 2009	July 31, 2008
<b><u>ASSETS</u></b>				
Current				
Cash	\$ 243,682	\$ 7,305	\$ 240,645	\$ 182,120
Marketable securities – Note 3	69,500	65,000	-	-
GST/HST recoverable	86,923	17,214	8,469	20,940
Subscriptions receivable	-	-	-	65,000
Prepaid expenses – Note 9	36,241	68,037	46,936	99,216
	<b>436,346</b>	157,556	296,050	367,276
Deferred financing fees - Note 13	41,115	-	-	-
Equipment – Note 4	42,730	3,368	-	-
Drilling Advance - Note 5	165,256	400,000	400,000	-
Mineral properties – Notes 6 and 9	2,298,076	1,525,893	1,327,731	468,701
	<b>\$ 2,983,523</b>	\$ 2,086,817	\$ 2,023,781	\$ 835,977
<b><u>LIABILITIES</u></b>				
Current				
Accounts payable and accrued liabilities – Note 9	\$ 10,103	\$ 110,805	\$ 153,142	\$ 137,899
Notes payable – Note 7 and 9	-	115,000	135,000	-
	<b>10,103</b>	225,805	288,142	137,899
Future income tax liabilities – Note 10	122,000	122,000	132,000	59,000
	<b>132,103</b>	347,805	420,142	196,899
<b><u>SHAREHOLDERS' EQUITY</u></b>				
Share capital – Note 8	3,261,556	1,814,354	1,661,920	646,020
Subscription received – Note 8	-	50,500	20,000	25,000
Contributed surplus – Note 8	450,180	450,180	450,180	450,180
Deficit	(860,316)	(576,022)	(528,461)	(482,122)
	<b>2,851,420</b>	1,739,012	1,603,639	639,078
	<b>\$ 2,983,523</b>	\$ 2,086,817	\$ 2,023,781	\$ 835,977

Nature of Operations and Going Concern – Note 1

Commitments – Notes 6 and 8

Subsequent Events – Notes 6, 7 and 13

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_  
*“Robert Eadie”* Director  
Robert Eadie

\_\_\_\_\_  
*“Andrew de Verteuil”* Director  
Andrew de Verteuil

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Stated in Canadian Dollars)

	Six Months Ended January 31, 2011	Six Months Ended January 31, 2010	Years Ended		
	(Unaudited)	(Unaudited)	July 31, 2010	July 31, 2009	July 31, 2008
Expenses					
Accounting and office administration – Note 9	\$ 40,035	\$ 4,087	\$ 9,863	\$ 3,937	\$ 1,134
Amortization	7,440	780	1,950	-	-
Audit fees	11,840	-	15,000	-	-
Bank charges and interest	975	241	900	860	669
Consulting fees	78,360	18,333	25,428	1,237	-
Interest expense – Note 9	733	2,515	13,795	21,988	-
Legal and corporate services	49,075	-	8,570	1,831	-
Transfer agent and filing fees	9,529	-	-	-	-
Management fees – Note 9	10,000	-	-	12,500	30,000
Rent – Note 9	17,312	3,559	9,009	10,980	7,871
Shareholder communications – Note 9	63,495	15,894	24,046	20,000	631
Stock-based compensation – Note 8	-	-	-	-	450,180
Loss for the period before other items and Income taxes	(288,794)	(45,409)	(108,561)	(73,333)	(490,485)
Other items					
Unrealized gain on marketable securities – Note 3	4,500	-	51,000	-	-
Interest income	-	-	-	1,994	2,863
Total other items	4,500	-	51,000	1,994	2,863
Loss for the period before income taxes	(284,294)	(45,409)	(57,561)	(71,339)	(487,622)
Income tax recovery – Note 10	-	-	10,000	25,000	13,000
Loss and comprehensive loss for the period	\$ (284,294)	\$ (45,409)	\$ (47,561)	\$ (46,339)	\$ (474,622)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.05)
Weighted average number of shares outstanding	19,023,618	16,534,062	16,694,657	15,199,715	10,384,626

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
**STATEMENTS OF DEFICIT**  
(Stated in Canadian Dollars)

	<b>Six Months Ended January 31, 2011</b>	<b>Six Months Ended January 31, 2010</b>	<b>Years Ended</b>		
			<b>July 31, 2010</b>	<b>July 31, 2009</b>	<b>July 31, 2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>			
Deficit beginning of the period	\$ (576,022)	\$ (528,461)	\$ (528,461)	\$ (482,122)	\$ (7,500)
Loss for the period	<b>(284,294)</b>	(45,409)	(47,561)	(46,339)	(474,622)
Deficit end of the period	<b>\$ (860,316)</b>	\$ (573,870)	\$ (576,022)	\$ (528,461)	\$ (482,122)

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
**STATEMENTS OF CASH FLOWS**  
(Stated in Canadian Dollars)

	Six Months Ended January 31, 2011	Six Months Ended January 31, 2010	Years Ended		
	(Unaudited)	(Unaudited)	July 31, 2010	July 31, 2009	July 31, 2008
<b>Operating Activities</b>					
Loss for the period	\$ (284,294)	\$ (45,409)	\$ (47,561)	\$ (46,339)	\$ (474,622)
Items not affecting cash:					
Amortization	7,440	780	1,950	-	-
Stock-based compensation	-	-	-	-	450,180
Income tax recovery	-	-	(10,000)	(25,000)	(13,000)
Unrealized loss (gain) on marketable securities	(4,500)	-	(51,000)	-	-
	<b>(281,354)</b>	<b>(44,629)</b>	<b>(106,611)</b>	<b>(71,339)</b>	<b>(37,442)</b>
Changes in non-cash working capital items:					
GST/HST recoverable	(69,709)	(1,883)	(8,745)	12,471	(20,920)
Prepaid expenses	31,796	(14,529)	(21,101)	52,280	(99,216)
Accounts payable and accrued liabilities	(126,754)	(21,845)	85,294	131,087	32,967
	<b>(446,021)</b>	<b>(82,886)</b>	<b>(51,163)</b>	<b>124,499</b>	<b>(124,611)</b>
<b>Cash Flows used in Investing Activities</b>					
Advances for drilling and geological services	-	-	-	(400,000)	-
Marketable securities	-	(9,000)	(9,000)	-	-
Equipment	(46,802)	(5,318)	(5,318)	-	-
Mineral property costs	(595,684)	(114,411)	(231,359)	(839,874)	(346,269)
	<b>(642,486)</b>	<b>(128,729)</b>	<b>(245,677)</b>	<b>(1,239,874)</b>	<b>(346,269)</b>
<b>Cash Flows provided by (used in) Financing Activities</b>					
Issuance of common shares	1,365,999	33,000	33,000	1,221,850	628,000
Subscriptions received	-	-	30,500	-	25,000
Share issuance costs	-	-	-	(47,950)	-
Deferred financing fees	(41,115)	-	-	-	-
	<b>1,324,884</b>	<b>33,000</b>	<b>63,500</b>	<b>1,173,900</b>	<b>653,000</b>
Increase (decrease) in cash during the period	<b>236,377</b>	<b>(178,615)</b>	<b>(233,340)</b>	<b>58,525</b>	<b>182,120</b>
Cash, beginning of the period	<b>7,305</b>	<b>240,645</b>	<b>240,645</b>	<b>182,120</b>	<b>-</b>
Cash, end of the period	<b>\$ 243,682</b>	<b>\$ 62,030</b>	<b>\$ 7,305</b>	<b>\$ 240,645</b>	<b>\$ 182,120</b>
<b>Cash paid for:</b>					
Interest	<b>\$ 733</b>	<b>\$ 2,515</b>	<b>\$ 11,392</b>	<b>\$ 10,428</b>	<b>\$ -</b>

Non-cash Transactions – Note 8

SEE ACCOMPANYING NOTES

**MONSTER MINING CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
January 31, 2011 and July 31, 2010, 2009 and 2008  
(Stated in Canadian Dollars)

**Note 1**      **Nature of Operations and Going Concern**

The Company was incorporated in the Province of British Columbia on May 3, 2007 under the *Business Corporations Act* (British Columbia) under the name “Northex Ventures Inc.” and changed its name to “Monster Mining Corp.” on August 20, 2008. The Company was registered as an extra-territorial corporation under the *Business Corporations Act* (Yukon) on July 10, 2009.

The Company is in the exploration stage and has entered into option and purchase agreements to acquire resource properties in Canada. The economic recoverability of the properties’ reserves has yet to be determined. The recoverability of amounts from the properties will be dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property agreements and to complete the development of the properties and upon future profitable production or proceeds from the sale thereof. The outcome of these matters cannot be predicted with any certainty at this time.

The financial statements have been prepared using Canadian generally accepted accounting principles (“Canadian GAAP”) applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at January 31, 2011, the Company has not achieved profitable operations and has accumulated losses of \$860,316 (unaudited) since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These 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 and therefore be required to realize its assets and discharge its liabilities and commitments at amounts different from those reported in the financial statements. Working capital balance at January 31, 2011 is \$426,243 (unaudited) (July 31, 2010: (\$68,249)) however this may not be adequate to meet the Company’s obligations over the next twelve months. As such, the Company’s ability to continue as a going concern is in substantial doubt. If required, it is anticipated that any additional funding will be in the form of equity financing from the sale of common shares; however there is no guarantee that funding from such financings will be available in amounts sufficient to meet the commitments of the Company on acceptable terms. Currently, the Company is completing and Initial Public Offering (“IPO”) (see Note – 13).

**Note 2**      **Significant Accounting Policies**

Management has prepared the financial statements of the Company in accordance with Canadian GAAP. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. These financial statements have been prepared within the framework of the significant accounting policies summarized below.

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 2

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**Note 2      Significant Accounting Policies – (cont'd)**

a)      Use of Estimates

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of these financial statements requires management to make estimates and assumptions. The most significant estimates include, but are not limited to: the recoverability of mineral property costs; the future cost of asset retirement obligations; the anticipated costs of reclamation and closure cost obligations; the amounts of contingencies; and assumptions used in the accounting for stock-based compensation such as volatility, expected term and risk free interest rate. Using these estimates and assumptions, management makes various decisions in preparing the financial statements including:

- Whether long-lived assets, equipment, mineral properties and deferred exploration costs are impaired, and if so, estimates of the fair value of those assets and any corresponding impairment charge;
- The ability to realize future income tax assets;
- The useful lives of long-lived assets and the measurement of amortization;
- The fair value of reclamation and closure cost obligations where estimable;
- The likelihood of loss contingencies occurring and the amount of any potential loss; and
- The amount of stock-based compensation expense.

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the financial statements.

b)      Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. The Company does not have any dilutive securities and accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

c)      Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the tax rates for the period in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 3

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**Note 2      Significant Accounting Policies – (cont'd)**

d)      Stock-based Compensation

The Company has a stock-based compensation plan, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options granted is expensed over their vesting period using the graded vesting method with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, 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.

The Company uses the Black-Scholes valuation model to determine the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value.

e)      Share issue costs

Share issue costs and deferred costs of future financings, which include commissions, professional and regulatory fees are deferred and charged to share capital on completion of the financing or expensed if the financing is not completed.

f)      Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

The Company's financial instruments consist of cash and marketable securities which are classified as held-for-trading, and amounts receivable which are classified as loans and receivables, and accounts payable and accrued liabilities and notes payables, which are classified as other financial liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 4

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**Note 2      Significant Accounting Policies – (cont'd)**

f)      Financial Instruments – (cont'd)

In 2009, the CICA amended Section 3862, “Amendment to Financial Instruments – Disclosures” to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

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.

The adoption of this standard is consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards (“IFRS”). All of the financial instruments measured at fair value on the balance sheet are included in Level 1 and 2.

g)      Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company and the assessment of future probability of revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry norms for the stage of exploration of such properties, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

## Monster Mining Corp.

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 5

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### Note 2 Significant Accounting Policies – (cont'd)

#### h) Asset Retirement Obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount or timing of the underlying future cash flows and increased by the amount of the implied interest (“accretion”) inherent in the use of discounted present value methodology; adjustments to the liability will be charged against earnings as appropriate. Capitalized asset retirement costs are depreciated on the same basis as the related asset and are included in determining the results of operations. As at January 31, 2011, July 31, 2010, 2009 and 2008, the Company did not have any asset retirement obligations.

It is possible that the Company’s estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or of cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

#### i) Impairment of Long-lived Assets

Canadian GAAP requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company’s long-lived assets as at January 31, 2011, July 31, 2010, 2009 and 2008.

#### j) Future Accounting Changes

##### *International Financial Reporting Standard*

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 generally accepted accounting principles 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 generally accepted accounting principles. The effective date for the Company is for interim and annual financial statements relating to fiscal years beginning on or after August 1, 2011. This transition will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 6

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**Note 2      Significant Accounting Policies – (cont'd)**

k)      Equipment

Equipment is recorded at cost. The Company provides for amortization using the straight line method and the following annual rates:

Computer software	2.5 years
Computer hardware	2.5 years
Vehicle	3.3 years
Furniture & Equipment	5.0 years

l)      Goodwill and intangible assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and did not have an impact on the Company's financial results when adopted on August 1, 2009.

m)      Flow through shares

The Company accounts for flow-through shares in accordance with "Abstract EIC 146" of the Canadian Institute of Chartered Accountants ("CICA"). The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and record a temporary future income tax liability for the amount of the tax deduction renounced to shareholders. In instances where the Company has sufficient available discretionary deductible differences available to offset the renounced tax deductions, the realization of these differences will be credited to operations at the date of renunciation.

n)      Recent Changes

In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results as they are not expected to be adopted prior to adoption of IFRS.

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 7

**Note 3      Marketable Securities**

At January 31, 2011 the Company held 300,000 shares of Uldaman Capital Corp. and 100,000 shares of O'Conner Lake Mines Ltd. which are classified as held-for-trading and have an historical cost of \$14,000 (unaudited) (July 31, 2010: \$14,000, 2009: Nil, 2008: Nil), which is based on the fair value determined by the Company at the time of receipt of shares. During the period ended January 31, 2011 the Company reported an unrealized gain on Uldaman Capital Corp. shares of \$4,500 (unaudited) (July 31, 2010: gain of \$51,000) in its statement of operations for the period ended January 31, 2011.

**Note 4      Equipment**

	<b>January 31, 2011</b>		
	<b>(Unaudited)</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2011 Net</b>
Computer software	\$ 9,718	\$ 3,523	\$ <b>6,195</b>
Computer hardware	6,373	1,037	<b>5,336</b>
Vehicles	35,464	4,817	<b>30,647</b>
Furniture & Equipment	565	13	<b>552</b>
	<b>\$ 52,120</b>	<b>\$ 9,390</b>	<b>\$ 42,730</b>

  

July 31,	Cost	Accumulated Amortization	2010 Net	2009 Net	2008 Net
Computer software	\$ 5,318	\$ 1,950	\$ 3,368	\$ -	\$ -

**Note 5      Drilling Advance**

The Company advanced \$400,000, of which \$165,256 (unaudited) remains to be incurred as at January 31, 2011 (July 31, 2010: \$400,000, 2009: \$400,000, 2008: \$nil) to a shareholder for drilling and geological services on the Company's mineral properties. This transaction was measured at the exchange amount, which is the amount agreed upon by the transacting parties and was made by the Company in order to secure favourable terms and priority on drilling costs and timing.

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 8

**Note 6 Mineral Properties**a) Summary of Expenditures

	<b>Blanche</b>	<b>Franklin Creek</b>	<b>Keno Lighting</b>	<b>McKay Hill</b>	<b>Total</b>
<u>Acquisition costs</u>					
Balance July 31, 2010	\$ 30,000	\$ 70,000	\$ 10,000	\$ 20,000	\$ 130,000
Cash Payment			9,000	9,000	18,000
Balance January 31, 2011	30,000	70,000	19,000	29,000	148,000
<u>Exploration costs:</u>					
Balance July 31, 2010	-	6,588	1,324,210	65,095	1,395,893
Assays and sampling	-	-	7,054	-	7,054
Claim maintenance	-	-	6,654	1,285	7,939
Mapping and reports	-	-	937	-	937
Transportation	-	-	29,413	3,006	32,419
Geological	-	300	139,225	-	139,525
Excavator	-	-	20,563	-	20,563
Drilling	-	-	420,423	-	420,423
Field cost	-	-	115,350	243	115,593
Camp construction	-	-	9,730	-	9,730
Expenditures during period	-	300	749,349	4,534	754,183
Balance January 31, 2011	-	6,888	2,073,559	69,629	2,150,076
<b>Mineral Properties, January 31, 2011 (unaudited)</b>	<b>\$ 30,000</b>	<b>\$ 76,888</b>	<b>\$ 2,092,559</b>	<b>\$ 98,629</b>	<b>\$ 2,298,076</b>

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 9

**Note 6 Mineral Properties** – (cont'd)a) Summary of Expenditures – (cont'd)

	<b>Blanche</b>	<b>Franklin Creek</b>	<b>Keno Lighting</b>	<b>McKay Hill</b>	<b>Total</b>
<u>Acquisition costs</u>					
Balance July 31, 2009	\$ -	\$ 75,000	\$ 10,000	\$ 20,000	\$ 105,000
Property payments					
100,000 common shares issued at \$0.30	30,000	-	-	-	30,000
Option payment received	-	(5,000)	-	-	(5,000)
Balance July 31, 2010	30,000	70,000	10,000	20,000	130,000
<u>Exploration costs:</u>					
Balance July 31, 2009	-	4,890	1,188,971	28,870	1,222,731
Assays and sampling	-	-	2,917	9,534	12,451
Claim maintenance	-	1,698	-	-	1,698
Mapping and reports	-	-	1,382	377	1,759
Transportation	-	-	2,673	22,279	24,952
Geological	-	-	88,068	10,500	98,568
Equipment rental	-	-	3,967	-	3,967
Drilling	-	-	367	-	367
Field cost	-	-	35,865	300	36,165
Staking	-	-	-	13,429	13,429
YMIP funding	-	-	-	(20,194)	(20,194)
Expenditures during year	-	1,698	135,239	36,225	173,162
Balance July 31, 2010	-	6,588	1,324,210	65,095	1,395,893
<b>Mineral Properties, July 31, 2010</b>	<b>\$ 30,000</b>	<b>\$ 76,588</b>	<b>\$ 1,334,210</b>	<b>\$ 85,095</b>	<b>\$ 1,525,893</b>

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 10

**Note 6** Mineral Properties – (cont'd)a) Summary of Expenditures – (cont'd)

	<b>Franklin Creek</b>	<b>Keno Lighting</b>	<b>McKay Hill</b>	<b>Total</b>
<u>Acquisition costs:</u>				
Balance July 31, 2009	\$ 75,000	\$ 10,000	\$ 20,000	\$ 105,000
<u>Exploration costs:</u>				
Balance July 31, 2008	-	353,755	9,946	363,701
Assays and sampling	-	8,534	1,214	9,748
Claim maintenance	-	150	-	150
Mapping and reports	-	480	410	890
Transportation	-	12,631	-	12,631
Geological	-	170,513	17,300	187,813
Trenching	-	57,214	-	57,214
Equipment rental	-	36,414	-	36,414
Drilling	-	408,970	-	408,970
Payment in lieu	4,890	-	-	4,890
Field cost	-	140,310	-	140,310
Expenditures during year	4,890	835,216	18,924	859,030
Balance July 31, 2009	4,890	1,188,971	28,870	1,222,731
Mineral Properties, July 31, 2009	\$ 79,890	\$ 1,198,971	\$ 48,870	\$ 1,327,731

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 11

**Note 6** **Mineral Properties** – (cont'd)a) **Summary of Expenditures** – (cont'd)

	<b>Franklin Creek</b>	<b>Keno Lighting</b>	<b>McKay Hill</b>	<b>Total</b>
<u>Acquisition costs:</u>				
Property payments				
100,000 common shares issued at \$0.25	\$ 25,000	\$ -	\$ -	\$ 25,000
Cash payment	50,000	10,000	20,000	80,000
Balance July 31, 2008	75,000	10,000	20,000	105,000
<u>Exploration costs:</u>				
Assays and sampling	-	4,832	-	4,832
Claim maintenance	-	320	-	320
Mapping and reports	-	21,630	3,500	25,130
Transportation	-	16,074	6,048	22,122
Geological	-	142,606	350	142,956
Trenching	-	126,175	-	126,175
Equipment rental	-	16,780	-	16,780
Field cost	-	25,338	48	25,386
Expenditures during year and balance at July 31, 2008	-	353,755	9,946	363,701
Mineral Properties, July 31, 2008	\$ 75,000	\$ 363,755	\$ 29,946	\$ 468,701

## **Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 12

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### **Note 6**     **Mineral Properties** – (cont'd)

a)     **Blanche**

The Company acquired a 25% interest in the Blanche Claim in the Keno Hill area of the Yukon on August 1, 2007 pursuant to a third party property option agreement whereby the Company was granted the claims as they fell within an area of interest. By agreement dated January 17, 2010, the Company acquired another 50% interest in the Blanche Claim, in consideration of 100,000 shares of the Company.

b)     **Franklin Creek**

Pursuant to a purchase agreement dated May 5, 2007, as amended on March 14, 2008 and December 1, 2010, between the Company and Dynamic Resources Corp. (“Dynamic”) the Company acquired a 100% interest in three claim groups in the Yukon and Northwest Territories, more commonly known as the MAG Claim Group and the ALAN Claim Group, Northwest Territories and 16 claims known as the Franklin Creek Claim Group (Guy 1 – 16) located in the Whitehorse Mining District, Yukon Territory. Consideration paid is as follows:

- i)     Payment of \$50,000 in cash (paid);
- ii)    issuance of 100,000 common shares (issued); and

By Sale Agreement dated March 25, 2010, between the Company and O’Connor Lake Mines Ltd., (“O’Connor”) the Company granted O’Connor an undivided 100% interest in the MAG Claim Group and the ALAN Claim Group, in consideration of O’Connor issuing to the Company 100,000 common shares (received and recorded at a deemed value of \$5,000).

In consideration for the acquisition of the MAG Claim Group, the Company is to receive:

- i)     Payment of \$10,000 and 100,000 shares of O’Connor common stock to the Company within 15 business days of O’Connor’s shares being listed on the Canadian National Stock Exchange (“CNS”) or the TSX Venture Exchange (“TSXV”);
- ii)    a further \$10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O’Connor’s shares on the CNSX or the TSXV; and
- iii)   1,000,000 shares of O’Connor upon completion of a bankable feasibility study.

## Monster Mining Corp.

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 13

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### Note 6 Mineral Properties – (cont'd)

#### b) Franklin Creek – (cont'd)

In consideration for the acquisition of the ALAN Claim Group, the Company is to receive:

- i) Payment of \$10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the CNSX or the TSXV;
- ii) a further \$10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the TSXV; and
- iii) 1,000,000 shares of O'Connor upon completion of a Bankable Feasibility study.

Under the agreement O'Connor is required to maintain all claims in good standing and to pay to the Company a 2% NSR.

On September 27, 2010, the Company entered into an agreement with Strategic Metals Ltd. ("SMD") to sell the Franklin Creek Claim Group (Guy 1-16).

The Company has agreed to sell an undivided 100% interest in the claims to SMD in consideration of one half (50%) of any of the proceeds from any sale, option or disposition of all or any part of the claims, as well as from SMD's Hopper Claims (Hopper 1 – 168 and 170 mineral claims in the Whitehorse Mining District) and SMD's Gal claims (Gal 1 – 8 mineral claims, also in the Whitehorse Mining District) (the Company and SMD's combined claims collectively referred to as the "Property").

"Proceeds" from the Property include any and all cash payments, share issuances and royalty interests.

The parties agree that the title of the Guy claims will be held in trust by SMD. SMD is entitled to abandon at any time any or all of the claims by giving writing notification to the Company of its intention to do so. The Company will have 30 days to have title transferred back to it, or abandon the claims.

#### c) Keno Lighting

By agreement dated August 1, 2007, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owners (the "Optionors") of certain mining claims situated in the Mayo Mining District, Yukon, more commonly known as the Keno Lightning Property ("Keno").

In order to maintain the Option in good standing and earn a 100% undivided interest in Keno, the Company must pay \$100,000 and issue 700,000 common shares of the Company to the Optionor and incur \$300,000 in exploration expenditures as follows:

- i) pay to the Optionors \$10,000 upon signing the Agreement (paid);
- ii) pay to the Optionors a further \$15,000 on or before the date which is 15 days from listing the Company's shares on a stock exchange (\$9,000 paid);

**Monster Mining Corp.**

Notes to the Financial Statements

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**Note 6**     **Mineral Properties** – (cont'd)

c)     Keno Lighting – (cont'd)

- iii)     pay to the Optionors \$15,000 within each of 12, 24, 36, 48 and 60 months from listing of the Company's shares on a stock exchange;
- iv)     issue to the Optionors 700,000 common shares of the Company on or before the date which is 15 days from listing of the Company's shares on a stock exchange; and
- v)     incur \$300,000 in exploration expenses on Keno on or before December 31, 2009 (incurred).

Keno is subject to a 3% NSR to the Optionors. The Company has the option to purchase up to 2% of this royalty interest for \$300,000 for the first 1%, and \$1,200,000 for the second 1%.

Of the consideration, \$30,000 in cash payments and 210,000 of the shares to be issued will be paid to a director of the Company.

d)     McKay Hill

By agreement dated September 1, 2007 and amended November 21, 2010, the Company entered into an option agreement to acquire a 100% interest in 20 mining claims situated in the Mayo Mining District, Yukon ("McKay Hill").

In order to maintain the option in good standing and to acquire a 100% undivided interest in the McKay Hill property the Company must pay \$110,000, issue 300,000 common shares of the Company to the vendors and incur an aggregate of \$100,000 in exploration expenditures as follows:

- i)     pay \$20,000 upon signing the Agreement (paid);
- ii)     pay \$15,000 within 15 days from listing of the Company's shares on a stock exchange (\$9,000 paid);
- iii)     pay \$15,000 within each of 12, 24, 36, 48 and 60 months from listing of the Company's shares on a stock exchange;
- iv)     issue 300,000 common shares 15 days from listing of the Company's shares on a stock exchange; and
- v)     incur \$100,000 in exploration expenses on McKay Hill before December 31, 2011.

The property is subject to a 3% NSR to the vendors. The Company has the option to purchase up to 2% of this royalty interest for \$300,000 for the first 1%, and \$1,200,000 for the second 1%.

Of the consideration, \$44,000 in cash payments and 190,000 of the shares to be issued will be paid to a director of the Company.

In 2010, an additional 124 claims were staked by the Company at a cost of \$13,429.

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

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**Note 6**     **Mineral Properties** – (cont'd)

e)     Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

**Note 7**     **Notes payable**

At July 31, 2010 and July 31, 2009 the Company had notes payable to directors of \$115,000 and \$135,000 respectively which bear interest at 7%. At January 31, 2011 there were no notes payable outstanding.

**Monster Mining Corp.**

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(Stated in Canadian Dollars) – Page 16

**Note 8      Share Capital and Contributed Surplus**a)      Authorized:

Unlimited common shares without par value.

b)      Shares issued:

	<b>Shares</b>	<b>Amount</b>	<b>Contributed Surplus</b>	<b>Total</b>
Balance July 31, 2007	2,000	\$ 20	\$ -	\$ 20
Issued for cash pursuant to:				
Private placement at \$0.005	10,002,000	50,000	-	50,000
Private placement at \$0.18	1,644,430	296,000	-	296,000
Flow through private placement at \$0.25	428,000	107,000	-	107,000
Flow through private placement at \$0.45	320,000	144,000	-	144,000
Private placement at \$0.25	384,000	96,000	-	96,000
Issued for acquisition of mineral property at \$0.25	100,000	25,000	-	25,000
Renunciation of expenditures to flow through shareholders		(72,000)	-	(72,000)
Stock-based compensation	-	-	450,180	450,180
Balance July 31, 2008	12,880,430	646,020	450,180	1,096,200
Issued for cash pursuant to:				
Private placement at \$0.30	2,539,500	761,850	-	761,850
Flow through private placement at \$0.25	600,000	150,000	-	150,000
Flow through private placement at \$0.45	555,555	250,000	-	250,000
Renunciation of expenditures to flow through shareholders	-	(98,000)	-	(98,000)
Agents' commissions	-	(47,950)	-	(47,950)
Balance July 31, 2009	16,575,485	1,661,920	450,180	2,112,100
Issued for cash pursuant to:				
Private placement at \$0.30	110,000	33,000	-	33,000
Issued for debt settlement at \$0.25	357,735	89,434	-	89,434
Issued for acquisition of mineral property at \$0.30	100,000	30,000	-	30,000
Balance July 31, 2010	17,143,220	1,814,354	450,180	2,264,534
Issued for cash pursuant to:				
Private placement at \$0.25	5,048,000	1,262,000	-	1,262,000
Flow through private placement at \$0.275	561,815	154,499	-	154,499
Issued for debt settlement at \$0.25	122,812	30,703	-	30,703
<b>Balance January 31, 2011 (unaudited)</b>	<b>22,875,847</b>	<b>\$ 3,261,556</b>	<b>\$ 450,180</b>	<b>\$ 3,711,736</b>

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 17

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**Note 8**    **Share Capital** – (cont'd)

b)    Shares issued: – (cont'd)

During the period ended January 31, 2011 (unaudited), the Company:

- i)    Completed three non-brokered private placements for proceeds of \$1,262,000 pursuant to the issuance of 5,048,000 common shares at \$0.25 per share;
- ii)   Completed a non-brokered flow through private placement for proceeds of \$154,499 pursuant to the issuance of 561,815 common shares at \$0.275 per share; and
- iii)   Issued 122,812 common shares at a price of \$0.25 pursuant to a debt settlement of \$30,703.

During the year ended July 31, 2010, the Company:

- iv)   Issued 100,000 common shares at \$0.30 per share pursuant to the Blanche property option agreement;
- v)   Completed private placements for proceeds of \$33,000 pursuant to the issue of 110,000 shares at \$0.30 per share; and
- vi)   Issued 357,735 common shares at a price of \$0.25 pursuant to a debt settlement of \$89,434 to one of the Company's directors.

During the year ended July 31, 2009, the Company completed private placements for proceeds of \$1,161,850, as follows:

- i)    1,155,555 flow-through shares at \$0.25 to \$0.45 per share for proceeds of \$400,000; and
- ii)   2,539,500 shares at \$0.30 per share for proceeds of \$761,850.

The Company incurred cash commissions of \$47,950, pursuant to these private placements.

During the year ended July 31, 2008 the Company:

- i)    Issued 10,004,000 common shares to founders for cash proceeds of \$50,020 and services valued at \$450,180;
- ii)   Completed private placements for proceeds of \$392,000 pursuant to the issue of 2,028,430 shares at \$0.18 to \$0.25 per share and \$251,000 pursuant to the issue of 748,000 flow through shares at \$0.25 to \$0.45 per share; and
- iii)   Issued 100,000 common shares valued at \$25,000 pursuant to the Franklin Creek property option agreement.

**Monster Mining Corp.**

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January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 18

**Note 8** **Share Capital** – (cont'd)c) Commitments:

Pursuant to the flow-through financing which occurred during the period ended January 31, 2011, the Company must renounce \$154,499 (unaudited) in exploration expenditures to flow-through shareholders for the calendar year ended December 31, 2010 (\$154,499 were renounced subsequent to January 31, 2011).

Effective 2009, the Company renounced \$440,000 in exploration expenditures to flow-through shareholders. As a result of this renunciation, during the year ended July 31, 2009, the Company reported a reduction of share capital in the amount of \$98,000.

Effective 2008, the Company renounced \$251,000 in exploration expenditures to flow-through shareholders. As a result of this renunciation, during the year ended July 31, 2008, the Company reported a reduction of share capital in the amount of \$72,000.

**Note 9** **Related Party Transactions** – Notes 6, 7 and 8

The Company incurred the following costs with companies controlled by directors of the Company and with companies controlled by significant shareholders:

	<b>January 31, 2011</b>	July 31, 2010	July 31, 2009	July 31, 2008
	<b>(Unaudited)</b>			
Shareholder communications	\$ 7,500	\$ 1,250	\$ -	\$ -
Interest	733	13,795	13,629	-
Management fees	-	-	12,500	30,000
Rent	16,000	2,500	-	-
Mineral properties – exploration costs	80,433	9,750	32,500	-
Accounting and office administration	21,363	2,500	-	-
	<b>\$ 126,029</b>	<b>\$ 29,795</b>	<b>\$ 58,629</b>	<b>\$ 30,000</b>

Included in prepaid expenses at January 31, 2011 is \$Nil (unaudited) (July 31, 2010: \$30,448, 2009: \$19,000 and 2008: \$69,000) for advances to a company with a director in common .

Included in accounts payable and accrued liabilities at January 31, 2011 is \$738 (unaudited) (July 31, 2010: \$39,631, 2009: \$120,010 and 2008: \$44,562) due to companies controlled by directors for consulting, expenses reimbursement and management fees.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

**Monster Mining Corp.**

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January 31, 2011 and July 31, 2010, 2009 and 2008

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**Note 10** **Income Taxes**

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<b>January 31 2011</b>	July 31, 2010	July 31, 2009	July 31, 2008
Basic statutory and provincial income tax rate	<b>28%</b>	29%	30%	33%
Loss before income taxes	<b>\$ (284,294)</b>	\$ (57,561)	\$ (71,339)	\$ (487,622)
Expected income tax recovery	<b>\$ 79,600</b>	\$ 17,000	\$ 22,000	\$ 159,000
Non-deductible items	-	-	-	(147,000)
Change in tax rate	-	(7,000)	3,000	1,000
	<b>79,600</b>	10,000	25,000	13,000
Increase (decrease) in valuation allowance	<b>(79,600)</b>	-	-	-
Net income tax recovery	<b>\$ -</b>	\$ 10,000	\$ 25,000	\$ 13,000

Significant components of the Company's future tax assets and liabilities are as follows:

	<b>January 31, 2010</b>	July 31, 2010	July 31, 2009	July 31, 2008
Future income tax assets (liabilities)				
Non-capital losses carried forward	<b>\$ 127,600</b>	\$ 48,000	\$ 31,000	\$ 13,000
Share issuance costs	<b>7,000</b>	7,000	10,000	-
Marketable securities	<b>(7,000)</b>	(6,000)	-	-
Cumulative exploration and development expenses	<b>(338,000)</b>	(171,000)	(173,000)	(72,000)
	<b>(210,400)</b>	(122,000)	(132,000)	(59,000)
Less: Valuation allowance	<b>(88,400)</b>	-	-	-
Future income tax liabilities	<b>\$ (122,000)</b>	\$ (122,000)	\$ (132,000)	\$ (59,000)

**Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 20

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**Note 10** **Income Taxes** – (cont'd)

The Company records a valuation allowance against its net future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the net future tax assets.

At July 31, 2010, the Company has accumulated non-capital losses approximately \$241,756, which may be applied against future years' taxable income. The non-capital losses expire as follows:

2027	\$	7,500
2028		37,126
2029		80,929
2030		<u>116,201</u>
	\$	<u>241,756</u>

The Company also has \$744,983 in deferred exploration resource expenditure pools available for use against future income.

**Note 11** **Financial Instruments**a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of January 31, 2011. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) 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. The Company is exposed to credit risk with respect to its cash, the balance of which at January 31, 2011 is \$243,682 (unaudited) (July 31, 2010: \$7,305, 2009: \$240,645 and 2008: \$182,120). Cash is held at a chartered Canadian financial institution. The Company is also exposed to credit risk relating to the \$165,256 (unaudited) (July 31, 2010: \$400,000, 2009: \$400,000, 2008: \$Nil) advanced for drilling and geological services.

## **Monster Mining Corp.**

Notes to the Financial Statements

January 31, 2011 and July 31, 2010, 2009 and 2008

(Stated in Canadian Dollars) – Page 21

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### **Note 11**    **Financial Instruments** – (cont'd)

#### c)    Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves. As at January 31, 2011, the Company was holding cash of \$243,682 (unaudited) (July 31, 2010: \$7,305, 2009: \$240,645 and 2008: \$182,120). The Company's accounts payable and accrued liabilities are due in the short term.

#### d)    Currency Risk

Currency risk is the risk that funds held in currencies other than the operating currency will fluctuate negatively, resulting in a foreign exchange loss. The Company holds all of its cash in Canadian dollars and does not have significant transactions denominated in foreign currencies. As such, the Company is not significantly exposed to currency risk.

### **Note 12**    **Capital Management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, with a view to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

### **Note 13**    **Subsequent Events**

The Company has entered into an agency agreement to complete an Initial Public Offering for the sale up to 5,000,000 units at a price of \$0.40 per unit for proceeds of \$2,000,000. Each unit is comprised of one share and one-half of one share purchase warrant, each whole warrant exercisable at \$0.65 for 12 months. The Company will pay a cash commission of 8% of the proceeds and grant Agent Options to purchase common shares equal to 10% of the number of Units sold, exercisable at \$0.65 for a period of 12 months. The Company will also pay \$25,000 to the Agent, of which \$15,000 has been paid, as a non-refundable due diligence fee. The Company will also reimburse the Agent an estimated \$25,000 for its legal fees and expenses on closing.

## CERTIFICATE OF THE COMPANY

Dated: April 12, 2011

This Amended and Restated Preliminary Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Amended and Restated Preliminary Prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

*“Robert Eadie”*

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Robert Eadie  
Chief Executive Officer

*“Gary Arca”*

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Gary Arca  
Chief Financial Officer

## ON BEHALF OF THE BOARD OF DIRECTORS

*“Tara Christie”*

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Tara Christie  
Director

*“Andrew de Verteuil”*

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Andrew de Verteuil  
Director

## CERTIFICATE OF THE PROMOTERS

Dated: April 12, 2011

This Amended and Restated Preliminary Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Amended and Restated Preliminary Prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

*“Robert Eadie”*

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Robert Eadie

*“Bill Harris”*

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Bill Harris

## **CERTIFICATE OF THE AGENT**

Dated: April 12, 2011

To the best of our knowledge, information and belief, this Amended and Restated Preliminary Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Amended and Restated Preliminary Prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

### **MACQUARIE PRIVATE WEALTH INC.**

Per: *“Jeff German”*  
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Jeff German  
Vice President, PVC Corporate Finance