ENDURANCE GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

DECEMBER 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Endurance Gold Corporation

We have audited the accompanying consolidated financial statements of Endurance Gold Corporation (the "Company") which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements presents fairly, in all material respects, the financial position of Endurance Gold Corporation as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 31, 2011

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ENDURANCE GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2010	2009
ASSETS		
Current		
Cash	$ 534,882	$ 404,951
Marketable securities (Note 3)	115,375	74,000
Prepaid expenses and deposits	12,400	14,930
Receivables	19,106	16,657
	681,763	510,538
Mineral properties (Note 5)	2,197,801	1,905,387
Reclamation bonds	3,500	6,500
	$ 2,883,064	$ 2,422,425
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 32,334	$ 34,676
Shareholders' equity		
Capital stock (Note 6)	5,745,008	4,986,508
Contributed surplus (Note 6)	479,271	400,221
Deficit	(3,373,549)	(2,998,980)
	2,850,730	2,387,749
	$ 2,883,064	$ 2,422,425

Nature of operations and going concern (Note 1)
Commitments (Note 13)
Subsequent events (Note 14)

On behalf of the Board:

/s/ Robert T. Boyd
Director
Robert T. Boyd

/s/ J. Christopher Mitchell
Director
J. Christopher Mitchell

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31

	2010	2009
Expenses		
Amortization	$ -	$ 3,766
Business development and property investigation	103,903	27,345
Corporate communications	9,041	6,467
Listing and transfer agent fees	13,409	15,477
Management fees (Note 8)	163,755	118,000
Office and administrative	64,292	55,177
Professional fees	44,285	39,326
Stock-based compensation (Note 6)	79,050	74,970
	(477,735)	(340,528)
Other items		
Interest income	5,061	2,760
Realized loss on sales of marketable securities	(7,605)	(27,647)
Unrealized gain on marketable securities (Note 3)	68,210	92,231
Write-off of mineral properties (Note 5)	-	(80,417)
B.C. mining exploration tax credit	-	36,474
	65,666	23,401
Loss before future income tax	(412,069)	(317,127)
Future income tax recovery (Note 11)	37,500	-
Net loss for the year	(374,569)	(317,127)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Basic and diluted weighted average number of common shares outstanding	45,572,641	34,655,600

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31

	Share Capital		Contributed		Total Shareholder's
	No. of Shares	Amount	Surplus	Deficit	Equity
Balance, December 31, 2008	**27,212,586**	**$ 4,052,779**	**$ 305,187**	**$ (2,681,853)**	**$ 1,676,113**
Shares issued for cash					
Private placements, net of issue costs	12,000,000	943,793	-	-	943,793
Issued for other consideration					
Mineral properties	300,000	10,000	-	-	10,000
Agent's options compensation	-	(20,064)	20,064	-	-
Stock-based compensation	-	-	74,970	-	74,970
Loss for the year	-	-	-	(317,127)	(317,127)
Balance December 31, 2009	**39,512,586**	**4,986,508**	**400,221**	**(2,998,980)**	**2,387,749**
Shares issued for cash					
Exercise of Warrants	7,960,000	796,000	-	-	796,000
Future income taxes on exploration expenditures renounced	-	(37,500)	-	-	(37,500)
Stock-based compensation	-	-	79,050	-	79,050
Loss for the year	-	-	-	(374,569)	(374,569)
Balance December 31, 2010	**47,472,586**	**$ 5,745,008**	**$ 479,271**	**$ (3,373,549)**	**$ 2,850,730**

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (374,569)	$ (317,127)
Add items not involving cash:		
Amortization	-	3,766
Stock-based compensation	79,050	74,970
Realized loss on sales of marketable securities	7,605	27,647
Unrealized gain on marketable securities	(68,210)	(92,231)
Write-off of mineral properties	-	80,417
Future income tax recovery	(37,500)	-
Changes in non-cash working capital items:		
Prepaid expenses and deposits	2,530	(2,674)
Receivables	(2,449)	(11,970)
Marketable securities	19,230	25,062
Accounts payable and accrued liabilities	(4,342)	3,650
Net cash used in operating activities	(378,655)	(208,490)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral properties	(340,414)	(484,563)
Mineral property recovery	50,000	50,000
Reclamation bond	3,000	15,000
Net cash used in investing activities	(287,414)	(419,563)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	796,000	1,000,000
Share issuance costs	-	(56,207)
Net cash provided by financing activities	796,000	943,793
Net increase in cash during the year	129,931	315,740
Cash, beginning of year	404,951	89,211
Cash, end of year	$ 534,882	$ 404,951

Supplemental disclosures with respect to cash flows (Note 7)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Endurance Gold Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The Company is engaged in the exploration and development of mineral properties in North America and has not yet determined whether its properties contain ore reserves that are economically recoverable. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses of $3,373,549 since inception and further losses are anticipated in the development of its business plan. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties and equipment; amounts of reclamation and environmental obligations; amortization rates for equipment; fair value of investments, valuation allowance for future income tax assets; and determination of the assumptions used in calculating fair value of stock-based compensation. While management believes the estimations are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned U.S. subsidiary, Endurance Resources Inc. ("ERI"). ERI was incorporated on October 20, 2008 in the State of Virginia, United States of America. All significant inter-company balances and transactions have been eliminated upon consolidation.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

The Company has classified its cash and marketable securities as held-for-trading, receivables as loans and receivables, and reclamation bond as held-to-maturity. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

Foreign currency translation

The Company's foreign subsidiary is integrated with the Company and translated using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at the average exchange rates for the period. Gains and losses arising on translation are included in the statement of operations.

Equipment and amortization

Equipment is carried at cost less accumulated amortization. Amortization is recorded on a declining balance basis at annual rates of 30% for computers, 20% for office furniture and equipment, and on a straight-line basis over three years for field equipment.

Mineral properties

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation plan

The Company uses the fair value method of accounting for all stock-based compensation. The Company estimates the fair value at the date of grant using the Black-Scholes option pricing model. The expense is charged to stock-based compensation and the offset is credited to contributed surplus. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

For diluted per share computations, adjustments are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to capital stock and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future income tax liability. When flow-through expenditures are renounced, future income tax assets previously not recognized, due to the recording of a valuation allowance, are recognized against related future income tax liabilities and recorded as a recovery of future income taxes in the statement of operations.

CHANGE IN ACCOUNTING POLICIES

Business Combinations, Consolidations, Non-Controlling Interests

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 1582 *Business Combinations*, 1601 *Consolidated Financial Statements* and 1602 *Non-controlling Interests* which replace CICA Handbook Sections 1581 *Business Combinations* and 1600 *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these sections is permitted and all three sections must be adopted concurrently.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent Accounting Pronouncements

International financial reporting standards ("IFRS")

The CICA has adopted a strategic plan whereby the Canadian accounting standards will be converged with IFRS with the requirement to report under the new standards for fiscal years commencing in 2011. The Company's transition date of January 1, 2011 will require the restatement into IFRS for comparative purposes of amounts previously reported under Canadian GAAP by the Company for the year ended December 31, 2010, including a revised opening balance sheet as at January 1, 2010. The Company has already established a formal project plan, allocated internal resources to manage the transition from Canadian GAAP to IFRS reporting.

3. MARKETABLE SECURITIES

As at December 31, 2010 the Company owned 325,000 (2009 – 400,000) common shares of Metal Creek Resources Ltd. with an original cost of $116,350. These shares are traded on the TSX Venture Exchange, with a quoted market value of $115,375 (2009 - $74,000).

4. EQUIPMENT

	December 31, 2010			December 31, 2009		
	Cost	Accumulated Amortization/ Write-offs	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computers	$ -	$ -	$ -	$ 3,525	$ 3,525	$ -
Office furniture and equipment	-	-	-	4,740	4,740	-
Field equipment	-	-	-	7,525	7,525	-
	$ -	$ -	$ -	$ 15,790	$ 15,790	$ -

Amortization expenses of field equipment are recorded as mineral property exploration costs.

5. MINERAL PROPERTIES

As at December 31, 2010, the Company's mineral properties are located in North America. Expenditures incurred on mineral properties are as follows:

	Bandito, Yukon CANADA	Pardo, Ontario, CANADA	Nechako, B.C. CANADA	Other Properties, CANADA	Rattlesnake-Natrona, Wyoming, USA	McCord, Alaska, USA	Vana, Alaska, USA	TOTAL
Acquisition Costs 12/31/09	**$ -**	**$ 68,750**	**$ 80,000**	**$ -**	**$ 34,786**	**$ -**	**$ -**	**$ 183,536**
Additions	45,406	-	-	-	1,013	5,664	8,688	60,771
Recoveries	-	(50,000)	-	-	-	-	-	(50,000)
	45,406	(50,000)	-	-	1,013	5,664	8,688	10,771
Acquisition Costs 12/31/10	**45,406**	**18,750**	**80,000**	**-**	**35,799**	**5,664**	**8,688**	**194,307**
Deferred Exploration 12/31/09	**-**	**1,076,789**	**480,311**	**-**	**164,751**	**-**	**-**	**1,721,851**
Additions:								
Field expenses	17,127	-	-	-	10,239	6,822	1,949	36,137
Geochemistry	4,967	-	-	-	8,496	1,182	338	14,983
Geological and miscellaneous	62,471	1,069	3,380	8,314	66,416	2,110	1,659	145,419
Geophysics	-	-	-	26,286	800	-	-	27,086
Helicopters	18,205	-	-	-	-	3,535	1,010	22,750
Land and recording fees	1,581	-	3,544	-	14,743	-	-	19,868
Line cutting/trenching	-	-	-	15,400	-	-	-	15,400
	104,351	1,069	6,924	50,000	100,694	13,649	4,956	281,643
Deferred Exploration 12/31/10	**104,351**	**1,077,858**	**487,235**	**50,000**	**265,445**	**13,649**	**4,956**	**2,003,494**
Total Mineral Properties 12/31/10	**$ 149,757**	**$ 1,096,608**	**$ 567,235**	**$ 50,000**	**$ 301,244**	**$ 19,313**	**$ 13,644**	**$ 2,197,801**

5. MINERAL PROPERTIES (cont'd…)

	Pardo, Ontario, CANADA	Nechako JV, B.C. CANADA	Other Properties, CANADA	Rattlesnake - Natrona, Wyoming, USA	Other Property, USA	TOTAL
Acquisition Costs 12/31/08	**$ 73,750**	**$ 80,000**	**$ 2,361**	**$ -**	**$ -**	**$ 156,111**
Additions	45,000	-	6,239	34,786	37,929	123,954
Recoveries	(50,000)	-	-	-	-	(50,000)
	(5,000)	-	6,239	34,786	37,929	73,954
Acquisition Costs 12/31/09	**68,750**	**80,000**	**8,600**	**34,786**	**37,929**	**230,065**
Deferred Exploration 12/31/08	**1,048,510**	**347,424**	**2,780**	**-**	**-**	**1,398,714**
Additions:						
Drilling	-	78,205	-	-	-	78,205
Field expenses	4,624	15,536	714	15,893	2,562	39,329
Geochemistry	-	7,432	1,470	16,396	-	25,298
Geological and miscellaneous	23,655	20,616	1,574	54,055	23,992	123,892
Geophysics	-	-	-	54,197	-	54,197
Land and recording fees	-	17,293	-	7,070	796	25,159
Line cutting/trenching	-	-	-	17,140	-	17,140
	28,279	139,082	3,758	164,751	27,350	363,220
Deferred Exploration 12/31/09	**1,076,789**	**486,506**	**6,538**	**164,751**	**27,350**	**1,761,934**
BC mining exploration tax credit	-	(6,195)	-	-	-	(6,195)
Write-offs	-	-	(15,138)	-	(65,279)	(80,417)
Total Mineral Properties 12/31/09	**$ 1,145,539**	**$ 560,311**	**$ -**	**$ 199,537**	**$ -**	**$ 1,905,387**

5. MINERAL PROPERTIES (cont'd…)

Bandito Rare Earth, Nickel, and Copper Property, Yukon, CANADA

In August 2010, the Company entered into an option agreement (the "Agreement") with True North Gems Inc. ("TGX"), whereby the Company can earn up to a 75% interest in the Bandito property located in the Watson Lake district, Yukon Territory. Under the terms of the agreement, the Company can earn an initial 51% joint venture interest in the Bandito property by completing a total of $125,000 ($25,000 paid) in cash payments by December 31, 2012 and also completing $1,000,000 in exploration expenditures by December 31, 2013. Once the Company earns its 51% interest, it has a further option that will allow the Company to acquire an additional 24% interest (total 75%) by issuing TGX 200,000 shares of the Company and by completing an additional $1,000,000 in exploration expenditures prior to December 31, 2015. The President and CEO of the Company also serves on the board of directors of TGX and abstained from voting on approval of the Agreement.

Pardo Gold Property, Ontario, CANADA

The Company acquired a 100% interest on the Pardo Property located northeast of Sudbury, Ontario, from three vendors (one of whom was the late President of the Company), by making payments of $100,000 in cash and issuing 200,000 common shares (at a value of $18,750). The vendors have retained a 3% net smelter return royalty ("NSR") interest, one-half of which may be purchased by the Company for $1,500,000.

In June 2009, the Company entered into an option agreement (the "Agreement") with Ginguro Exploration Inc. ("Ginguro"), a TSX Venture Exchange issuer. Under the terms of the Agreement, Ginguro can earn an initial 55% interest in the Pardo Property by completing $1,000,000 in exploration expenditures and making cash payments totaling $200,000 ($100,000 received) to the Company over a three year period. On completion of its earn-in, Ginguro has a one-time option to increase its ownership to 70% by completing an additional $1,000,000 in exploration expenditures and making a further cash payment of $250,000 to the Company.

Nechako Gold Property (Amarc JV), British Columbia, CANADA

The Nechako Gold Property is comprised of several mineral claims located within the Cariboo Mining Division, west of Quesnel in British Columbia.

In 2004, the Company entered into an option and joint venture agreement with Amarc Resources Inc. ("Amarc"), whereby the Company earned a 60% interest in the Nechako Gold Property by completing $250,000 in exploration expenditures and issuing 250,000 shares to Amarc and 70,000 shares to an underlying property vendor. As a result, a joint venture as to 60% (Endurance) and 40% (Amarc) was formed in December 2005. As Amarc elected not to participate in its pro-rata share of costs on the Nechako Gold Property since 2006, the property is now held 75% by Endurance and 25% by Amarc.

Rattlesnake - Natrona Gold Property, Wyoming, USA

During the year ended December 31, 2010, the Company acquired by staking 100% interest in certain claims in addition to the claims and state leases staked and granted in 2009.

McCord Gold Property, Alaska, USA

In September 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in Fairbanks District in Alaska, USA.

Vana Gold Property, Alaska, USA

In September 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in Fairbanks District in Alaska, USA.

5. MINERAL PROPERTIES (cont'd…)

Other Properties, CANADA

Dogpaw Property, Ontario

The Company entered into an option agreement dated April 16, 2007 with Metals Creek Resources Corp. ("MEK"), whereby MEK earned a 75% interest in a majority of the claims comprising the Dogpaw property by incurring exploration expenses of $450,000 and issuing 450,000 common shares of MEK (with a value of $161,000). As a result, a joint venture as to 25% (the Company) and 75% (MEK) was formed in January 2010.

In addition, the Company retains a 2.5% NSR payable by Houston Lake Mining of several other claims forming part of the Dogpaw Property.

BQ–Endurance 100% Property, British Columbia

The Company acquired a 100% interest in certain mineral claims in the Omineca Mining Division of British Columbia by staking. The claims adjoin the former BQ Property option which was returned to the vendors and written off in 2008. At December 31, 2009, the Company wrote off the carrying value of $1,649 in acquisition costs incurred on the property.

Virginia Silver – Endurance 100% (Annie) Property, British Columbia

The Company acquired a 100% interest in several mineral claims in the Omineca Mining Division of British Columbia by staking. The claims adjoin the former Virginia Silver Property option which was returned to the vendors and written off in 2008. At December 31, 2009, the Company wrote off the carrying value of $3,492 in acquisition and exploration costs incurred on the property.

Other Property, USA

Carter Property, West Virginia

The Company signed a Property Option Agreement with The Carter Land Company, whereby in consideration of US$24,000 (paid), the Company had the option to explore for and potentially develop and mine metallurgical coal on The Carter Land Company's privately owned property, located three miles south of the town of Iaeger, in southern West Virginia, USA. The Company also issued 200,000 shares (valued at $5,000) as finders' fees. The Company gave notice to The Carter Land Company to terminate the option in February 2010 and wrote off the carrying value of $65,279 in acquisition and exploration costs incurred on the property as of December 31, 2009.

6. CAPITAL STOCK

(a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

Share issuance

During the fiscal year ended December 31, 2010, the Company issued 7,960,000 common shares at $0.10 per share for proceeds of $796,000 from the exercise of Warrants.

During the fiscal year ended December 31, 2009, the Company:

i) Issued 200,000 common shares as Finders' fees pursuant to a mineral property agreement with a total value of $5,000.

6. CAPITAL STOCK (cont'd…)

ii) Completed a non-brokered private placement financing of 8,000,000 Units at a price of $0.05 per Unit for gross proceeds of $400,000 with four directors, an officer and a consultant of the Company in March 2009. Each Unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company for a period of twelve months from closing at a price of $0.10 per share.

iii) Issued 100,000 common shares as the final Option payment pursuant to the Pardo property agreement with a total value of $5,000.

iv) Completed a non-brokered private placement financing of 1,000,000 flow-through ("FT") shares at a price of $0.15 per FT share and 3,000,000 non-flow through Units ("Unit") at a price of $0.15 per Unit, for gross proceeds of $600,000 in September 2009. Each Unit consists of one common share and one-half share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company for a period of two years from closing at a price of $0.30 per share. A total of 420,000 Units were subscribed by two directors of the Company.

(c) Stock Options, Warrants and Agent's Compensation Options Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, officers, employees and consultants of the Company at exercise prices determined by the market value of the common shares on the date of the grant. The options vest immediately on the date of the grant or otherwise at the discretion of the Board.

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	**775,000**	**$ 0.18**
Options granted	1,700,000	0.10
Options expired	(175,000)	0.23
Balance, December 31, 2009	**2,300,000**	**0.12**
Options granted	1,250,000	0.10
Options expired	(350,000)	0.18
Balance, December 31, 2010	**3,200,000**	**$ 0.10**
Number of options currently exercisable	3,200,000	$ 0.10

The following incentive stock options were outstanding and exercisable at December 31, 2010:

Number Outstanding	Exercise Price $	Expiry Date
250,000	0.15	October 11, 2012
1,700,000	0.10	February 14, 2014
750,000	0.10	March 31, 2015
500,000	0.10	April 9, 2015
3,200,000		

6. CAPITAL STOCK (cont'd…)

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2008	-	$ -
Warrants granted	9,500,000	0.13
Balance, December 31, 2009	9,500,000	0.13
Warrants exercised	(7,960,000)	0.10
Warrants expired	(40,000)	0.10
Balance, December 31, 2010	1,500,000	$ 0.30

The following warrants to acquire common shares were outstanding at December 31, 2010:

Number Outstanding	Exercise Price $	Expiry Date
1,500,000	0.30	September 14, 2011

There are 240,000 Agent's compensation options outstanding at December 31, 2010 and 2009. The Agent's compensation options were issued to the Agent in connection with the Company's non-brokered private placement completed in September 2009, each of which entitles the Agent to purchase one common share of the Company at a price of $0.30 per share until September 14, 2011. The Agent's options were valued at $20,064 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.23%, an expected life of 2 years, annualized volatility of 171.79% and a dividend rate of 0%).

(d) Stock-based compensation

The fair value of options reported as compensation expense during the year has been estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2010	**2009**
Description		
Expected dividend yield	0.0%	0.0%
Risk free interest rate	2.96%	2.04%
Expected stock price volatility	138.16%	217.98%
Expected life of options	5 years	5 years
Weighted average fair value	$0.063	$0.0441

Based on the foregoing, stock-based compensation expense of $79,050 (2009 - $74,970) was recorded for options that vested during the year ended December 31, 2010. The off-setting credit was recorded in Contributed Surplus.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid during the year for income taxes	$ -	$ -
Cash paid during the year for interest	$ -	$ -

Supplementary disclosure of non-cash investing and financing activities:

	2010	**2009**
Shares issued for mineral properties (note 6)	$ -	$ 10,000
Stock-based compensation (note 6)	79,050	74,970
Agent's compensation options (note 6)	-	20,064
Amortization costs of field equipment in mineral properties (note 4)	-	2,508
Mineral property expenditures in accounts payable	2,000	-

8. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is $616 (2009 - $8,772) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

During the year ended December 31, 2010, the Company entered into the following related party transactions:

a) Paid to a company controlled by the late President an aggregate amount of $30,000 (2009 - $101,500), of which $nil (2009 - $43,500) was capitalized as geological service fees, and $30,000 (2009 - $58,000) was expensed as administration management fees.

b) Paid to a company controlled by an officer and director an aggregate amount of $164,520 (2009 - $8,095), of which $28,845 (2009- $nil) was capitalized as geological project management fees, $73,755 (2009 – $nil) was expensed as administration management fees, and $61,920 (2009 - $8,095) was expensed as business development and property investigation.

c) Paid to a company controlled by an officer $60,000 (2009 - $60,000) for administration management fees.

d) Paid or accrued to a company controlled by a director of the Company an aggregate amount of $3,975 (2009 - $6,075) for consulting fees included in business development and property investigation.

e) Paid to a company with a common director $28,185 (2009 - $28,185) for rent included in rent and administration.

f) Paid to a company with a common director $25,000 (2009 - $nil) as option payment under the option agreement on the Bandito Property.

g) Issued nil common shares with a value of $nil (2009 – 33,334 common shares valued at $1,667) and paid an amount of $nil (2009 - $13,333) to the late President of the Company under the option agreement on the Pardo Property.

The amounts charged to the Company for the transactions provided have been determined by negotiations amongst the parties. These transactions were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

9. FINANCIAL INSTRUMENTS AND RISK

Fair value

CICA Handbook Section 3862 "Financial Instruments – disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

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

As at December 31, 2010, the Company's financial instruments are comprised of cash, marketable securities, receivables, accounts payable and accrued liabilities. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

December 31, 2010

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 534,882	$ -	$ -	$ 534,882
Marketable securities	115,375	-	-	115,375
Total	$ 650,257	$ -	-	$ 650,257

December 31, 2009

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 404,951	$ -	$ -	$ 404,951
Marketable securities	74,000	-	-	74,000
Total	$ 478,951	$ -	-	$ 478,951

Risk Management

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

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash, marketable securities, receivables and reclamation bonds.

The Company's cash and marketable securities are held through a Canadian chartered bank and a brokerage firm, which are high-credit quality financial institutions. The Company's receivables primarily consist of harmonized sales tax rebates due from the Government of Canada.

9. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash balance of $534,882 to settle current liabilities of $32,334. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency rate risk

While the Company is domiciled in Canada and its capital is raised in Canadian dollars, a portion of its business is conducted in the United States of America. As such, it is subject to risk due to fluctuations in the exchange rates between the Canadian and US dollars. At December 31, 2010, the Company has cash denominated in US dollars of US$211,280 and accounts payable of US$3,000. Each 1% change in the Canadian dollar versus the U.S. dollar will result in a gain/loss of approximately $2,069.

Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying value of cash, marketable securities, receivables, reclamation bonds, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

10. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including, but not limited to pursuing the exploration of its mineral properties, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of commodity prices, forecast capital and operating expenditures, and other investing and financing activities. The forecast is regularly updated based on new commodity prices and other changes, which the Company views as critical in the current environment. Selected forecast information is frequently provided to the Board of Directors.

10. CAPITAL MANAGEMENT (cont'd…)

The Company's capital structure as at December 31, 2010 was $2,883,064 (2009 - $2,422,425). The Company's capital management objectives, policies and processes have not been changed over the year presented. The Company is not subject to any externally imposed capital requirements.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2010		2009
Loss before income taxes	$	(412,069)	$	(317,127)
Expected income tax (recovery)	$	(117,419)	$	(95,138)
Net deductible items		(8,877)		(8,399)
Unrecognized benefit of non-capital losses		88,796		103,537
Total income taxes (recovery)	$	(37,500)	$	-

The significant components of the Company's future tax assets (liabilities) are as follows:

		2010		2009
Future tax assets (liabilities):				
Financing costs	$	18,000	$	30,000
Loss carry forwards		468,000		408,000
Marketable securities		-		(16,000)
Mineral properties		2,000		(5,000)
Equipment		4,000		4,000
Future tax assets (liabilities)		492,000		421,000
Less: Valuation allowance		(492,000)		(421,000)
Net future tax assets (liabilities)	$	-	$	-

The Company has available for deduction against future taxable income non-capital losses of approximately $1,850,000. These losses, if not utilized, will expire through to 2030. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of non-capital losses have been offset by a valuation allowance due to the uncertainty of their realization.

Flow-through Expenditures

Under the Canadian *Income Tax Act* a company may issue securities referred to as flow-through shares, whereby the investors may claim the tax deductions arising from the qualifying expenditure (Canadian Exploration Expense) of the proceeds by the company. When resource expenditures are renounced to the investors and the company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing share capital. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

11. INCOME TAXES (cont'd…)

During the year ended December 31, 2009, the Company issued 1,000,000 common shares on a flow-through basis for gross proceeds of $150,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. During the year ended December 31, 2010, the Company renounced exploration expenditures of $150,000 resulting in a charge to capital stock of $37,500 with a related increase in future income tax recovery.

At December 31, 2010, all of the $150,000 of flow-through proceeds had been incurred.

12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of mineral properties in Canada and the United States.

Geographic information is as follows:

	2010	2009
Mineral properties and deferred exploration costs in:		
- Canada	$ 1,863,600	$ 1,705,850
- United States	334,201	199,537
TOTAL	$ 2,197,801	$ 1,905,387

13. COMMITMENTS

The Company entered into a new office lease agreement commencing March 1, 2011 and ending February 28, 2015. Minimum lease payments are as follows:

2011	$ 34,745
2012	42,392
2013	46,079
2014	47,274
2015	8,045
	$178,535

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2010:

a) The Company closed a non-brokered private placement on March 16, 2011, receiving gross proceeds of $540,000 by issuing 4,500,000 flow-through ("FT") shares at a price of $0.12 per FT share. A total of 220,000 FT shares were subscribed by two directors of the Company.