

RX Exploration Inc.
(A Development Stage Company)

Consolidated Interim Financial Statements

(unaudited)

September 30, 2010

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

RX Exploration Inc.
(A Development Stage Company)
Consolidated Interim Balance Sheets
(unaudited)

	September 30, 2010	June 30, 2010 (audited)
Assets		
Current		
Cash	\$ 1,824,381	\$ 1,697,666
Short-term investment	2,304,001	3,000,000
Amounts receivable	698,268	359,950
Due from agents	-	300,000
Prepaid expenses and sundry assets	222,319	289,293
	5,048,969	5,646,909
Plant and equipment	940,826	731,768
Mining claims and deferred exploration and development expenditures (Note 4)	14,199,902	14,458,182
Reclamation bonds (Note 5)	23,937	15,953
	\$ 20,213,634	\$ 20,852,812

Liabilities

Current		
Accounts payable and accrued liabilities (Note 13)	\$ 1,086,588	\$ 1,182,751
Restoration liabilities (Note 5)	15,953	15,953
	1,102,541	1,198,704

Shareholders' Equity

Capital stock (Notes 6 and 13)	15,803,711	15,341,808
Contributed surplus (Note 7)	3,036,306	3,036,306
Share purchase warrants (Note 8)	11,012,928	11,051,540
Shares to be issued	-	291,186
Deficit	(10,741,852)	(10,066,732)
	19,111,093	19,654,108
	\$ 20,213,634	\$ 20,852,812

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

Approved by the Board

"Murray R. Nye"
Director (Signed)

"John A. Ryan"
Director (Signed)

RX Exploration Inc.
(A Development Stage Company)
Consolidated Interim Statements of Operations and Deficit
(unaudited)

	Three Months Ended	
	September 30,	
	2010	2009
Expenses		
Office and general (Note 13)	\$ 276,027	\$ 102,490
Professional and consulting fees (Note 13)	402,056	88,429
Stock-based compensation (Note 10)	-	502,000
Loss before the undernoted item	(678,083)	(692,919)
Interest income	2,963	-
Net loss	(675,120)	(692,919)
Deficit, beginning of period	(10,066,732)	(3,508,892)
Deficit, end of period	\$(10,741,852)	\$ (4,201,811)

Loss per share

Basic and diluted	\$ (0.006)	\$ (0.010)
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Weighted average number of common shares outstanding

Basic and diluted	111,815,331	72,050,785
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RX Exploration Inc.
(A Development Stage Company)
Consolidated Interim Statements of Cash Flows
(unaudited)

	Three Months Ended	
	September 30,	
	2010	2009
Cash provided by (used in)		
Operations		
Net loss	\$ (675,120)	\$ (692,919)
Item not affecting cash		
Stock-based compensation	-	502,000
	(675,120)	(190,919)
Net changes in non-cash operating working capital items		
Amounts receivable	(338,318)	-
Prepaid expenses and sundry assets	66,974	(5,015)
Reclamation bonds	(7,984)	(3,543)
Accounts payable and accrued liabilities	(96,163)	(98,348)
	(1,050,611)	(297,825)
Investing		
Disposal of short-term investment	695,999	-
Acquisition of plant and equipment	(209,057)	-
Acquisition of mining claims and deferred exploration and development expenditures	(3,831,844)	(532,407)
Proceeds from exploration and development revenues received	4,090,123	-
	745,221	(532,407)
Financing		
Issuance of capital stock (net of issuance costs)	432,105	736,051
Shares issued on exercise of stock options	-	100,000
Subscriptions received from agent	-	1,201,610
	432,105	2,037,661
Net change in cash	126,715	1,207,429
Cash, beginning of period	1,697,666	12,797
Cash, end of period	\$ 1,824,381	\$ 1,220,226

1. NATURE OF OPERATIONS

RX Exploration Inc. (the "Company") was incorporated November 13, 1981 under the Canada Business Corporations Act.

The Company's principal assets are mining claims and deferred exploration and development expenditures made with respect to properties which are not in commercial production. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves. The amounts shown for mining claims and deferred exploration and development expenditures represent costs incurred to date and do not reflect present or future values. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and future profitable production.

In May 2010, the Company began extracting gold and silver bearing rock from its Hard Rock mining claims in Marysville, Montana and earned revenue of approximately \$368,000 (\$351,000USD) net of smelting and refining charges in the year-ending June 30, 2010 and approximately \$4,090,000 (\$3,668,000USD) for the quarter ended September 30, 2010 net of MML Tax and NSR. This revenue was earned as a result of the Company's test mining process. Test mining is a phase of the exploration and development of a mine whereby a Company is determining the quality of ore and the economic viability of extraction of that ore. Accordingly the earning of this revenue has not resulted in the Company being considered to be in production and therefore the Company remains in the development stage at September 30, 2010.

Effective August 4, 2010, the Company was listed on the TSX Venture Exchange and is no longer listed on the Canadian National Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Reporting

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for the presentation of annual financial statements. Notwithstanding, the unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended June 30, 2010. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the years ended June 30, 2010 and 2009.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments of a normal recurring nature to present fairly the position of the Company as at September 30, 2010 and reflect the results of operation for the three month period then ended.

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
September 30, 2010
(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

The consolidated financial statements include the accounts of RX Exploration Inc. and its wholly-owned subsidiaries, Drumlummon Gold Mine LLC, Drumlummon Gold Corp., Drumlummon Ltd., and RX Mining Corp (the "Company").

A portion of the Company's exploration activities are conducted jointly with others. Expenditures on properties reflect the Company's proportionate interest in mineral properties. The consolidated financial statements include the Company's proportionate share of assets and liabilities in its 50% owned joint venture, Marysville Milling and Mining LLC ("MMM"). Currently, MMM only owns the Placer Claims (Note 4(c)) and does not have any other assets, liabilities, commitments or contingencies.

3. RECENT ACCOUNTING PRONOUNCEMENT ISSUED AND NOT YET APPLIED

International financial reporting standards ("IFRS")

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 Principals. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

September 30, 2010

	June 30, 2010	Additions	Write-offs	Sept. 30 2010
Thunder Bay Claims, ON ^(e)	\$ -	\$ -	\$ -	\$ -
Hard Rock Claims, MT ^(a)	13,992,379	(264,895)	-	13,727,484
Van Koughnet Township Claims, ON ^(b)	-	-	-	-
Placer Claims, MT ^(c)	409,951	1,840	-	411,791
Bald Butte Claims, MT ^(d)	55,852	4,775	-	60,627
	\$14,458,182	\$ (258,280)	\$ -	\$14,199,902

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(a) *Hard Rock Claims - Lewis and Clark County, Montana*

On October 30, 2006, the Company entered into an agreement with subsequent amendments with an arm's length party, (the "optionors"), to option from them 100% of their interest in patented mining claims ("Hard Rock Claims") situated in Lewis and Clark County in the State of Montana consisting of 28 claims (3 of the claims consist of less than 100% interest). To earn 100% of the optionor's interest the Company must make a final payment of \$240,000 USD on or before April 13, 2011 (\$960,000 USD paid as of September 30, 2010). The final payment amount is held in trust with the Company's Montana lawyer.

The claims are subject to a 2% net smelter royalty ("NSR").

The Company has 100% interest in 112 unpatented Hard Rock claims.

Netted in the current period additions total is revenue of \$4,090,122 (\$3,667,668 USD) earned from the sale of gold and silver bearing rock. This amount is net of accrued Montana Metalliferous Mines License Tax of approximately \$72,894 (\$70,740 USD) and accrued Net Smelter Royalties of approximately \$82,630 (\$80,300 USD).

(b) *Van Koughnet Township - Sault Ste. Marie Mining Division, Ontario*

Agreement A

On March 7, 2008, the Company entered into an agreement to acquire an undivided 50% working interest in 6 claims located in the Van Koughnet township in the Province of Ontario. To earn its 50% interest in the claims the Company must incur or fund expenditures of \$1,500,000 by the second anniversary of closing and issue 60,000 shares on the exercise date.

After the Company has exercised its option, the parties agree that each party will pay 50% of the cost of further exploration expenditures. There will be a standard dilution clause if either party fails to pay its proportionate share of expenditures. If either party is diluted to less than 10%, its interest will be converted to a 1% NSR.

The Optionor shall be entitled to a royalty interest equal to a 2% NSR. One-half of the NSR may be repurchased for \$600,000 at any time.

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(b) Van Koughnet Township - Sault Ste. Marie Mining Division, Ontario (Cont'd)

Agreement B

The Company has entered into two option agreements (the "option") to acquire an undivided 50% working interest in 5 claims located in the Van Koughnet Township. In order to maintain the option the Company shall incur or fund expenditures totaling \$1,000,000 with respect to any of the claims on or before March 11, 2010 and a further \$500,000 within one year of the completion of the first \$1,000,000. Once the Company has incurred the expenditures with respect to the claim it shall automatically earn a 50% interest. After the Company earns its interest, both parties will contribute equally to fund the exploration. There will be a standard dilution clause if either party fails to pay its proportionate share of expenditures. If either party is diluted to less than 10%, its interest will be converted to a 1% NSR.

As at June 30, 2009 the Company has incurred and/or funded approximately \$2,001,300 in exploration and development expenditures towards the above agreements.

There was a dispute between the Company and the optionors regarding the above agreements. The dispute was over administrative matters regarding the funding of the exploration work. A satisfactory resolution was not achieved during the year and as a result, management is assessing its options at this time. Given the uncertainty of the recoverability of the deferred exploration and development expenditures, a full impairment write down has been taken. Arbitration proceedings have been commenced with the optionor in regard to this matter.

(c) Placer Claims - Lewis and Clark County, Montana

On April 17, 2008 the Company entered into an agreement to purchase, from an arm's length party ("vendors"), a 100% interest in 14 patented mining claims situated in Lewis and Clark County in the State of Montana for \$636,625 (\$625,000 USD) (paid in fiscal 2009) and 350,000 common shares valued at \$0.45 each (issued in fiscal 2009) for a total fair value of \$157,500.

In exchange for a cash investment of \$3,000,000 made in fiscal 2008, the Company issued 7,500,000 units in the year ended June 30, 2008 and agreed to transfer this property into a newly formed entity ("MMM") in which the Company would have a 50% interest and the investor, Spruce Ridge Resources Ltd. ("SRR"), would have the remaining 50% interest. Of the \$3,000,000 financing provided by SRR, \$397,063 represented the amount related to their 50% interest in MMM which was reflected as a liability on the balance sheet for the year ended June 30, 2008. During fiscal 2009 this liability was applied against additions relating to this property. The property was transferred into MMM and is 50% owned by each party.

The Company does not have a minimum future expenditure commitment on the property. However, their 50% interest is subject to dilution if the Company does not participate pro-rata with the other co-owner on any future expenditures.

The vendors retain a 2% NSR on certain claims and a 3% gross royalty on certain claims.

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(d) Bald Butte Claims - Lewis and Clark County, Montana

On April 19, 2010, the Company entered into an agreement with an arm's length party, (the "optionors"), to lease with an option to purchase from them 100% of their interest in 22 patented mining claims (1 of the claims consists of less than 100% interest) and 50 unpatented mining claims ("Bald Butte Claims") situated in Lewis and Clark County in the State of Montana. The Company paid \$55,852 (\$55,000 USD) upon execution of this agreement.

The Company has the exclusive option to purchase the claims for \$5,000,000 USD at any point during the lease. If the option to purchase is exercised, all annual payments will be credited against this purchase price.

To earn 100% of the optionor's interest, the Company must make the following annual payments:

- First year anniversary \$55,000 USD
- Second year anniversary \$75,000 USD
- Third year anniversary \$100,000 USD
- Fourth year anniversary \$100,000 USD
- Fifth and each subsequent annual anniversary \$150,000 USD

In addition to the above payments the Company issued 200,000 common shares to the optionors on October 25, 2010.

The Company has agreed to pay a 2% NSR to the optionors.

(e) Thunder Bay Claims - Thunder Bay Mining Division, Ontario

- (i) On October 21, 2005, the Company acquired from Wabassi River Resources Inc. (the "Optionor") an option to earn a 50% interest in the Zulapa Interest ("Zulapa"). This claim is on land owned by a First Nations band, in the Province of Ontario. The option on Zulapa is contingent on the optionor obtaining a signed agreement from the First Nations tribe approving any exploration activity on their land.
- (ii) Concurrently, the Company acquired an option to earn a 50% interest in 8 unpatented mining claims which are adjacent to the Zulapa claim, (totaling 108 claim units) from the Optionor in the Thunder Bay Mining Division in the Province of Ontario.

In order to maintain these options the Company is required to do the following:

- (i) pay \$5,500 to the Optionor upon signing of the option agreement (the "Agreement"), which was paid in the year ended June 30, 2006;
- (ii) incur expenditures of not less than \$150,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the first anniversary of the signing of the Agreement, of which sufficient expenditures must be recorded against the claims in each year to meet assessment requirements required to keep them in good standing;

4. MINING CLAIMS AND DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES
(Cont'd)

(e) Thunder Bay Claims - Thunder Bay Mining Division, Ontario (Cont'd)

- (iii) incur further expenditures of not less than \$200,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the earlier of:
 - (I) the first anniversary of the Formal First Nation Agreement, if and when entered into; and
 - (II) the second anniversary of the signing of the Agreement;
- (iv) on or before the 60th day (the "Election Date") after receiving a comprehensive report on the results of the mining operations and after a minimum of \$350,000 in expenditures have been incurred, the Company shall be required to elect in writing whether or not it will proceed to earn its 50% interest in the claims and/or the Zulapa Interest. In the event that the Company exercises its right to proceed to earn its 50% interest in the claims and/or the Zulapa Interest, the Company shall:
 - (I) pay to the Optionor the sum of \$150,000 on or before the 30th day following the Election Date; and
 - (II) incur further expenditures of not less than \$1,150,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the second anniversary of the Election Date;
- (v) in the event that the Company has incurred expenditures of at least \$350,000, but does not elect to earn its 50% interest to the claims and/or the Zulapa Interest (see Note 4(iv)), the Company's interest or right to earn an interest in the claims and the Zulapa Interest shall be converted into a 10% interest in the claims and/or the Zulapa Interest.

The claims are subject to a 2% NSR which the Company can, at any time, repurchase one percent of the NSR for \$1,500,000.

As at June 30, 2009, the Company has paid the \$5,500 due on signing and incurred \$99,500 of exploration expenditures. The expenditures incurred in the prior years related to the mining claims surrounding the First Nations land. The Company has not been able to meet its requirements under this arrangement as access to the land claims and Zulapa interest have not yet been granted by the First Nations band; however, the Company will continue to proceed with this exploration once permission has been granted. The optionor is aware that the Company has not been granted access to the claims resulting in their inability to meet the terms of the agreement. Management was working with the Optionor to obtain the required permissions.

Although management still intends on pursuing these claims, all deferred exploration and development expenditures were written off in 2008 fiscal year due to the length of time which has passed since these costs were incurred as the optionor has been unable to obtain the required permission to proceed from the First Nations band. During the year the Optionor notified the Company that it is in default under the option agreement, which the Company is not in agreement. The Company is considering all of its legal remedies to enforce the terms of the option and compliance on the part of the Optionor.

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
September 30, 2010
(unaudited)

5. RECLAMATION BONDS

As at September 30, 2010, management estimated and accrued site restoration costs relating to their exploration programs for their mining claims in Montana. These costs are estimated by management and approved by the the Montana Department of Environmental Quality ("MDEQ"). The Company is required to issue reclamation bonds with the MDEQ to cover the estimated site restoration costs. The reclamation bonds will be refunded to the Company once the MDEQ is satisfied with the site restoration work performed. The reclamation bonds equal the restoration liability as the bonds approximate the total cost to be incurred by the Company relating to site restoration work.

6. CAPITAL STOCK

Authorized
unlimited common shares

Issued

	Number of Shares	Amount
Balance at June 30, 2010 (audited)	111,016,331	\$ 15,341,808
Warrants exercised	424,000	151,090
Shares issued for warrants exercised in prior year	375,000	310,813
Balance at September 30, 2010	111,815,331	\$ 15,803,711

7. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	September 30, 2010	June 30 2010 (audited)
Balance, beginning of period	\$ 3,036,306	\$ 993,163
Stock-based compensation expense (Note 10)	-	1,852,619
Stock options exercised	-	(315,372)
Warrants expired	-	505,896
Balance, end of period	\$ 3,036,306	\$ 3,036,306

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
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(unaudited)

8. SHARE PURCHASE WARRANTS

The following summarizes the change in share purchase warrants:

	September 30, 2010	June 30, 2010 (audited)
Balance, beginning of period	\$ 11,051,540	\$ 6,574,042
Warrants issued	-	3,874,214
Warrants extended in term	-	1,818,950
Warrants exercised allocated to share capital	(38,612)	(370,049)
Warrants exercised allocated to shares to be issued (Note)	-	(141,186)
Warrants expired allocated to contributed surplus	-	(505,896)
Allocation of share issue costs for warrants included in units issued	-	(198,535)
Balance, end of period	\$ 11,012,928	\$ 11,051,540

9. STOCK OPTIONS AND WARRANTS

(a) Stock Options

The following summarizes the stock option activities:

	September 30, 2010		June 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	8,170,000	\$0.40	4,700,000	\$0.33
Issued	-	\$ -	5,770,000	\$0.44
Exercised	-	\$ -	(1,400,000)	\$0.30
Expired	(200,000)	\$0.70	(900,000)	\$0.53
Exchanged (Note 10)	-	\$ -	(1,600,000.00)	\$0.32
Replaced (Note 10)	-	\$ -	1,600,000.00	\$0.32
Balance, end of period	7,970,000	\$0.39	8,170,000	\$0.40
Exercisable at end of period	7,820,000	\$0.39	8,020,000	\$0.39

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
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(unaudited)

9. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

The Company had the following stock options outstanding as of September 30, 2010:

Number of Options	Exercisable	Exercise Price	Expiry Date
400,000	400,000	\$ 0.15	November 10, 2011
1,250,000	1,250,000	\$ 0.25	January 28, 2012
200,000	200,000	\$ 0.25	February 4, 2012
670,000	670,000	\$ 0.44	January 8, 2013
300,000	300,000	\$ 0.37	January 12, 2013
1,800,000	1,800,000	\$ 0.32	January 29, 2013
3,125,000	3,125,000	\$ 0.50	April 22, 2013
225,000	75,000	\$ 0.60	June 3, 2013
7,970,000	7,820,000		

(b) Warrants

The following summarizes warrant activities:

	September 30, 2010		June 30, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	75,657,661	\$0.44	40,602,033	\$0.44
Issued	-	\$ -	40,779,661	\$0.43
Exercised	(424,000)	\$0.32	(3,117,483)	\$0.37
Expired	-	\$ -	(2,606,550)	\$0.66
Balance, end of period	75,233,661	\$0.44	75,657,661	\$0.44

RX Exploration Inc.
(A Development Stage Company)
Notes to Interim Consolidated Financial Statements
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(unaudited)

9. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants (Cont'd)

The Company had the following warrants outstanding at September 30, 2010:

Number of Warrants	Exercise Price	Expiry Date
300,000	\$ 0.25	December 31, 2010
30,000 (i)	\$ 0.20	December 31, 2010
25,000	\$ 0.40	December 31, 2010
5,000 (i)	\$ 0.30	December 31, 2010
2,450,000	\$ 0.25	January 19, 2011
225,000 (i)	\$ 0.20	January 19, 2011
50,000	\$ 0.25	January 29, 2011
5,000 (i)	\$ 0.20	January 29, 2011
140,000	\$ 0.20	February 6, 2011
9,815,000 (ii)	\$ 0.40	March 2, 2011
986,500 (i)	\$ 0.20	March 2, 2011
2,850,000	\$ 0.60	April 3, 2011
1,325,000	\$ 0.60	April 10, 2011
617,000	\$ 0.60	April 11, 2011
1,225,000 (ii)	\$ 0.40	April 24, 2011
122,500 (i)	\$ 0.20	April 24, 2011
75,000	\$ 0.60	April 30, 2011
133,000	\$ 0.60	May 5, 2011
4,868,500 (ii)	\$ 0.40	June 25, 2011
7,500,000	\$ 0.60	June 30, 2011
25,000	\$ 0.40	June 30, 2011
3,255,000 (ii)	\$ 0.40	June 30, 2011
325,500 (i)	\$ 0.20	June 30, 2011
3,590,000 (ii)	\$ 0.40	July 8, 2011
210,000 (i)	\$ 0.20	July 8, 2011
750,000 (ii)	\$ 0.40	October 6, 2011
4,102,000 (ii)	\$ 0.40	October 29, 2011
333,700 (i)	\$ 0.20	October 29, 2011
750,000 (ii)	\$ 0.40	November 4, 2011
2,077,000 (ii)	\$ 0.40	November 5, 2011
247,700 (i)	\$ 0.20	November 5, 2011
1,255,000 (ii)	\$ 0.40	November 6, 2011
3,009,994 (ii)	\$ 0.40	February 19, 2012
300,999 (i)	\$ 0.30	February 19, 2012
706,000 (ii)	\$ 0.40	March 1, 2012
2,615,166 (ii)	\$ 0.40	March 2, 2012
111,000 (i)	\$ 0.30	March 2, 2012
1,643,265 (ii)	\$ 0.40	March 18, 2012
172,326 (i)	\$ 0.30	March 18, 2012
1,106,800 (ii)	\$ 0.40	March 23, 2012
1,350,333 (ii)	\$ 0.40	March 24, 2012
135,033 (i)	\$ 0.30	March 24, 2012
833,334 (ii)	\$ 0.40	April 8, 2012
83,333 (i)	\$ 0.30	April 8, 2012
7,611,878 (ii)	\$ 0.40	April 27, 2012
635,800 (i)	\$ 0.30	April 27, 2012
5,000,000	\$ 0.70	May 13, 2012
250,000 (i)	\$ 0.50	May 13, 2012
75,233,661		

9. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants (Cont'd)

- (i) These are broker warrants in connection with the Company's financings.
- (ii) The expiry date shall be accelerated to 30 days from the tenth consecutive trading day on which the common shares of the Company close at or above \$0.60. The Accelerated Expiry Date occurred on October 13, 2010. Accordingly, all share purchase warrants containing the acceleration provision automatically expire on Friday, November 12, 2010 unless exercised prior to 5:00 pm (Toronto time) (see Note 15.).

10. STOCK-BASED COMPENSATION

The total stock based compensation relating to options issued pursuant to the stock option plan recognized during the period ended September 30, 2010 year was \$Nil (2010 - \$502,000). The fair value of each option granted in the period has been estimated at the date of grant or the date when it became measurable using the Black Scholes option pricing model.

11. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, share purchase warrants, contributed surplus, shares to be issued and deficit, in the definition of capital which totals \$19,111,093 at September 30, 2010 (2010 - \$19,654,108).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants or by securing strategic partners.

The Company forecasts cash flows from operations and anticipated investing and financing activities to ensure that there is sufficient capital on hand to meet ongoing obligations. Senior management is also actively involved in the review and approval of planned expenditures. The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three months ended September 30, 2010.

12. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (comprised of currency risk), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management, whom is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with their approved policies.

(a) Market Risk

The Company is exposed to foreign exchange risk from various currencies, primarily US dollars. Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain US cash on hand to support US forecasted cash flows over a 12 month horizon. To achieve this objective the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the currency of cash held.

As at September 30, 2010, the Company is exposed to currency risk through the following financial assets and liabilities denominated in US dollars:

Cash	\$	1,596,914
Amounts receivable	\$	630,000
Accounts payable and accrued liabilities	\$	887,751

The above balances were translated into Canadian dollars at the year-end rate of \$1.0290 US dollars to every Canadian dollar.

Based on the above net exposures as at September 30, 2010, and assuming that all other variables remain constant, a 5% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of approximately \$68,900 in the loss from operations.

(b) Fair Value Risk

Fair value represents the amounts at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The carrying values of cash, short-term investment, amounts receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

12. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash, short-term investment and amounts receivable. The Company reduces its credit risk by maintaining its primary bank accounts at large financial institutions. The Company assesses its credit risk based on general market knowledge and specific information obtained through its business relationships with each customer.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 11.

As at June 30, 2010, the Company has current liabilities of \$1,086,588 (2010 - \$1,182,751) due within 12 months and has cash, short-term investment, amounts receivable which total \$4,826,650 (2010 - \$5,357,616) to meet its current obligations. As at June 30, 2010 the Company has a working capital surplus of \$3,962,381 (2010 - \$4,464,158). Management will continue to raise capital to fund the Company's exploration, development and feasibility expenditures and for general and administrative costs.

13. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties. Related party transactions not disclosed elsewhere are summarized below:

Included in accounts payable and accrued liabilities is \$155,855 due to the Company's legal counsel who is a director of the Company, \$20,000 due to a company controlled by directors of the Company, \$93,000 due to directors of the Company for director fees and \$2,500 due to a company controlled by a director of the Company.

Included in capital stock is \$3,695 (Sep 30, 2009 - \$9,153) of share issuance costs for fees paid to the Company's legal counsel who is a director of the Company.

Included in professional and consulting fees are \$38,428 (September 30, 2009 - \$4,522) of fees paid to the Company's legal counsel who is a director of the Company, \$120,000 (September 30, 2009 - \$60,000) in management fees to a company controlled by directors of the Company and \$101,500 (September 30, 2009 - \$NIL) of fees paid to directors of the Company for director fees.

Included in office and general is \$10,386 (September 30, 2009 - \$NIL) of fees paid to a company controlled by directors of the Company, related to rent and office expenses, and \$9,322 (September 30, 2009 - \$1,500) of fees paid to a company controlled by a director of the Company.

14. CONTINGENCY

Pursuant to a flow-through share issuance of 3,722,000 flow-through units in fiscal 2008, the Company renounced to its investors certain expenditures in accordance with the look back rules under the Income Tax Act ("the Act"). As a result, the Company was committed to incurring approximately \$1,861,000 of Canadian Exploration Expenditures prior to December 31, 2008. The Company did not incur the required amount of Canadian Exploration Expenditures by December 31, 2008 and, as a result, incurred Part XII.6 tax in the approximate amount of \$75,000, this balance is included in accounts payable and accrued liabilities. In addition, the qualification of the eligibility of the Canadian Exploration Expenditures, including amounts funded to and then expended by the optionors of the Van Koughnet Townships claims (Note 4(b)), which were renounced in relation to the flow-through share issuance, are in the normal course of business subject to review by the Canada Revenue Agency ("CRA"). If these expenditures were denied by the CRA under their review, the Company would incur penalties and would be required to amend certain tax filings with its flow-through share investors.

15. SUBSEQUENT EVENTS

- (a) Subsequent to September 30, 2010, approximately 44,595,399 warrants were exercised into common shares at exercise prices ranging from \$0.20 to \$0.40 for gross proceeds of \$16,537,074 CAD and \$1,224,146 USD.
- (b) Per a news release issued by the Company dated October 19, 2010, the outstanding share purchase warrants which contain a condition that the expiry date shall be accelerated to 30 days from the tenth consecutive trading day on which the common shares of the Company close at or above \$0.60 occurred on October 13, 2010. Accordingly, all share purchase warrants containing the acceleration provision did expire on November 12, 2010.