NEVADA SUNRISE GOLD CORP

NEVADA SUNRISE GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

AUDITORS' REPORT

To the Shareholders of
Nevada Sunrise Gold Corporation

We have audited the consolidated balance sheets of Nevada Sunrise Gold Corporation as at September 30, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

January 26, 2011

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30

		2010		2009
ASSETS				
Current				
Cash	$	62,680	$	51,939
Other current assets		4,632		30,397
		67,312		82,336
Equipment (Note 5)		33,202		48,436
Mineral properties (Note 6)		2,580,601		2,035,716
Other assets		3,591		3,789
	$	2,684,706	$	2,170,277
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	111,839	$	132,144
Convertible note payable (Note 14)		504,813		-
Loan payable to shareholder (Note 9)		-		108,610
Note payable (Note 14)		-		217,200
Due to related parties (Note 9)		51,449		44,880
		668,101		502,834
Shareholders' equity				
Share capital (Note 8(b))		6,371,766		5,151,939
Contributed surplus (Note 8(b))		619,144		412,992
Subscriptions received in advance (Note 8)		45,000		-
Equity component of convertible note payable (Note 14)		18,978		-
Accumulated other comprehensive income (loss) (Note 7)		(2,620)		70,296
Deficit		(5,035,663)		(3,967,784)
		2,016,605		1,667,443
	$	2,684,706	$	2,170,277

Nature and continuance of operations (Note 1)
Commitments (Note 13)
Contingencies (Note 15)
Subsequent events (Note 16)

Approved by the Directors:

"William B. Henderson" Director *"Warren Stanyer"* Director

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30

	2010	2009
GENERAL AND ADMINISTRATIVE EXPENSES		
Accretion (Note 14)	$ 9,334	$ -
Business insurance	42,011	40,909
Consulting	160,476	91,765
Depreciation	14,250	15,206
Exploration costs (Note 6)	25,874	330,625
Marketing	115,856	77,272
Professional fees	77,598	99,845
Property investigation	18,546	78,515
Rent and office expenses	160,867	160,368
Salaries & benefits	197,590	306,912
Stock-based compensation (Note 8(d))	196,457	255,785
Travel and entertainment	15,394	32,359
	1,034,253	1,489,561
OTHER ITEMS		
Option payments (Note 6)	-	71,888
Foreign exchange (loss) gain	8,443	(111,060)
Interest income	-	1,459
Interest expense	(42,069)	(3,503)
	(33,626)	(41,216)
Loss for the year	(1,067,879)	(1,530,777)
Deficit, beginning of year	(3,967,784)	(2,437,007)
Deficit, end of year	$ (5,035,663)	$ (3,967,784)
Basic and diluted loss per common share	$ (0.02)	$ (0.05)
Weighted average number of common shares outstanding	44,198,792	31,936,979

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,067,879)	$ (1,530,777)
Items not involving cash		
Accretion	9,334	-
Depreciation	14,250	15,206
Stock-based compensation	196,457	255,785
Net change in non-cash working capital		
Other current assets	25,765	(4,019)
Accounts payable and accrued liabilities	(16,084)	30,793
Net cash used in operating activities	(838,157)	(1,233,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in mineral properties	(659,085)	(543,737)
Acquisition of equipment	-	(6,390)
Net cash used in investing activities	(659,085)	(550,127)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	1,229,523	-
Subscriptions received in advance	45,000	-
Proceeds from convertible note payable	520,965	-
Borrowing (repayment) on note payable	(208,367)	235,993
Loan payable-shareholder	-	118,008
Due to related parties	(95,173)	(17,923)
Other assets	-	5,160
Net cash provided by financing activities	1,491,948	341,238
Effect of exchange rate on cash	16,035	239,301
Net increase (decrease) in cash	10,741	(1,202,600)
Cash, beginning of year	51,939	1,254,539
Cash, end of year	$ 62,680	$ 51,939
Interest paid	$ 14,933	$ 2,969
Income taxes paid	$ 2,084	$ -

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Nevada Sunrise Gold Corporation (the "Company") was incorporated under the laws of British Columbia on April 3, 2007. On May 15, 2007 the Company acquired all of the issued and outstanding shares of Intor Resources Corporation ("Intor") by way of reverse takeover. Intor was incorporated under the laws of the State of Nevada on September 7, 2004 as Nevada Sunrise Exploration Limited. The name of that company was changed to Intor Resources Corporation in February, 2005. The Company's principal business activities include the acquisition, exploration and development of mineral properties.

The Company filed a prospectus on June 25, 2008, and an amendment to this prospectus on August 22, 2008, in connection with an initial public offering. On September 18, 2008, the Company closed its initial public offering and began trading on September 22 on the TSX-V using the symbol NEV.

The Company is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption 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. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future.

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 on 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. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Intor. The Company's year-end is September 30. All inter-company balances and transactions have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted-average number of shares outstanding during the year.

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is recognized using the straight-line method over the following terms:

Furniture and equipment	7 years
Computer equipment and software	3 years
Tenant improvements	5 years
Field equipment	7 years

Foreign currency translation

The Company's functional currency is the Canadian dollar. Its subsidiary's functional currency is the United States dollar and is translated into the Canadian dollar equivalent using the current rate method. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Income and expense items are translated at rates approximating those in effect at the transaction dates and shareholders' equity is translated at appropriate historical rates. Gains and losses arising from translation of the financial statements are disclosed as a separate component of shareholders' equity. Exchange gains and losses arising on transactions are included in the statement of operations.

Mineral interests

All costs related to the acquisition of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral interests (cont'd…)

Exploration costs are expensed as incurred as the Company is in the process of exploring its mineral tenements and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

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. The Company does not have any significant asset retirement obligations for the years presented.

Long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the assets may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the fair value of the asset.

Income taxes

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

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.

The Company has classified its cash as held-for-trading. Accounts payable and accrued liabilities, convertible note payable, loan payable to shareholders, notes payable and due to related parties are classified as other liabilities, which are measured at amortized cost.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Changes in Accounting Policies

Financial instruments (Section 3862)

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. 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.

See Note 4 for relevant disclosures.

Future Accounting Changes

Business combinations (Section 1582)

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

Consolidated financial statements (Section 1601) and non-controlling interests (Section 1602)

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The Company does not expect the adoption of this section to have a significant effect on its financial statements.

International financial reporting standards ("IFRS")

The CICA has adopted a strategic plan whereby the Canadian accounting standards will be converged with International Financial Reporting Standards (IFRS) with the requirement to report under the new standards for fiscal years commencing in 2011. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. At this time, the most significant impacts appear to be related to potential reclamation and closure obligations, the calculation of stock-based compensation and, the accounting for future business combinations. The resulting effect on the Company's consolidated financial statements has not yet been determined, however the Company does anticipate increased note disclosure.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes cash and components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2010. The Company is not subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

The fair value of the Company's other current assets, accounts payable, and accrued liabilities, note payable, convertible note payable, loan payable to shareholder and due to related parties approximate carrying value, which is the amount recorded on the consolidated balance sheet. The Company's other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

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 loss associated with a counterparty's inability to fulfill its payment obligations. The Company's management believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company is actively targeting sources of additional financing which would assure continuation of the Company's operations and exploration programs, however there can be no assurance that the Company's efforts will be successful.

As at September 30, 2010, the Company had a cash balance of $62,680 (September 30, 2009 - $51,939) to settle current liabilities of $668,101 (September 30, 2009 - $502,834). As discussed in Note 16, the Company closed a private placement transaction in December 2010, which yielded the Company gross proceeds of $400,000. Also, as a result of the exercise of outstanding share purchase warrants subsequent to September 30, 2010, the Company issued 2,363,334 common shares, which yielded the Company $354,500. These proceeds will be used to fund the Company's working capital requirements. In addition, the Company will continue to search for new or alternative sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

Market risk

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

4. FINANCIAL INSTRUMENTS (cont'd…)

a) Interest rate risk

The Company has cash balances and an interest-bearing convertible note payable. The interest charged on the notes is at fixed rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions or short-term debt instruments issued by the federal government. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2010, the Company did not have any investments in investment-grade short-term deposit certificates or short-term debt issued by the federal government.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable, accrued liabilities, and convertible note payable that are denominated in US Dollars (US).

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The carrying amount of cash, accounts payable and accrued liabilities, loan payable to shareholder, note payable, and due to related parties approximates their fair value due to their short term nature. The Company does not have any deposits with fixed interest rates.

The Company operates in the United States and is exposed to risk from changes in the U.S. dollar. A 10% fluctuation in the U.S. dollar against the Canadian dollar would affect accumulated other comprehensive income (loss) for the period by approximately $65,000.

5. EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 17,344	$ 7,421	$ 9,923	$ 18,300	$ 5,563	$ 12,737
Computer equipment and software	15,058	11,215	3,843	15,887	6,949	8,938
Tenant improvements	24,964	12,633	12,331	26,339	8,585	17,754
Field equipment	11,127	4,022	7,105	11,740	2,733	9,007
	$ 68,493	$ 35,291	$ 33,202	$ 72,266	$ 23,830	$ 48,436

6. MINERAL PROPERTIES

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous historical title conveyance characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in the United States.

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Total
Balance, September 30, 2008	**$ 1,609,381**	**$ 64,125**	**$ 66,332**	**$ -**	**$ 1,739,838**
Acquisition costs	138,758	44,248	51,256	54,549	288,811
Recoveries	-	-	-	(54,549)	(54,549)
Foreign currency variance	63,202	(565)	(1,021)	-	61,616
Balance as at September 30, 2009	**$ 1,811,341**	**$ 107,808**	**$ 116,567**	**$ -**	**$ 2,035,716**
Acquisition costs	575,310	40,317	43,458	-	659,085
Foreign currency variance	(101,479)	(6,113)	(6,608)	-	(114,200)
Balance as at September 30, 2010	**$ 2,285,172**	**$ 142,012**	**$ 153,417**	**$ -**	**$ 2,580,601**

Exploration costs:

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Total
Cumulative Exploration Costs at September 30, 2008	**$ 1,198,512**	**$ 1,135**	**$ 9,572**	**$ 22,566**	**$ 1,231,785**
Year ended September 30, 2009					
Drilling	657	-	-	-	657
Geological survey	241,355	-	-	-	241,355
Field costs	13,421	-	288	-	13,709
Consulting	73,571	1,333	-	-	74,904
Exploration costs	**329,004**	**1,333**	**288**	**-**	**330,625**
Year ended September 30, 2010					
Drilling	-	-	-	-	-
Geological survey	16,851	-	-	-	16,851
Field costs	1,892	-	-	-	1,892
Consulting	6,390	-	741	-	7,131
Exploration costs	**25,133**	**-**	**741**	**-**	**25,874**
Total Cumulative Exploration Costs at September 30, 2010	**$ 1,552,649**	**$ 2,468**	**$ 10,601**	**$ 22,566**	**$ 1,588,284**

6. MINERAL PROPERTIES (cont'd…)

Golden Arrow, Nevada

The Company has one mining lease, two quitclaim deeds and had a purchase agreement for patented lode mining claims related to the Golden Arrow property. In connection with the purchase agreement, the Company entered into a promissory note which bore interest at an annual rate of six percent. The Company pledged a deed of trust on the patented lode mining claims as security for its obligations under the promissory note. The Company made the final payment on the promissory note in January 2009 in compliance with the agreement and as a result now owns the patented lode mining claims. The mining lease which was set to expire in December 2011, requires annual lease payments of US$50,000. However, in March 2010, the Company paid US$500,000 to exercise an option to extend the mining lease, at an annual lease payment of US$50,000, until December 2016. In addition, the Company can have the option to extend the mining lease for additional one year terms by paying escalating annual lease payments. One quitclaim deed is subject to a 3% net smelter royalty. Acquisition costs to date are related to lease option, patent purchase and claim maintenance payments.

Effective March 2010, the Company entered into an agreement with Animas Resources Ltd ("Animas"), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Golden Arrow property. Animas may exercise this option by spending $3,500,000 in exploration expenditures including all annual property maintenance fees, advance royalty payments and lease payments within three years. Per the agreement, $1,000,000, of the $3,500,000 in exploration expenditures, must occur during the 2010 calendar year. The Company has not been informed by Animas of the amount of its 2010 exploration expenditures. Per agreement, Animas has until January 31, 2011 to provide documentation supporting the amount of expenditures made prior to December 2010. Upon earning 51% interest in Golden Arrow, Animas and the Company will form a joint venture for further exploration work on the property and Animas will be granted an option to earn an additional 9% interest (for a total interest of 60%) by spending $4,000,000 in exploration expenditures within 5 years from the date Animas provides notice of its intent to proceed with the second option, provided that Animas must provide such notice within 120 days of the exercise of the first option. Once Animas has earned a 60% interest in the property, and if the Company elects not to participate in the funding of a pre-feasibility study, Animas may earn an additional 15% interest (for a total of 75%) by completing and paying for a pre-feasibility study for the property.

Iron Point, Juniper and Kinsley Mountain, Nevada

In June 2007, the Company entered into a mining lease agreement with a related party for each of three properties: Iron Point, Juniper and Kinsley Mountain. The Iron Point and Juniper agreements include a net smelter royalty on production of 2% while the Kinsley Mountain agreement has a sliding scale net smelter royalty rate on production from 2% to 5% depending on the price of gold. Each lease has an initial term of ten years and each property has an obligation for an annual advance minimum royalty. The annual advance minimum royalty for each property is US$100,000 in 2011 and all years thereafter. The Company has the right to terminate each lease with the related party with thirty days advance written notice. Acquisition costs to date consist of claims maintenance payments, a $16,715 advance minimum royalty payment due at the time the mining lease agreement was executed and the final payment related to the purchase of mining claims for the Kinsley Mountain property.

In July, 2008, the Company entered into an agreement which granted a third-party the right to purchase the Kinsley Mountain property for a specified price if certain non-refundable payments were made. The agreement was terminated and on February 23, 2009, the parties entered into a revised agreement for the sale of the property for a specified price if certain payments were made. The revised agreement was terminated on June 29, 2009. During the twelve months ended September 30, 2009, the Company received non-refundable payments of US$150,000 related to this agreement and per agreement paid US$42,875 to a related party.

Effective March 2010, the Company entered into an agreement with Animas Resources Ltd ("Animas"), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Kinsley Mountain property. Animas may exercise this option by spending $1,500,000 in exploration expenditures including all annual property maintenance fees, advance royalty payments and lease payments within three years. Per the agreement, $200,000, of the $1,500,000 in exploration expenditures, must occur during the 2010 calendar year. The Company has not been informed by Animas of the amount of its 2010 exploration expenditures. Per agreement, Animas has until

6. MINERAL PROPERTIES (cont'd…)

January 31, 2011 to provide documentation supporting the amount of expenditures made prior to December 2010. Upon earning 51% interest in Kinsley Mountain property, Animas and the Company will form a joint venture for further exploration work on the property and Animas will be granted an option to earn an additional 14% interest (for a total interest of 65%) by spending $3,000,000 in exploration expenditures within 5 years from the date Animas provides notice of its intent to proceed with the second option, provided that Animas must provide such notice within 120 days of the exercise of the first option. Once Animas has earned a 65% interest in the property, and if the Company elects not to participate in the funding of a pre-feasibility study, Animas may earn an additional 10% interest (for a total of 75%) by completing and paying for a pre-feasibility study for the property.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is the change in shareholders' equity during a period from transactions and other events from non-owner sources. The Company includes the account "accumulated other comprehensive income (loss)" in the shareholders' equity section of the consolidated balance sheet.

Accumulated other comprehensive income (loss) is comprised of the following:

Balance as at September 30, 2008	$ (154,502)
Cumulative translation adjustment	224,798
Balance as at September 30, 2009	70,296
Cumulative translation adjustment	(72,916)
Balance as at September 30, 2010	$ (2,620)

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized: Unlimited common shares, without par value

b) Issued

	Share Capital		Contributed Surplus
	Number of Shares	Amount	Amount
Balance as at September 30, 2008	31,936,979	$ 5,151,939	$ 157,207
Stock-based compensation	-	-	255,785
Balance, September 30, 2009	31,936,979	5,151,939	412,992
Private Placements	13,979,530	1,296,930	-
Share issuance costs, private placements	-	(102,603)	9,695
Warrants exercised	170,000	25,500	-
Stock-based compensation	-	-	196,457
Balance as at September 30, 2010	46,086,509	$ 6,371,766	$ 619,144

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

In December 2009, the Company closed a private placement consisting of 8,000,000 Units at a price of $0.05 per Unit, yielding the Company net proceeds of $384,047, after $15,953 of issuance costs. The private placement included the sale of 1,500,000 units to a director. Each Unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole warrant is exercisable to purchase an additional common share at a price of $0.15 until the earlier of a) 12 months following the closing of the offering and b) the date which is 30 days after the Company issues a news release announcing an Accelerated Exercise Period. The Company is entitled to announce an Accelerated Exercise Period if at any time commencing on or after four months and a day after issuance of the Warrants, the closing price of the Company's common shares on the TSX-V exceeds $0.25 for a period of 10 consecutive trading days.

In March and April 2010, the Company completed a private placement in two closings which totaled 5,979,530 Units at a price of $0.15 per Unit, yielding the Company net proceeds of $810,280, after $86,650 of issuance costs.

Each Unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to purchase an additional common share at a price of $0.25 for a period of 12 months from the date of issuance. The first closing, which closed in March 2010, consisted of 3,948,582 Units at a price of $0.15 per unit, yielding the Company net proceeds of $545,612. The securities issued in the first close are subject to a four month hold period which expired August 1, 2010. The second closing, which closed in April 2010, consisted of 2,030,948 Units at a price of $0.15 per unit for net proceeds of $264,668. The securities issued in the second close are subject to a four month hold period which expired August 29, 2010. The Company issued warrants to purchase 190,889 common shares exercisable at $0.25 per common share for a period of 12 months, in connection with the private placements. The fair value of the finders' warrants, $9,695, was estimated using the Black-Scholes option pricing model with a risk free rate of 2.75%, an expected life of 1 year, expected volatility of 115% and an expected dividend yield of 0%.

A total of 170,000 common share purchase warrants were exercised during the year ended September 30, 2010, for net proceeds of $25,500. Also, subscriptions received in advance at September 30, 2010, represents funds received by the Company prior to September 30, 2010 related to common share purchase warrants, for which shares were issued subsequent to September 30, 2010 (Note 16).

c) Warrants

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

	Number of Warrants		Weighted Average Exercise Price
Balance as at September 30, 2008	7,578,256	$	0.35
Warrants issued	-		-
Warrants expired	(1,278,256)	$	0.60
Warrants exercised	-		-
Balance as at September 30, 2009	6,300,000	$	0.30
Warrants issued	7,180,654	$	0.19
Warrants expired	(6,300,000)	$	0.30
Warrants exercised	(170,000)	$	0.15
Balance as at September 30, 2010	7,010,654	$	0.20

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

At September 30, 2010, warrants were outstanding enabling holders to acquire shares as follows:

Number of Warrants		Exercise Price	Expiry Date
1,830,000	(3)	0.15	December 9, 2010
2,000,000	(3)	0.15	December 22, 2010
2,153,490	(1)	0.25	March 31, 2011
1,027,164	(2)	0.25	April 29, 2011

(1) Includes 179,199 finders' warrants
(2) Includes 11,690 finders' warrants
(3) Subsequent to the September 30, 2010 year end, 2,363,364 warrants were exercised (Note 16). The remainder of these warrants expired unexercised.

d) Options

The Company has a stock option plan whereby it may grant options to employees, directors, consultants and certain other service providers. The maximum aggregate number of shares that may be reserved for issuance under the plan is 10% of the Outstanding Shares, less any common shares reserved for issuance under share options granted outside of this plan. Options are exercisable for a maximum of 10 years. Option shares are subject to vesting requirements as determined by the Company's Board of Directors.

The Company recognizes stock-based compensation expense for all stock options based on the fair value based method of accounting. The fair value attributable to options vesting during the period was $196,457 for the year ended September 30, 2010 (2009 - $255,785). The weighted average fair value of options granted during 2010 was $0.11 (2009 - $0.20).

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

	Number Of Options	Weighted Average Exercise Price
Balance as at September 30, 2008	2,400,000	$ 0.25
Options issued	125,000	0.25
Options expired	-	-
Options exercised	-	-
Balance as at September 30, 2009	2,525,000	0.25
Options issued	1,850,000	0.22
Options expired	(750,000)	0.24
Options exercised	-	-
Balance as at September 30, 2010	3,625,000	$ 0.24

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of the stock options granted during the period:

	September 30, 2010	September 30, 2009
Risk-free interest rate	2.69%	2.56%
Expected life of options	5 years	5 years
Annualized volatility	115%	115%
Dividends	-	-

At September 30, 2010, stock options were outstanding enabling holders to acquire shares as follows:

Number of options		Exercise Price	Number of options Currently Exercisable	Expiry Date
1,950,000	$	0.25	1,533,343	September 18, 2013
100,000		0.25	61,113	November 5, 2013
25,000		0.25	12,497	March 5, 2014
100,000		0.15	50,000	January 19, 2015
350,000		0.15	175,000	February 9, 2015
1,100,000	$	0.25	-	July 29, 2015

e) Escrowed Shares

As at September 30, 2009 there were 2,969,491 common shares held in escrow. All of the escrowed shares were released from escrow in 2010.

9. RELATED PARTY TRANSACTIONS

		2010		**2009**
Professional fees to accounting firm in which officer is a partner	$	73,259	$	81,431
Exploration costs to a company owned by a former director		234		47,966
Consulting expense to a company owned by a director		-		9,624
Travel and entertainment expense to a company owned by a director		-		4,125
Stock-based compensation to directors and officers		101,324		200,826
Exploration costs to a company owned by a family member of an officer and director		4,406		10,604

9. RELATED PARTY TRANSACTIONS (cont'd)

Due to Related Parties		2010		2009
Affiliated company for advance royalties on mining leases and expenses paid on behalf of Company		51,449		40,803
Company owned by a director for exploration costs and consulting expenses		-		4,077
Total due to Related Parties	$	51,449	$	44,880

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. The amounts due to related parties are non-interest bearing, with no fixed terms of repayment. The fair value of the amounts due to related parties cannot be determined as there are no specific terms of repayment. Repayment is expected within the next fiscal year and therefore has been classified as a current liability in these financial statements.

In December 2009, as part of the Company's private placement, a director, applied US$70,650 of an outstanding US$100,000 loan payable by the Company to the purchase of 1,500,000 Units at a price of $0.05 per Unit (Note 8). The remaining balance on the loan was replaced with a US$29,350 promissory note (the "Note"), bearing interest at 14.6% per annum, beginning November 24, 2009 until paid. The Note which matured on March 31, 2010, was applied to the purchase of 198,548 Units at a price of $0.15 per Unit in the Company's second private placement closing in April 2010.

10. INCOME TAXES

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

		2010		2009
Loss before income taxes	$	(1,067,879)	$	(1,530,777)
Expected tax recovery	$	(308,350)	$	(461,147)
Deductible items for tax purposes		(70,050)		(18,789)
Differences in foreign tax rates		(22,451)		(32,067)
Unrecognized benefits of non-capital losses		400,851		512,003
Total income recovery	$	-	$	-

b) Details of future income tax assets (liabilities) are as follows:

		2010		2009
Future tax assets:				
Equipment	$	(11,000)	$	(5,785)
Resource deductions		101,000		(117,097)
Share issuance costs		72,000		109,483
Non-capital loss carryforwards		2,975,000		1,176,459
		3,137,000		1,163,060
Valuation allowance		(3,137,000)		(1,163,060)
Net future tax assets	$	-	$	-

10. INCOME TAXES (cont'd)

The Company has non-capital losses of approximately $1,029,000 in Canada and $2,703,000 in the United States which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through to 2029 and 2019, respectively. Subject to certain restrictions, the Company has further resource development and exploration expenditures totalling approximately $1,691,000 available to reduce taxable income of future years. The future income tax benefits of these losses, resource deductions and other tax assets have not been reflected in these financial statements and have been offset by a valuation allowance.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

As noted above, in December 2009, a director applied US$70,650 of an outstanding US$100,000 loan to the Company to the purchase of 1,500,000 private placement Units at a price of $0.05 per Unit. Also, in April 2010, the director applied a US$29,350 promissory note, to the purchase of 198,548 Units at a price of $0.15 per Unit. There were no significant non-cash transactions for the year ended September 30, 2009.

12 SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of mineral properties. All of the Company's equipment and mineral properties are located in the United States.

13. COMMITMENTS

The Company has entered into an operating lease agreement for its office premises in Auburn, California. The annual commitments under this lease are as follows:

Fiscal Year	Annual Commitment
2011	42,026
2012	43,292
2013	10,903

14. NOTE PAYABLE

In August, 2009, the Company received $200,000 (USD) in exchange for a promissory note. The promissory note was unsecured, non-interest bearing, and matured on November 26, 2009. On November 26, 2009, the non-interest bearing note was replaced with a $200,000 (USD) promissory note (the "Note"), bearing interest at 14.6% per annum, beginning November 26, 2009 until paid. The Note was repaid with interest on April 1, 2010.

In March 2010, the Company received $500,000 (USD) in exchange for a convertible promissory note. The note, which matures March 25, 2011, bears interest at 10% per annum and is convertible into units of the Company at a price of $0.17 per unit. Each unit consists of one common share and one half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at $0.25 per share, exercisable until March 25, 2011. Proceeds from the convertible promissory note were used to make an option payment on the Company's Golden Arrow mineral property (Note 6). The note is secured by a first charge over the Company's interest in the mining lease. In December 2010, pursuant to the loan agreement, the lender notified the Company of their intent not to exercise the conversion option on the loan.

The debt component of the convertible promissory note is calculated as the present value of the debt and required interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible notes payable at the time the notes were issued. On issuance, the relative fair value of $18,978 attributed to the equity component of the note was classified as the equity component of convertible notes payable.

15. CONTINGENCIES

On February 29, 2008, a claim was filed in the Supreme Court of British Columbia requesting the Company pay damages arising from the work and effort expended by a third-party. The damages were not specified but the claimant previously demanded (i) the Company issue to the third-party 1,200,000 common shares; (ii) pay 2% of gross proceeds of a private placement and all funds raised in the Company's initial public offering, and; (iii) pay the third-party's out-of-pocket expenses. The Company believes the demands made are without merit and intends to vigorously defend the claim made. The Company's Chief Executive Officer is also subject to a claim relating to the same matters.

The Company has received a demand letter from a third-party claiming to have advanced funds through a separate entity. The third-party seeks payment of US$100,000. The Company believes the claim is without merit and will vigorously defend any claim made.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2010, the Company issued an aggregate of 2,363,334 common shares pursuant to the exercise of share purchase warrants previously issued to subscribers of the Company's December 2009 private placement. A total of 2,363,334 warrants were exercised at a price of $0.15 per warrant, yielding the Company $354,500. Of these proceeds, $45,000 was received in September 2010, for shares issued subsequent to September 30, 2010, and is therefore included in Subscriptions received in advance at September 30, 2010.

Also, in December 2010, the Company closed a non-brokered private placement consisting of 2,000,000 Units at a price of $0.20 per Unit, yielding the Company gross proceeds of $400,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will be exercisable to purchase an additional common share at a price of $0.30 until December 3, 2012, subject to acceleration on 30-days notice if, on any day on or after April 4, 2011 and before the expiry date of the Warrants, the Company's common shares trade at a price greater than $0.50 for a period of 10 or more trading days. All shares and warrants issued pursuant to the offering are subject to a four-month hold period.