STARFIRE MINERALS INC.

FINANCIAL STATEMENTS
3rd Quarter
July 31, 2010
(Unaudited)

(Prepared by management without review by company's auditor)

STARFIRE MINERALS INC.
CONSOLIDATED BALANCE SHEETS
FOR THE NINE MONTHS ENDED JULY 31, 2010

	July 31, 2010 (unaudited)	October 31, 2009
ASSETS		
CURRENT		
Cash and cash equivalents	$ (23,878)	$ 36,853
Receivables	18,130	17,838
	(5,748)	54,691
MINERAL PROPERTIES (Note 3)	4,692,655	4,654,285
	$ 4,686,907	$ 4,708,976
LIABILITIES and SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	$ 412,906	$ 248,122
Due to related parties (Note 4)	391,987	150,074
	804,893	398,196
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	14,716,670	14,508,670
Shares to be issued	-	180,000
Contributed surplus (Note 5)	1,025,723	1,025,723
Deficit	(11,860,379)	(11,403,613)
	3,882,014	4,310,780
	$ 4,686,907	$ 4,708,976

CONTINGENCIES (Note 1)

COMMITMENTS (Notes 3 and 5)

ON BEHALF OF THE BOARD:

"Dan Mosher"
Director

"Basil Pantages"
Director

See accompanying notes to the consolidated financial statements.

STARFIRE MINERALS INC.
STATEMENT OF LOSS
FOR THE NINE MONTHS ENDED JULY 31, 2010 (UNAUDITED)

	Three Months ended July 31, 2010	Three Months ended July 31, 2009	Nine Months ended July 31, 2010	Nine Months ended July 31, 2009
EXPENSES				
Bank Charges and Interest	$ 82	$ 83	$ 288	$ 607
Consulting				
Cash	67,960	19,095	206,190	59,632
Stock Based		-		-
Investor Relations	-	7,500	2,500	24,186
Office and Miscellaneous	33,125	33,050	78,259	114,824
Professional Fees	42,575	79,628	93,548	266,190
Rent	24,300	24,300	72,900	72,900
Transfer Agent's Fees	468	463	4,960	7,827
Renunciation Tax		(1,020)	(1,876)	24,958
Property Settlement (Loss)		135,000		135,000
LOSS BEFORE OTHER ITEMS	168,510	(298,099)	456,769	706,124
OTHER IITEMS				
Interest Income	3	1,411	3	4,440
Gain on mineral property option	-		-	-
Mineral properties written off	-		-	-
Loss on mineral property settlement	-		-	-
	$ 3	$ 1,411	$ 3	$ 4,440
LOSS BEF0RE INCOME TAXES	(168,507)	(296,688)	(456,766)	(701,684)
Future Income Tax Recovery	-	-	-	-
NET AND COMPREHENSIVE LOSS	$ (168,507)	$ (296,688)	$ (456,766)	$ (701,684)
LOSS PER SHARE	$ 0.01	$ (0.00)	$ 0.01	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	81,851,900	77,705,100	81,851,900	77,705,100

See accompanying notes to the consolidated financial statements.

STARFIRE MINERALS INC.
STATEMENT OF DEFICIT
FOR THE NINE MONTHS ENDED JULY 31, 2010 (UNAUDITED)

		Three Months ending July 31, 2010	Three Months ending July 31, 2009		Nine Months ending July 31, 2010	Nine Months ending July 31, 2009
DEFICIT, BEGINNING OF PERIOD	$	(11,691,872)	(9,361,871)	$	(11,403,613)	(8,956,875)
NET LOSS		(168,507)	(296,688)		(456,766)	(701,684)
DEFICIT, END OF PERIOD	$	(11,860,379)	(9,658,559)	$	(11,860,379)	(9,658,559)

See accompanying notes to the consolidated financial statements.

STARFIRE MINERALS INC.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED JULY 31, 2010 (UNAUDITED)

	Three Months Ended July 31, 2010	Three Months Ended July 31, 2009	Nine Months Ended July 31, 2010	Nine Months Ended July 31, 2009
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss	$ (168,507)	$ (296,688)	$ (456,766)	$ (701,684)
Items not involving cash:				
Gain on mineral property option	-	-	-	-
Future income tax recovery	-	-	-	-
Stock based compensation	-	-	-	-
Mineral properties written off	-	-	-	-
Loss on mineral property settlement	-	105,000	-	105,000
Change in non-cash working capital				
Receivables	(11,048)	5,624	(291)	91,047
Prepaid expenses	-	-	-	-
Accounts payable and accrued liabilities	64,336	(29,657)	163,697	(108,212)
Due to related parties	-	-	-	-
Net cash used in operating activities	(115,219)	(215,721)	(293,360)	(613,849)
CASH FLOW FROM INVESTING ACTIVITIES				
Mineral property settlement	-	-	-	-
Mineral property expenditure	(300)	(1,830)	(38,370)	(22,542)
Net cash used in investing activities	(300)	(1,830)	(38,370)	(22,542)
CASH FLOW FROM FINANCING ACTIVITIES				
Due to related parties	91,000	-	243,000	-
Proceeds from mineral property option	-	-	-	-
Subscriptions or Issuance of share capital, net	-	-	-	-
Shares Issued for Property Acquisition	-	-	28,000	-
Net cash provided by financing activities	91,000		271,000	-
NET CHANGE IN CASH	(24,519)	(217,551)	(60,731)	(636,391)
CASH AND CASH EQUIVALENT - BEGINNING	641	264,783	36,853	683,623
CASH AND CASH EQUIVALENT - ENDING	(23,878)	47,232	(23,878)	47,232
Cash and Cash Equivalents Consists of:				
Cash (overdraft)	(23,878)	47,232	(23,878)	47,232
Guaranteed Investment Certificates	-	-	-	-
SUPPLEMENTARY CASH FLOW INFORMATION				
Cash Paid for:				
Income Taxes	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Non-cash financing and investing activities:	-	-	-	-
Shares issued for acquisition of mineral properties	$ -	$ -	$ 28,000	$ 192,000

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Starfire Minerals Inc. (the "Company") is incorporated in British Columbia, Canada and is listed on the TSX Venture Exchange ("TSX-V"). The Company is a resource exploration company that is acquiring and exploring mineral properties. At July 31, 2010, the Company's principal mineral property interests are located in the following provinces of Canada: British Columbia, Quebec and Ontario.

The Company is in the process of exploring its properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of these mineral properties. The amounts shown as exploration expenditures represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at July 31, 2010 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with existing cash on hand and loans from directors and or private placement of common stock. As at July 31, 2010 the Company had a working capital deficiency of $806,640 and has accumulated a deficit of $11,860,379 and continues to incur losses from operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

Principles of Consolidation

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries, Starfire Nickel Inc., Starfire Uranium Inc. and Starfire Precious Metals Inc., all inter company balances, revenues and expenditures have been eliminated on consolidation.

Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian GAAP 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 period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property interests, going concern assessments, expected tax rates for determining future income taxes, determining the fair value of stock-based payments, and financial instruments. Where estimates have been used, financial results as determined by actual events could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing investments with terms at the date of purchase of three months or less.

Mineral properties

The Company records its interests in mineral properties at cost. All direct and indirect costs relating to the acquisition and exploration of these properties are capitalized until the properties to which they relate are placed into production, sold or management has determined the property to be impaired. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties that are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral property interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Management evaluates the carrying value of each mineral property on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether capitalized costs are impaired. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Asset retirement obligations

The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3110, "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Mineral property related retirement obligations are capitalized as part of deferred exploration costs and are amortized over the estimated useful lives of the corresponding mineral properties.

Financial instruments

The Company follows the CICA Handbook Section 3855, Financial Instruments. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (Continued)

The Company's financial instruments consist of cash and cash equivalent, receivables, accounts payable, and amounts due to and from related parties. Cash and cash equivalent is measured at fair value and is classified as held-for-trading. Receivables are measured at amortized cost, and are classified as loans and receivables. Accounts payable and due to and from related parties are measured at amortized cost and are classified as other financial assets and liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. The Company has determined that it does not have derivatives or embedded derivatives.

Comprehensive income (loss)

The Company follows CICA Handbook Section 1530, "Comprehensive Income." Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. Section 1530 establishes standards for reporting and presenting certain gains and losses not normally included in net income or loss, such as unrealized gains and losses related to available for sale securities, and gains and losses resulting from the translation of self-sustaining foreign operations, in a statement of comprehensive income. For the period ended July 31, 2010, the Company has no items that are required to be reported in comprehensive income (loss). Accordingly, net loss equals comprehensive loss.

Income taxes

The Company follows the CICA Handbook Section 3465 in accounting for 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 assets and liabilities and their respective tax bases. 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 settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which substantive enactment or 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.

Stock-based compensation

The Company follows the accounting standards issued by the CICA, "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair-value based method for measuring compensation costs. The Company determines the fair value of the stock-based compensation using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to share capital.

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 period.

Basic and diluted loss per common share is calculated using the weighted-average number of common shares outstanding during the period. For the years presented, dilutive loss per share is equal to basic loss per share as the effect of dilution is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government assistance

Government assistance is recorded as either a reduction of the cost of the applicable asset or expenditure or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company. Claims for assistance are accrued upon the Company attaining reasonable assurance of collections from the Government Agency.

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The Company renounces the qualifying expenditures upon the issuance of the respective flow-through common shares and accordingly is not entitled to the related taxable income deductions from such expenditures.

The Company has adopted the recommendation of the Emerging Issues Committee ("EIC") of the CICA relating to the recording of flow-through shares. EIC 146 stipulates that future income tax liabilities resulting from the renunciation of qualified resource expenditures by the Company from the issuance of flow-through shares are recorded as a reduction of share capital. Any corresponding realization of future income tax benefits resulting in the utilization of prior year losses available to the Company not previously recorded, whereby the Company did not previously meet the criteria for recognition, are reflected as part of the Company's operating results in the period the Company files the appropriate tax documents with the Canadian tax authorities

NEWLY ADOPTED STANDARDS

General standards of financial statement presentation

The CICA accounting standards board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company has included disclosures recommended by the new Handbook sections in Note 1 to these financial statements.

Mining Exploration costs

In March, 2009, the CICA approved EIC 174, Mining Exploration Costs. The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The guidance is applicable to financial statements released on or after March 27, 2009.

Credit risk and the fair value of financial assets and financial liabilities

In January, 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

International Financial Reporting Standards ("IFRS")

In 2006, the Accounting Standards Board of Canada ("AcSB") ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by publicly accountable entities, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with changeover required for fiscal years beginning on or after January 1, 2011. The Company is in the process of reviewing the impact of this initiative on its financial statements.

3. COMMITMENTS - MINERAL PROPERTIES

		July 31, 2010		Year ended October 31, 2009
Acquisition and staking costs	$	28,300	$	99,000
Deferred exploration expenditures		10,070		249,121
Total cost incurred during the year		38,370		348,121
Mineral properties written off / written down		-		(1,682,068)
		38,370		(1,333,947)
Balance, beginning of year		4,654,285		5,988,232
Balance, end of year	$	4,692,655	$	4,654,285

Allocated to resources properties as follows:

	Note		2010		2009
Black Township Property, Ontario	3(a)	$	-	$	-
Carman Township Property, Ontario	3(b)		9,802		9,802
Eldorado Township Property, Ontario	3 (c)		21,915		19,715
Langmuir South Property, Ontario	3(d)		901,082		899,672
Capri Property, Quebec	3(e)		-		-
Cross Structure Property, Quebec	3(f)		-		-
Stobie Township Property, Ontario	3(g)		-		-
Porphyry Pearl Property, Ontario	3(h)		3,646,780		3,612,020
Montreal River Property, Ontario	3(i)		-		-
Montreal North/Suganaqueb Prop, Ontario	3(j)		-		-
Shaw Township Property, Ontario	3(k)		113,075		113,075
Otish Mountain Property, Quebec	3(l)		-		-
Lordeau Property, Quebec	3(m)		1		1
		$	4,692,655	$	4,654,285

3. COMMITMENTS - MINERAL PROPERTIES (continued)

a) Black Township, Ontario:

During the year ended October 31, 1998, the Company entered into an option agreement to acquire a 50% interest in certain mineral claims in the Black Township, Ontario. To earn this interest, the Company paid $100,000. Subsequent to October 31, 1998 the Company acquired the remaining 50%. During the year ended October, 2003, the Company wrote down the property to $50,000 with a further $25,000 write down during the year ended October 31, 2004 and during the year ended October 31, 2005, the Company wrote down the property to $1. During the year ended October 31, 2006, the Company staked further claims in the area at a cost of $1,400. During the year ended October 31, 2008, the Company performed preliminary exploratory work on the property. During the year ended October 31, 2009 the Company decided not to pursue further exploration of this property and wrote off the capitalized cost of $21,476.

b) Carman Township Property, Ontario:

During the year ended October 31, 1999, the Company entered into an option agreement to acquire a 50% interest in mineral claims in the Carman Township within the Porcupine Mining Division, Ontario. To earn this interest, the Company paid $100,000. During the year ended October 31, 2000, the Company entered into an option agreement to acquire the additional 50% interest in these mineral claims for $75,000, subject to 3% net smelter return ("NSR") in favour of the Optionors, 1% of which may be purchased by the Company for a cash payment of $1,000,000 at any time prior to production. During the year ended October 31, 2005, the Company wrote down the property to $1. During the year ended October 31, 2006, the Company spent $9,801 reviewing the property for potential exploration work.

c) Eldorado Township, Ontario:

During the year ended October 31, 2001, the Company entered into an option agreement to acquire a 100% interest in a mineral claim in the Eldorado Township within the Porcupine Mining Division, Ontario. To earn this interest, the Company issued 75,000 shares, at a deemed value of $7,500 plus cash, subject to a 2% NSR in favour of the Optionors, 1% of which may be purchased by the Company for a cash payment of $1,000,000. The Company wrote down the property to $1. During the year ended October 31, 2009, the Company spent $9,714 reviewing the project for potential exploration work

d) Langmuir South, Ontario:

During the year ended October 31, 2001, the Company entered into an option agreement to acquire 4 claims in the Timmins Division, Ontario. To earn this interest, the Company issued 160,000 shares, at a deemed value of $16,000 and paid $5,000, subject to a 2% NSR royalty in favour of the Optionors, 1% of which may be purchased by the Company for a cash payment of $1,000,000. Subsequent to October 31, 2001, the Company wrote down the Property to $1. During the year-ended October 31, 2006, the Company commenced an exploration program, which is ongoing as at July 31, 2010.

e) Capri Uranium Property, Quebec:

On May 12, 2005, the Company signed a mineral property option agreement to acquire 100% interest in 25 claims called the Capri Property located in western Quebec, this contract was amended on March 13, 2006, August 10, 2007 and again on May 30, 2008. To earn this interest, the Company is to make cash payments totaling $250,000, issue a total of 2,100,000 shares and incur $1,225,000 exploration expenditures as follows:

3. COMMITMENTS - MINERAL PROPERTIES (continued)

Option Exercise Schedule	Issue Shares		Cash		Exploration Expenditures
On Agreement execution date	-	$	25,000 (1)	$	-
Within 10 days of TSX approval	600,000(1)		-		-
On or before May 31, 2005	-		10,000(1)		-
On or before June 30, 2005	-		10,000(1)		-
On or before July 30, 2005	-		10,000(1)		-
On or before September 15, 2005	-		20,000(1)		-
On or before November 30, 2005	600,000(1)		-		-
On or before January 31, 2006	-		25,000(1)		-
First anniversary of the Agreement	-		-		125,000(1)
On or before May 12, 2007	200,000(1)		100,000(1)		600,000(1)
On or before December 31, 2007	700,000(2)		50,000(1)		-
On or before October 31, 2009	-		-		150,000(2)
On or before October 31, 2010	-		-		150,000
On or before October 31, 2011	-		-		200,000
Total	2,100,000	$	250,000	$	1,225,000

(1) Shares have been delivered, payments made and exploration expenditures incurred.
(2) Shares have not been issued and exploration expenditures have not been incurred.

The Property is subject to 2% NSR of which 1.5% can be purchased on the basis of $100,000 for each 0.1% NSR acquired the first-half of NSR (i.e. the first 1.0% NSR) and $150,000 for each 0.1% of NSR thereafter for the remaining NSR (the remaining 0.5% NSR).

During the year ended October 31, 2009, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $975,159 was written off during the year ended October 31, 2009.

f) Cross Structure Property, Quebec:

On March 4, 2005, the Company signed a mineral property option agreement to acquire 100% interest in 37 claims called the Cross Structure Property located in east-central Quebec. This agreement was amended May 30, 2008. To earn this interest, the Company is to make cash payments totaling $90,000, issue a total of 700,000 shares and incur $700,000 in exploration expenditures as follows:

Option Exercise Schedule	Issue Shares		Cash		Exploration Expenditures
Within 10 days of TSX approval	100,000(1)	$		$	
On or before June 15, 2005			15,000 (1)		
On or before March 1, 2006	200,000(1)		25,000(1)		
Second anniversary of the Agreement					
On or before March 1, 2007	200,000(1)		25,000(1)		
On or before March 1, 2008			25,000(1)		
On or before September 30, 2008					50,000(1)
On or before May 30, 2009					50,000(1)
On or before October, 2009	100,000(3)				
On or before October, 2010	100,000				150,000(2)
On or before October, 2011					150,000
On or before October, 2012					200,000
Total	700,000	$	90,000	$	600,000

(1) Shares have been delivered, payments made and exploration expenditures incurred.
(2) $100,000 of the $150,000 has been incurred.
(3) Shares and exploration expenditures have not been incurred.

The Property is subject to 2% NSR of which 1.5% can be purchased on the basis of $100,000 for each 0.1% NSR acquired the first-half of NSR (the first 1.0% NSR) and $150,000 for each 0.1% of NSR thereafter for the remaining NSR (the remaining 0.5% NSR).

During the year ended October 31, 2009, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $245,363 was written off during the year ended October 31, 2009.

3. COMMITMENTS - MINERAL PROPERTIES (continued)

g) Stobie Lake Property, Ontario:

On February 25, 2005, the Company signed a mineral property option agreement to acquire 100% interest in 32 claims located in Stobie Lake Property in Grigg and Stobie Townships, situated northeast of Sudbury, Ontario. The Property is subject to 1% NSR which can be purchased for a purchase price of $1,000,000. To earn this interest, the Company issued total of 400,000 shares as follows:

Option Exercise Schedule	Issue Shares
Within 5 days of TSX approval	200,000 (1)
First anniversary of the Agreement	100,000 (1)
Second anniversary of the Agreement	100,000 (1)
Total	400,000 (1)

(1) Shares have been issued.

h) Porphyry Pearl Property, BC:

On February 21, 2006, as amended on August 15, 2006, the Company entered into a Mining Option Agreement to acquire a 100% interest in 10 mineral claims located in the Omineca Mining Division, BC called the Porphyry Pearl Claims ("Pearl Claims"). Under the terms of the Agreement, the Company would acquire a 100% undivided interest in the Pearl Claims in consideration of cash payments totaling $530,000, issue 3,600,000 shares and incur $4,750,000 of exploration expenditure as follows:

Option Exercise Schedule	Issue Shares	Cash	Exploration Expenditure	3rd Party Payments
On Agreement execution date		$ 15,000 (1)	$	$ 2,500(1)
Within 10 days of TSX approval	400,000(1)			
On or before August 24, 2006				2,500(1)
On or before January 12, 2007	800,000(1)			
First anniversary of the Agreement			400,000(1)	2,500(1)
On or before August 24, 2007				2,500(1)
On or before October 15, 2007		50,000(1)		
On or before January 12, 2008	800,000(1)			
Second anniversary of the Agreement		65,000(1)	750,000(1)	2,500(1)
On or before October 15, 2008		150,000(1)		
On or before January 12, 2009	800,000(1)			
Third anniversary of the Agreement			1,000,000(1)	
On or before October 15, 2009		75,000(1)		
On or before January 12, 2010	800,000(1)			
On or before October 15, 2010		250,000		
Fifth anniversary of the Agreement			1,100,000	
On or before October 15, 2011		125,000		
Sixth anniversary of the Agreement			1,500,000	
Total	**3,600,000**	**$ 730,000**	**$ 4,750,000**	**$ 12,500**

(1) Shares have been delivered and payments made and exploration expenditures incurred.

The Property is subject to 3% NSR of which 1.5% can be purchased within 30 days of the Property being placed into commercial production for the sum of $3,000,000. Two claims units comprising part of the Pearl Claims are subject to cash payments to a third party. The Company would make a $12,500 payment to the third party for fulfillment of the cash payment requirement. The two claims are also subject to 2% NSR which can be purchased up to a 50% aggregate for a sum of $3,000,000.

3. COMMITMENTS - MINERAL PROPERTIES (continued)

i) Montreal River Property, Ontario:

On March 30, 2006, the Company signed a mineral property option agreement to acquire 100% interest in 14 claims located in the Peever, Smilsky and Slater Townships of Ontario. To earn this interest, the Company made cash payment totaling $10,000., issued a total of 700,000 shares and is to incur $500,000 in exploration expenditures as follows:

Option Exercise Schedule	Issue Shares		Cash		Exploration Expenditures
Within 10 days of TSX approval	200,000(1)	$	10,000(1)	$	
On or before March 30, 2007 (1st Anniversary)	250,000(1)				50,000(1)
On or before March 30, 2008 (2nd anniversary)	250,000(3)				225,000(2)
On or before March 30, 2009 (3rd anniversary)					225,000(3)
Total	700,000	$	10,000	$	500,000

(1) Shares have been delivered, payment made and exploration expenditures incurred.
(2) Portion of expenditures completed.
(3) Explorations expenditures have not been incurred.

The Property is subject to 2% NSR which 1% can be purchased for $1,000,000.

During the year ending October 31, 2008, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $251,287 was written off during the year ended October 31, 2008. On May 27, 2009, the Company has settled certain claims with the owner s of the Montreal River and Montreal River North properties pursuant to which the Company issued an aggregate of 3,00,000 common shares with a fair value of $105,000 and paid an aggregate of $30,000 cash to the owners.

j) Montreal North / Suganaqueb, Ontario:

On August 22, 2006, the Company signed a mineral property option agreement to acquire 100% interest in 16 claims located in the Suganaqueb Township of Ontario. To earn this interest, the Company made cash payment totaling $25,600., is to issue a total of 600,000 shares and is to incur $285,000 in exploration expenditures as follows:

Option Exercise Schedule	Issue Shares		Cash		Exploration Expenditures
Within 10 days of TSX approval	200,000(1)	$	25,600(1)	$	
On or before February 14, 2008	200,000 (3)				35,000(1)
On or before August 22, 2008 (2nd anniversary)	200,000(3)				100,000(2)
On or before August 22, 2009 (3rd anniversary)					150,000(3)
Total	600,000	$	25,600	$	285,000

(1) Shares have been delivered, payment made and exploration expenditures incurred.
(2) Portion of expenditures completed.
(3) Shares have not been issued and exploration expenditures have not been incurred.

During the year ending October 31, 2008, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $102,208 was written off during the year ended October 3, 2008. On May 37, 2009, the Company has settled certain claims with the owners of the Montreal River and Montreal River North properties pursuant to which the Company issued an aggregate of 3,000,000 common shares with a fair value of $105,000 and paid an aggregate of $30,000 cash to the owners.

3. COMMITMENTS - MINERAL PROPERTIES (continued)

k) Shaw Township, Ontario:

On March 22, 2006, the Company signed a mineral property option agreement to acquire 100% interest in 2 claims located in the Shaw Township of Ontario. To earn this interest, the Company is to issue a total of 200,000 shares, made a cash payment of $10,000 and is to incur $25,000 in exploration expenditures as follows:

Option Exercise Schedule	Issue Shares		Cash		Exploration Expenditures
Within 10 days of TSX approval	100,000(1)	$	10,000(1)	$	
On or before May 30, 2006					25,000(1)
On or before March 22, 2007 (1st Anniversary)	100,000(1)				
	200,000	$	10,000	$	25,000

(1) Shares have been delivered, payment made and exploration expenditures incurred.

The Property is subject to 2% NSR which 1.5% can be purchased for a purchase price of $1,500,000.

l) Otish Mountain Property, Quebec:

On February 19, 2007, the Company entered into an option agreement to acquire a 100% interest in two claims in the Otish Mountain region of Quebec. To earn this interest, the Company is required to make cash payments totaling $92,000, issued 600,000 shares and is to incur $150,000 in exploration expenditures as follows:

Option Exercise Schedule	Issue Shares		Cash		Exploration Expenditures
Within 10 days of TSX approval	150,000(1)	$	17,000(1)	$	
On or before February 19, 2008 (1st Anniversary)	150,000(2)		20,000(1)		50,000(1)
On or before February 19, 2009 (2nd Anniversary)	150,000(2)		25,000(2)		50,000(2)
On or before February 19, 2010 (3rd Anniversary)	150,000(2)		30,000(2)		50,000(2)
Total	600,000	$	92,000	$	150,000

(1) Shares have been delivered and payment made.
(2) Shares and cash have not been issued.

The purchase and sale of the Property is subject to a 2% NSR Royalty.

During the year ended October 31, 2009, the Company decided not to pursue further exploration of this property. Consequently, capitalized cost of $71,130 was written off during the year ended October 31, 2009.

m) Lordeau Property, Quebec:

During the year ended October 31, 2008 the Company acquired 18 mineral property claims through staking in the Opinaca Area of Northern Quebec at a cost of $2,976.

During the year ended October 31, 2008, the Company entered into an option agreement with Santos Resources Inc. ("Santos"), a company with a common director. Santos can earn a 75% interest in the mineral claims in the Lordeau property for $10,000 (received) cash payment, issuance of 75,000 Santo shares, and $50,000 of expenditures ($25,000 on or before September 30, 2008 and $25,000 before July 25, 2009). If Santos does not incur the exploration expenditures, a cash payment in the same amount, would be due to the Company. No value was attributed to the 75,000 shares as their fair value could not be reasonably determined. Santos made a payment of $25,000 to the Company for the $25,000 expenditures that were not incurred before September 30, 2008. The expenditure of $25,000 required by July 25, 2009 was amended to $10,260 was received during the year ended October 31, 2009. The Company retains a 3.0% NSR of which up to two-thirds (2.0% of the 3.0% NSR) (the "Re-purchasable NSR") can be purchased by Santos on the basis of $100,000 for each one-tenth percent of the initial half of the Re-purchasable NSR ($100,000 per 0.1% NSR up to 1.0% of the of the 3.0% NSR) and thereafter at $150,000 for each one-tenth percent of the balance of the Re-purchasable NSR ($150,000 per 0.1% NSR from 1.1% to 2.0% of the 3.0% NSR.

4. RELATED PARTY TRANSACTIONS

Amounts due to and from related parties are due to and from directors and a company with common directors. The amounts due to and from consist of amounts due and prepaid for operation and exploration expenditures. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The Company had the following transactions with parties related to the Company:

		July 31, 2010		October 31, 2009
Mineral properties	$	2,330	$	41,098
Consulting fees		196,370		262,150
Office and miscellaneous		65,566		87,288
Professional fees		56,700		75,600
Rent		72,900		97,200
	$	393,866	$	563,336

Related party transactions are measured at the exchange amount agreed to by the related parties.

Other payments are made as reimbursement to officers or directors in the normal course of business.

5. COMMITMENTS - SHARE CAPITAL

a) Authorized – unlimited common shares without par value
b) Issued and outstanding:

	Number		Amount
Balance, October 31, 2007	68,237,093	$	13,991,493
Exercise of Options at $0.18	250,000		45,000
Issued for Porphyry Pearl Property	800,000		192,000
Stock Option exercised – reallocated from Contributed Surplus			45,472
Flow Through tax benefit renounced			(438,872)
Private Placement @ $0.10	8,100,000		810,000
Finders Fees	150,000		(22,500)
Finders Warrants			(16,123)
Balance, October 31, 2008	77,537,100		14,606,470
Issued for Porphyry Pearl Property	800,000		24,000
Issued for Settlement on Mineral Properties	3,000,000		105,000
Flow Through Tax Benefit Renounced			(226,800)
Balance, October 31, 2009	81,337,100		14,508,670
Private Placement @ $0.05	3,600,000		180,000
Issued for Porphyry Pearl Property	800,000		28,000
Balance, January 31, 2010	85,737,100		14,716,670
Balance, April 30, 2010	85,737,100		14,716,670
Balance, July 31, 2010	85,737,100		14,716,670

During the year ended October 31, 2008, the Company completed a non-brokered private placement of 8,100,000 flow-through units at $0.10 per unit for total proceeds of $810,000. Each Flow-through unit consists of one common share of the Company and one-half of one non-flow-through share warrant. Each full share purchase warrant entitles the folder to purchase an additional common share of the Company at $0.20 for the first year and $0.30 for the second year. The warrants contain an acceleration clause whereby if the Company's shares trade on the TSX-V at a price of $0.35 or higher for a period of 20 consecutive trading days during the first year or at least $0.45 per share for any 20 consecutive trading days during the second year, then the Company may provide written Notice (the "Notice") to the warrant holder requiring the warrant holder to exercise the warrants within 30 calendar days of receiving the Notice, failing which the warrants will be cancelled. In connection with this private placement, the Company agreed to finder's fees of 150,000 non-flow-through shares and 750,000 warrants of the Company and paid $22,500 cash. The fair value of $16,123 for the 750,000 warrants was recorded in share issuance cost and was estimated at the date of granting using the Black-Scholes option pricing model with the following assumptions: average risk free interest rate of 2.66%, dividend yield of 0%, average volatility factor of 82% with a life of two years. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

5. COMMITMENTS - SHARE CAPITAL – (Continued)

c) Stock options outstanding

Under the Company stock option plan ("Plan"), stock options to purchase shares are granted by the Company's board of directors in accordance with the policies of the TSX-V. The maximum number of common shares issuable for all purposes under the Plan cannot exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of directors. The exercise price of an option cannot be less than the closing price on the TSX-V on the last trading day preceding the grant date or the minimum price as per TSX-V. Options are fully vested on the date of grant.

Expiry	Price ($)	Outstanding Oct 31, 2009	Granted	Exercised	Cancelled/ Expired	Outstanding July 31, 2010	Exercisable July 31, 2010
May 4, 2011	0.10	895,000	-	-	(75,000)	820,000	820,000
November 23, 2011	0.10	1,250,000	-	-	(75,000)	1,175,000	1,175,000
March 13, 2012	0.10	100,000	-	-	-	100,000	100,000
August 20, 2012	0.10	1,600,000	-	-	(50,000)	1,550,000	1,550,000
December 4, 2013	0.10	2,555,000	-	-	-	2,555,000	2,555,000
		6,400,000	-	-	(200,000)	6,200,000	6,200,000

The outstanding options have a weighted average price of $0.10 and a weighted average life of 2.06 years at July 31, 2010.

During the year ended October 31, 2009, the Company granted a total of 2,555,000 options. The Company recognized the associated stock-based compensation expense of $47,498 (2008 - $Nil) for fiscal 2009 in connection with the granting of these options. The fair value of the options granted was estimated at the date of granting sing the Black-Scholes option pricing model with the following assumptions: average risk free interest rate of 1.692%, dividend yield of 0%, average volatility factor of 107% with a life of five years. Option pricing models require the input of highly subjective assumptions including the expended rice volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

During the year ended October 31, 2009, the Company reduced the exercise price of 3,645,000 options to $0.10 per share. The fair value of stock based compensation in relation to this re-pricing was $16,585 (2008 $Nil) and it was estimated at the date of re-pricing using the Black-Scholes options pricing model with the following assumptions: average risk free interest rate of 1.84%, dividend yield of 0%, average volatility factor of 103% with an average life of three years.

d) Flow-through shares:

During the year ended October 31, 2009, the Company renounced exploration expenditures of $810,000 (2008 - $1,567,377) which resulted in future tax recovery of $226,800 (2008 - $438,872) with a corresponding charge against share capital. Part 12.6 taxes of $630 (2008 - $59,800) for unspent flow-through expenditures were recorded during the year ended October 31, 2009.

During the year ended October 31, 2008, the Company issued 8,100,000 shares on a flow-through basis whereby the Company is committee to spend $810,000 of Canadian explorations expenditures ("CEE") on mineral exploration. The Company spent $472,193 during the year ended October 31, 2008 and expended the remaining $337,807 during the year ended October 31, 2009.

5. COMMITMENTS - SHARE CAPITAL – (Continued)

e) **Share purchase warrants:**

Outstanding share purchase warrants at July 31, 2010 were as follows:

Expiry	Price ($)	Outstanding October 31, 2009	Cancelled/Expired / Granted	Exercised	Outstanding July 31, 2010
September 25, 2010	.30	4,050,000	-	-	4,050,000
September 25, 2010	.30	750,000	-	-	750,000
		4,800,000	-	-	4,800,000

Certain warrants contain acceleration clauses whereby if the Company's shares trade above a specified price the warrants will expire at an earlier date.

The weighted average price of the warrants outstanding is $0.30 and the weighted average life is 0.5 years.

f) **Contributed Surplus:**

		2010		2009
Balance, beginning		1,025,723		961,640
Stock Options Granted				47,498
Stock Options Re-priced				16,595
Balance, April 30, 200	$	1,025,723	$	1,025,723

6. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

		2009
Loss before income taxes	$	2,673,538
Statutory tax rate		33%
Expected Tax recovery	$	(882,268)
Increase (decrease) resulting from:		
Non-deductible expenses		24,176
Share issuance costs		-
Change in future tax asset valuation allowance		502,117
Impact of tax rate changes		130,165
Other		(990)
Future income tax recovery	$	(226,800)

The Company's future income tax asserts are as follows:

		2009
Mineral Properties	$	126,434
Non-capital losses available		1,486,547
Unamortized share issue costs		53,598
Less: valuation allowance		(1,666,579)
Net future income tax asset	$	

As at October 31, 2009, the Company had non-capital losses of $5,309,096 and resource reserve of $5,105,836 available to reduce future taxable income. The non-capital losses will expire by 2029. Management has determined that the realization of the potential income tax benefits related to the non-capital losses and other tax pools are uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has recorded a valuation allowance for the potential future income tax asset.

7. RISK MANAGEMENT

Risk

The Company is engaged primarily in the mineral exploration business and manages related industry risk directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with mineral property interest. Management is of the opinion that the Company addresses environmental risk and compliance risk in accordance with industry standards and specific project environmental requirements. There is no certainly that all environmental risks and contingencies have been addressed.

The Company is exposed in varying degrees to a variety of financial instrument related risks as follows:

Interest Risks

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts affected by changes in short term interest rates is minimal.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash accounts and receivables. The risk in cash accounts is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies. The Company's receivables are mainly due from the Government of Canada and therefore, the credit risk exposure is low.

Currency Risk

The Company mainly operated in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company, from time to time, needs to raise equity financing to carry out its exploration programs. There is no assurance that financing will be available or, if available, that such financings will be on reasonable terms.

8. 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 acquisition and exploration 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. The properties in which the Company currently has interests are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests 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 period ended July 31, 2010. The Company is not subject to externally imposed capital requirements.