

**GOLDEN HARP RESOURCES INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**BALANCE SHEETS**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE INCOME**  
**STATEMENTS OF CASH FLOWS**  
**NOTES TO THE FINANCIAL STATEMENTS**

## AUDITORS' REPORT

To the Shareholders of Golden Harp Resources Inc.

We have audited the balance sheets of Golden Harp Resources Inc. as at June 30, 2010 and 2009 and the statements of operations and deficit, comprehensive loss and accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 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.



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED ACCOUNTANTS

Vancouver, Canada  
October 18, 2010

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**GOLDEN HARP RESOURCES INC.**Balance Sheets

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	June 30, 2010	June 30, 2009
	- \$ -	- \$ -
<b>ASSETS</b>		
Current assets		
Cash	87,719	646,308
Marketable securities	138,000	66,000
Amounts receivable	3,398	2,408
Prepaid expenses	7,282	19,146
	236,399	733,862
Restricted cash (Note 2)	23,000	23,000
Garnished funds (Note 4)	169,464	-
Mineral property (Note 3)	4,570,546	4,654,075
	4,999,409	5,410,937
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	24,793	39,566
Due to related parties (Note 4)	-	739
	24,793	40,305
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	6,114,858	6,113,208
Contributed surplus (Note 5)	708,176	493,019
Accumulated other comprehensive income	30,000	37,500
Deficit	(1,878,418)	(1,273,095)
	4,974,616	5,370,632
	4,999,409	5,410,937

GOING CONCERN CONTINGENCY (Note 1)

CONTINGENCY (Note 4)

Approved on Behalf of the Board:

/s/ "Seamus Young"

Seamus Young, Director

/s/ "Shaun Maskerine"

Shaun Maskerine, Director

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

**GOLDEN HARP RESOURCES INC.**

## Statements of Operations and Deficit

	Year ended June 30, 2010 - \$ -	Year ended June 30, 2009 - \$ -
<b>EXPENSES</b>		
Amortization	-	1,425
Business development	40,519	66,642
Equipment write-off	-	6,457
Interest income	(71)	(6,288)
Office and general (Note 4)	54,351	82,370
Professional fees (Note 4)	104,581	76,051
Salaries and management, consulting and directors fees (Note 4)	170,296	273,472
Stock-based compensation (Note 5)	215,157	55,910
Transfer agent and filing fees	20,490	22,043
<b>NET LOSS BEFORE INCOME TAXES</b>	<b>605,323</b>	<b>578,082</b>
Future Income Tax Recovery (Note 6)	-	(232,620)
<b>NET LOSS</b>	<b>605,323</b>	<b>345,462</b>
<b>DEFICIT, beginning</b>	<b>1,273,095</b>	<b>927,633</b>
<b>DEFICIT, ending</b>	<b>1,878,418</b>	<b>1,273,095</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>24,679,823</b>	<b>24,673,042</b>

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

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**GOLDEN HARP RESOURCES INC.****Statements of Comprehensive Loss and Accumulated Other Comprehensive Income**

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	Year ended June 30, 2010 - \$ -	Year ended June 30, 2009 - \$ -
<b>NET LOSS FOR THE YEAR</b>	(605,323)	(345,462)
Unrealized gain (loss) on marketable securities	(7,500)	37,500
<b>COMPREHENSIVE LOSS</b>	(612,823)	(307,962)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Beginning of the year	37,500	-
Unrealized gain (loss) on marketable securities	(7,500)	37,500
End of year	30,000	37,500

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

**GOLDEN HARP RESOURCES INC.****Statements of Cash Flows**

	Year ended June 30, 2010 - \$ -	Year ended June 30, 2009 - \$ -
<b>Cash Flow from Operating Activities</b>		
Net loss	(605,323)	(345,462)
Non-cash items		
Amortization	-	1,425
Equipment write-off	-	6,457
Stock-based compensation	215,157	55,910
Future income tax recovery	-	(232,620)
	(390,166)	(514,290)
Changes in non-cash working capital items		
Amounts receivable	(990)	48,785
Prepaid expenses	11,864	267
Garnished funds	(169,464)	-
Accounts payable and accrued liabilities	(14,773)	(6,575)
Due to related parties	(739)	699
Cash used in operations	(564,268)	(471,114)
<b>Cash Flow from Investing Activities</b>		
Option proceeds (mineral property expenditures)	4,029	(346,283)
Restricted cash	-	34,500
Cash provided by (used in) investing activities	4,029	(311,783)
<b>Cash Flow from Financing Activities</b>		
Proceeds from issuance of shares	1,650	-
Cash provided by financing activities	1,650	-
Decrease in cash	(558,589)	(782,897)
CASH, beginning	646,308	1,429,205
CASH, ending	87,719	646,308
<b>Supplementary Cash Flow Information:</b>		
Non-cash transactions:		
Shares received pursuant to mineral property agreement	79,500	28,500
Cash paid for:		
Interest	-	-
Income taxes	-	-

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

## **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

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Golden Harp Resources Inc. (the "Company") was incorporated on May 3, 2006 in the Province of British Columbia and is engaged in the acquisition, exploration and development of mineral properties throughout Canada.

### **Going Concern**

These financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2010, the Company had working capital of \$211,606 (2009 – \$693,557) and has incurred losses since inception of \$1,878,418. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be necessary. The ability of the Company to continue as a going concern is dependent upon the Company raising sufficient financing to complete exploration and development activities, the discovery of economically recoverable reserves, and upon future profitable operations or proceeds from disposition of resource property interests. The Company presently, has not yet determined whether its mineral property interest contain economically recoverable resources. Management is also aware that significant material uncertainties exist, related to current economic conditions that could cast doubt upon the Company's ability to continue to finance its exploration activities. Management is not able to assess the likelihood or timing of improvements in the equity markets for raising capital for future acquisitions or expenditures. These uncertainties represent a liquidity risk and may impact the Company's ability to continue as a going concern in the future.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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a) **Basis of Presentation**

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

b) **Cash and Cash Equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

The Company's restricted cash consist of funds held on deposit as security for the Company's credit cards.

c) **Loss per Share**

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options and other dilutive instruments are used to repurchase common shares at the prevailing market rate. Basic loss per share figures were calculated using the weighted average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year presented since the effects of the stock options and share purchase warrants have been excluded as they are anti-dilutive.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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d) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the property using the unit of production method over estimated recoverable reserves.

Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse or impaired, the unrecoverable amounts are charged to net loss. The recoverability of the carrying amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether its mineral property contains economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions, including stock-based compensation, carrying value of mineral properties and estimating future income tax rates, that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

f) Asset Retirement Obligations

The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, relating to the recognition and disclosure of liabilities for long lived asset retirement obligations and associated asset retirement costs. A liability for future site reclamation costs, or other obligation, would be recorded at its fair value when determinable and a corresponding increase to the asset carrying value would be amortized over the useful life of the asset. Management have reviewed the anticipated obligations and retirement costs of long lived assets for known obligations under contract, common practice, or laws and regulations in effect or anticipated and has concluded that the Company has no material obligations relating to asset retirement.

g) Future 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 that 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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h) Stock-Based Compensation

The Company follows the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock Based Payments". Under this standard, all stock options granted are recorded at the fair value of compensation, services or goods received using the Black-Scholes option pricing model on the date of grant and then expensed over the period of vesting. Upon exercise of the stock options, the amount previously recognized in contributed surplus is recorded as an increase to share capital together with any additional consideration paid by the option holder.

i) Flow-through Shares

The Company has adopted Emerging Issues Committee ("EIC") -146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the investors. When resource expenditures are renounced to the investors and the Company has filed the applicable documents with Canada Revenue Agency, a future income tax liability is recognized and share capital is reduced. If the Company has sufficient unused tax losses carried forward to offset all or part of current years future income tax liability and no future income tax assets have been previously recognized for these losses, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

j) Financial Instruments

The Company has made the following designations of its financial instruments: cash as held-for-trading; marketable securities as available for sale; amounts receivable, accounts payable and amount due to related parties as other financial liabilities.

CICA Handbook Section 3862-"Financial Instruments-Disclosure" requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

1. Level 1- fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities
2. Level 2- fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
3. Level 3- Applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 – quoted prices in active markets include cash and marketable securities.

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2010

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

k) Newly Adopted Accounting Policies

On July 1, 2009, the Company adopted the CICA Handbook Section 3064 "Goodwill and Intangible Assets". The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard did not have any impact on the Company's financial statements.

On July 1, 2009, the Company adopted the 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. The adoption of this standard did not have any impact on the Company's financial statements.

l) Recent Accounting Pronouncement, Not Yet Adopted

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to prepare its comparative figures for the year ended June 30, 2011 in accordance with IFRS. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Other accounting pronouncements issued with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

**3. MINERAL PROPERTY**

A summary of expenditures incurred relating to the Company's mineral property is as follows:

Copper Hill Property, Ontario	June 30, 2010	Expenditures	June 30, 2009	Expenditures	June 30, 2008
	- \$ -	- \$ -	- \$ -	- \$ -	- \$ -
Acquisition costs	3,272,394	-	3,272,394	20,000	3,252,394
Exploration expenditures:					
Accommodation and meals	81,515	-	81,515	18,191	63,324
Assay and soil sampling	166,623	1,740	164,883	59,578	105,305
Diamond drilling	479,891	-	479,891	165,984	313,907
Geochemical	32,661	-	32,661	-	32,661
Geological wages and miscellaneous	205,260	5,974	199,286	49,449	149,837
Line cutting	74,192	-	74,192	-	74,192
Miscellaneous	50,873	11,615	39,258	16,321	22,937
Supervision	12,750	-	12,750	-	12,750
Surveys	292,814	-	292,814	34,985	257,829
Travel and Transport	21,549	-	21,549	7,432	14,117
Wages	38,024	1,642	36,382	10,943	25,439
Option payments received	(158,000)	(104,500)	(53,500)	(53,500)	-
	1,298,152	(83,529)	1,381,681	309,383	1,072,298
<b>Total</b>	<b>4,570,546</b>	<b>(83,529)</b>	<b>4,654,075</b>	<b>329,383</b>	<b>4,324,692</b>

**3. MINERAL PROPERTY (continued)**

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**Copper Hill Project, Ontario**

Effective May 31, 2006, the Copper Hill Property was purchased from Acme Resources Inc. "ARI" (previously - International KRL Resources Corp. ("KRL")). At May 31, 2006 the Company was 100% owned by ARI. The acquisition price of \$3,200,000 was based on the valuation of an independent geologist. The payment on the property was completed by issuing 10,000,000 common shares of the Company to ARI at \$0.32 per share. Certain of the mineral claims are subject to net smelter return royalties ("NSR") varying from 1% to 3%. The Company is entitled to purchase all or part of the NSRs depending on the agreements.

On June 1, 2009, the Company signed an agreement granting Benton Resources Corp. ("Benton") the option to acquire an initial 60% interest in the Block A portion of the Copper Hill Property, which represents 351 of the Company's 855 claim units by:

1. Paying the Company a total of \$75,000 in accordance with the following schedule:
  - a. \$25,000 within five days of the effective date of the agreement (received);
  - b. \$25,000 on or before the first anniversary of the effective date (received); and
  - c. \$25,000 on or before the second anniversary of the effective date.
2. Issuing the Company a total of 550,000 common shares in the capital stock of Benton in accordance with the following schedule:
  - a. 150,000 common shares of Benton within five days of the effective date of the agreement (received with a fair value of \$28,500);
  - b. 150,000 common shares of Benton on or before the first anniversary of the effective date of the agreement (received with a fair value of \$79,500); and
  - c. 250,000 common shares of Benton on or before the second anniversary of the effective date of the agreement.
3. Incurring a total of \$2,000,000 in exploration expenditures on the property as follows:
  - a. \$500,000 to be incurred on or before 12 months of the effective date (incurred);
  - b. \$750,000 to be incurred on or before 24 months of the effective date; and
  - c. \$750,000 to be incurred on or before 36 months of the effective date.

If Benton exercises the initial option, it will have 60 days to provide the Company with notice ("Second Option Notice") of its intention to acquire a further 10% interest in the property by:

- a) Paying the Company \$50,000 within five days of providing the Second Option Notice; and
- b) Incurring a further \$1,000,000 in costs on the property within 24 months of providing the Second Option Notice.

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2010

**4. RELATED PARTY TRANSACTIONS**

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- (a) Management fees of \$19,100 (2009 - \$28,500) were paid for services provided by the Chief Financial Officer of the Company.
- (b) Consulting fees totalling \$28,333 (2009 - \$Nil) were paid for services provided by a director of the Company.
- (c) The Company engaged a law firm of which a previous director of the Company is a partner for legal services. The total fees incurred from such services were \$64,904 (2009 - \$44,763). At June 30, 2010, \$Nil (2009 - \$6,917) was due to this law firm.
- (d) Rent of \$9,000 (2009 - \$13,250) was paid to a relative of a director. The rental agreement is on a month by month basis for consideration of \$750. The agreement was terminated subsequent to June 30, 2010 (Note 7).
- (e) The Company owed an officer \$Nil (2009 - \$739) at June 30, 2010. This amount bears no interest, is unsecured and has no fixed term of repayment.
- (f) During the year ended June 30, 2010, a former director commenced legal proceedings against the Company claiming \$169,464 in terms of an employment agreement. At June 30, 2010, this amount was garnished by the British Columbia Court of Justice. The Company believes the claim is without merit and intends to defend itself against the claim.

Related party transactions have been recorded at their exchange amounts, which are the amounts agreed to by the related parties.

**5. SHARE CAPITAL**

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**a) Common Shares**

Authorized:

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

	Number of shares	- \$ -
Issued:		
Balance, June 30, 2008	24,673,042	6,345,828
Flow through tax benefits renounced to investors	-	(232,620)
Balance, June 30, 2009	24,673,042	6,113,208
Warrants exercised	11,000	1,650
Balance, June 30, 2010	24,684,042	6,114,858

During the year ended June 30, 2010, the Company issued 11,000 shares pursuant to warrants exercised at \$0.15 per share for proceeds of \$1,650.

During the year ended June 30, 2009, the Company renounced \$894,694 in flow through expenditures to investors resulting in a future income tax recovery of \$232,620.

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2010

**5. SHARE CAPITAL (continued)**

**b) Escrowed Shares**

Effective January 9, 2008, 1,281,682 common shares were voluntary placed in escrow pursuant to an escrow agreement. The escrow shares will be released in stages over three years, as follows:

128,168	Shares released after March 4, 2008 (released);
192,252	Shares to be released after September 4, 2008 (released);
192,252	Shares to be released after March 4, 2009 (released);
192,252	Shares to be released after September 4, 2009 (released);
192,252	Shares to be released after March 4, 2010 (released);
192,252	Shares to be released after September 4, 2010; and
192,254	Shares to be released after March 4, 2011.
<u>1,281,682</u>	<u>Total</u>

**c) Warrants**

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of shares	Weighted average exercise price - \$ -
Balance, June 30, 2008	12,041,860	0.38
Expired	(4,427,500)	0.25
Balance, June 30, 2009	7,614,360	0.46
Exercised	(11,000)	0.15
Expired	(7,603,360)	0.15
Balance, June 30, 2010	-	-

During the year ended June 30, 2010, 7,612,200 warrants were re-priced to \$0.15 from \$0.45 per share and the term of the warrants were extended for six months. The incremental fair value resulting from this re-pricing and extension was \$191,239 and was recorded as stock based compensation and contributed surplus. The following assumptions were used for the Black-Scholes valuation: dividend yield – 0; Expected stock price volatility – 120%; Risk-free interest rate – 1.89%; Expected life of warrants – 0.64 years.

As at June 30, 2010 no share purchase warrants were outstanding.

The Company recognize as share issuance cost, the fair value of agents' warrants issued as finders' fees in connection with public placements. The amount calculated is recorded as a share issuance cost with a corresponding credit to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of warrants issued.

**d) Stock Options**

Under the Company's stock option plan, the Company may grant options to employees, consultants and directors when the number of shares that may be purchased under that option and all previously granted options, does not exceed 10% of the Company's issued shares at the time of grant. The exercise price of the options granted will be no less than 85% of the fair market value per share of common shares on the option grant date; and the maximum term of the options will be 10 years measured from the option grant date.

During the year ended June 30, 2010, the Company granted a total of 175,000 (2009 - 775,000) stock options to directors and consultants in terms of the Company's stock option plan. These options have an aggregate fair value determined by management to be \$20,748 (2009 - \$67,510) using the Black-Scholes option pricing model, and were fully vested on the date of grant.

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2010

**5. SHARE CAPITAL (continued)**

**d) Stock Options (continued)**

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted average exercise price - \$ -
Balance, June 30, 2008	2,507,638	0.35
Granted	775,000	0.15
Expired/Cancelled	(207,142)	0.35
Balance, June 30, 2009	3,075,496	0.30
Granted	175,000	0.13
Expired/Cancelled	(2,936,211)	0.30
Balance, June 30, 2010	314,285	0.24

At June 30, 2010 the following share purchase options were outstanding:

Number of Options	Exercise Price - \$ -	Weighted average Exercise contractual Life (Years)	Expiry Date
89,285	0.35	0.31	July 31, 2011
75,000	0.35	0.71	June 11, 2013
75,000	0.10	0.94	June 9, 2014
75,000	0.13	0.98	August 13, 2014
314,285		2.94	

The fair value of the stock options issued was determined using the following weighted average assumptions:

	2010	2009
Expected volatility	150%	90 - 100%
Risk-free interest rate	2.52%	2.34% - 2.77%
Expected life of options	5 years	5 years
Dividend rate	0%	0%

Total compensation expense recognized for stock options granted was \$23,918 (2009 - \$67,510) including an amount of \$3,170 (2009 - \$Nil) compensation expense recognized for stock options issued during fiscal 2009 but vesting during the year. Stock-based compensation of \$Nil (2009 - \$11,600) was capitalized to mineral properties for options granted and \$23,918 (2009 - \$55,910) was expensed to operations.

**e) Contributed Surplus**

	\$
Balance, June 30, 2008	425,509
Fair value of stock options granted	67,510
Balance, June 30, 2009	493,019
Fair value of stock options	23,918
Fair value of warrants re-priced	191,239
Balance, June 30, 2010	708,176

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2010

**6. INCOME TAXES**

A reconciliation of income taxes at statutory rates for the period ended June 30, 2010 and 2009 with the reported taxes is as follows:

	<b>2010</b>	<b>2009</b>
	\$	\$
Loss before income taxes	(605,323)	(578,082)
Tax rate	29.50%	30.00%
Expected income tax recovery	(178,570)	(173,425)
Decrease resulting from:		
Stock-based compensation	63,471	16,773
Non-deductible permanent differences	896	-
Effect of change in tax rates	13,550	70,516
Other	-	(4,000)
	(100,653)	(90,136)
Change in valuation allowance	100,653	(142,484)
Future income tax recovery	-	(232,620)

Details of future income tax assets are as follows:

Future income tax assets:		
Non-capital loss carry forwards	511,623	385,202
Mineral property	(300,853)	(300,853)
Equipment	2,574	2,574
Share issue costs	49,215	74,983
	262,559	161,906
Valuation allowance	(262,559)	(161,906)
Future income tax recovery	-	-

As at June 30, 2010, the Company had non-capital losses of approximately \$1,967,779 (2009 - \$1,481,547) to carry forward to reduce future years' taxable income, expiring as follows:

	\$
2027	266,828
2028	604,894
2029	609,825
2030	486,232
<u>Total</u>	<u>1,967,779</u>

At June 30, 2010, the Company had cumulative Canadian exploration expenses of approximately \$141,000 (2009 - \$225,000) which are deductible against future years' taxable income and have no expiry date.

At June 30, 2010, the Company had cumulative Canadian development expenses of approximately \$3,272,000 (2009 - \$3,272,000) which are deductible against future years' taxable income and have no expiry date.

A full valuation allowance has been recorded against the potential future income tax assets as their utilization is not considered more likely than not.

## **7. SUBSEQUENT EVENTS**

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- (a) On August 27, 2010, the Company signed an Option Agreement with Mineral Mountain Resources Ltd. ("Mineral Mountain") whereby Mineral Mountain can acquire up to 60% of the Company's 100% interest in its Main Block portion of the Copper Hill Property.

Under the terms of the Option Agreement, Mineral Mountain can earn the 60% interest in the property by:

- (i) Making total cash payments of \$650,000 over a three year period;
- (ii) Issuing a total of 3,500,000 common shares of Mineral Mountain over a three year period;
- (iii) Spending no less than \$6,000,000 on exploration of the property by August 26, 2014.

The Company received \$100,000 cash payment and 750,000 shares from Mineral Mountain subsequent to June 30, 2010.

- (b) Subsequent to June 30, 2010, the Company terminated the rental agreement with a relative of a director for \$750 per month.
- (c) Subsequent to June 30, 2010, the Company granted 1,475,000 options to directors and officers in terms of the Company's stock option plan. These options are exercisable at \$0.16 per share for a period of five years from grant date.

## **8. MANAGEMENT OF CAPITAL**

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The Company manages its capital structure, which is substantially represented by its cash resources and share capital, and makes adjustments to it depending on the funds available to the Company for 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.

The property in which the Company currently has an interest is in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related party loans or private placements of its common shares as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended June 30, 2010.

## **9. RISK MANAGEMENT**

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

- (a) 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. This risk is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies.
- (b) Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. 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 account affected by changes in short term interest rates is minimal.
- (c) Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through debt and equity financing.
- (d) Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates in Canada and is consequently not exposed to foreign exchange risk arising from transactions denominated in foreign currency.



# **GOLDEN HARP**

R E S O U R C E S I N C

**GOLDEN HARP RESOURCES INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

## **DATE**

For the year ended June 30, 2010

## **INTRODUCTION**

Golden Harp Resources Inc. was incorporated in the Province of British Columbia on May 3, 2006 and is extra-provincially registered in the Province of Ontario and the Province of Alberta. It is engaged in the acquisition, exploration and development of Canadian mineral properties. The Company is currently exploring for gold and base metals on its Copper Hill Property in Northern Ontario. The Company is a reporting issuer in British Columbia, Alberta and Ontario and its shares trade on the TSX Venture Exchange under the symbol GHR.

The following management discussion and analysis (MD&A) of the financial position of Golden Harp Resources Inc. (“Golden Harp” or “Company”) and results of operations should be read in conjunction with the audited annual financial statements and accompanying notes for the year ended June 30, 2010. The audited annual financial statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

This MD&A includes material occurring up to and including October 25, 2010.

## **FORWARD LOOKING STATEMENTS:**

This MD&A may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming operation, exploration and business development plans. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Forward looking statements are usually identified by our use of certain terminology, including but not limited to “will”, “believes”, “may”, “expects”, “should”, “seeks”, “anticipates” or “intends” or by discussions of strategy or intentions.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove to be incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

## **OVERALL PERFORMANCE:**

Golden Harp’s Copper Hill property is located 100 kilometres south of Timmins, between Shining Tree and Gowganda, 87 kilometres southwest of Kirkland Lake along Highway 560 in Northern Ontario, Canada. It consists of 855 contiguous claim units covering approximately 145 square kilometers in the Larder Mining District of the prolific Abitibi Greenstone Belt. There are a number of high priority gold and base metal targets on the property, which require further evaluation.

Historical work to date on the various gold occurrences has shown that there is good potential for the property to host both narrow-vein, high-grade targets and near-surface, bulk tonnage targets. The property also hosts a number of base metal occurrences in and around the Copper Hill Zone. Further, there are also numerous additional gold and base metal occurrences, which have received limited or no exploration and require evaluation.

The property is 100%-owned subject to certain mineral claims, which are subject to net smelter royalties (“NSR”) varying from 1% to 3%. The Company is entitled to purchase all or part of the NSRs depending on the underlying option agreements.

The Company entered into an option agreement with Benton Resources Inc. on the Block A ground in June, 2009. The Block A Property represents 351 of the 855 claim units in the northeastern portion of the Company's claim block. Benton may earn up to a 70% interest by spending \$3 million in exploration, issuing the Company cash and common shares of Benton. Further details can be found in the audited annual financial statements for the period ended June 30, 2009.

During the first quarter of 2010, the bulk of the exploration and drilling conducted on the Copper Hill Property focused on the Block A Option Ground. Benton Resources conducted both exploration and drilling programs with a particular focus on the Cook and MC gold zones and the area between them. Results from the geophysical surveys, soil sampling and prospecting programs and the drill programs delivered encouraging results. During the second quarter of 2010, Benton continued its exploration and drilling between the Cook and the MC gold zones. Exploration activities included soil sampling and an additional 3,600 meter diamond drilling program. Results continue to be encouraging and additional drilling was completed.

Benton initiated the third phase of diamond drilling on the Copper Hill Block A property during the third quarter of 2010. The program was designed to test beneath the surface mineralization of the Crocker zone and the low bulk tonnage potential of the MC zone. Benton also announced the results of the third phase program during the quarter. The Company continues to be encouraged by this large gold bearing system which is open in all directions.

During the first quarter of the fiscal year, Golden Harp initiated a prospecting and soil sampling program on the projected strike extensions of the Golden Sylvia and Copper Hill targets (outside Block A). Twelve areas of interest over this strike extent were developed initially by various geophysical surveys over approximately 10 km of strike. Through this prospecting program, a number of gold targets were prioritized for future drilling.

In addition, favourable exploration surveys and drilling by Benton at the Cook Zone has focused Golden Harp's efforts on the claims immediately adjacent to the western boundary of the Block A ground where Golden Harp's 100% interest lands, host approximately 3.2 km of ultramafics; an environment similar to the Cook and MC Zones.

The Company entered into an option agreement with Mineral Mountain Resources Inc. on the Main Block ground in August, 2010. The Main Block Property covers two historic gold occurrences including the Golden Sylvia Gold Zone and the North Foly Lake Gold Zone and represents one of the largest prospective land packages in the Shining Tree Mining Camp including a total of 504 of the 855 claim units in the Company's claim block. Mineral Mountain may earn up to a 60% interest in the Company's 90 km<sup>2</sup> Main Block gold property situated in MacMurchy Township, Ontario adjoining the western boundary of Tyrell Township in the Shining Tree Mining Camp by making \$650,000 Cash payments over a three year period, issuing a total of 3,500,000 common shares of Mineral Mountain over a three year period, and spending no less than \$6,000,000 on exploration of the property by August 26, 2014

## **RESULTS OF OPERATIONS - MINERAL PROPERTY:**

### *Golden Harp Exploration:*

During the first quarter, Golden Harp completed a prospecting program to advance and prioritize targets for a future drill program. Approximately twelve areas of interest associated with induced polarization (IP) targets and/or magnetic anomalies were examined. On the west shore of North Foley Lake a strongly sheared and heavily carbonate altered quartz eye porphyritic intrusive was identified on the south side of a strong IP anomaly covered by low lying ground. The North Foley IP target appears to be related to a historical drill hole (CH05-14) under North Foley Lake a short distance east of the Golden Harp IP zone. Hole CH05-14 ended prematurely in disseminated sulphide mineralization hosted within altered leucoxene mafics marking the start of a new gold zone. Historical assays near the end of this hole returned 1.1 g/t gold over 1.4 metres from 347.1 to 348.5 metres, and the last metre of the hole assayed 1.35 g/t gold from 350 to 351 metres. At this time there is a distinct possibility that the IP target adjacent to the porphyry intrusive is representative of the strike extension of the new gold zone found at the bottom of CH05-14. Further drilling is required to fully evaluate this priority target. Further, sulphide zones with limited exposure were noted on two of the priority geophysical target areas and these zones returned anomalous gold values. Drilling is warranted to definitively evaluate these targets. The Company did not

conduct any additional exploration during the third or fourth quarter of 2010.

*Benton Resources Exploration on the Block A Option Ground:*

During the first quarter, Benton continued an aggressive exploration program and began its second drill program on the Block A ground. The drill program was designed to follow up on the previously released high-grade results from the Cook Zone and to test the strike length of the MC Zone. The Cook Zone was subject to the first three holes. The remaining bulk of the drilling was focused on the MC Zone where exploration programs during the summer of 2009 identified a strike extensive coincident induced polarization chargeability response and soil geochemical anomaly up to 900 metres long where individual samples returned greater than 0.5 g/t gold with the highest value returning 5.11 g/t gold. This target occurs along strike to the north west of the MC Zone where diamond drilling in 2008 by Golden Harp intersected 3.6 g/t gold over 9.0m (including 14.29 g/t Au over 2.0m) from hole GH-019. A substantial drill program is planned to systematically test the new coincident soil and IP anomaly and the MC Zone. Prospecting and geological mapping programs continued concurrently.

Benton's exploration program also identified a new gold zone (the Crocker Zone) with assay results of up to 9.65 grams per tonne (gpt) gold (Au) from surface grab samples. A total of 20 samples were collected over a strike length of 340 metres (m) with values ranging from 0.012 gpt to 9.65 gpt Au. Five of the samples returned gold values of greater than 2.0 gpt Au (9.65, 9.50, 6.07, 2.27 and 2.24 gpt Au) while 9 samples returned values ranging from 0.15 to 0.81 gpt Au. This new zone is located approximately 300m north of the MC zone Like the MC zone, the Crocker Zone is hosted within pyrite-rich green carbonate altered ultramafic volcanic rocks.

During the second quarter Benton Resources issued the drill results from the Phase 2 drill program on the Block A option ground. A compilation of Phase 1 and Phase 2 results for holes GH09-01 to GH09-10 on the Cook Zone identified a bulk tonnage gold target which includes intercepts of 1.69 gpt gold over 37.6 meters from GH09-01, 2.05 gpt gold over 45.1 metres from GH09-02, 1.36 gpt gold over 15 metres from GH09-09 and 0.92 gpt gold over 27 meters in GH09-10. See NR, November 20, 2009 for further details.

In addition, drilling identified wide zones of highly anomalous gold mineralization from the MC zone as well as from several Induced Polarization (IP) and soil geochemical targets located between the Cook and MC zones.

The Phase Two drill program included; three holes (GH09-08 to GH09-10) which tested the Cook zone, three holes (GH09-21 to GH09-23) which tested the MC zone and 11 holes (GH09-11 to 20 and GH09-23) which tested various IP and soil geochemical exploration targets located between the Cook and MC zones.

Benton issued drill results from the Phase 3 drill program on Block A during the last quarter of the fiscal year. The 12 hole, 2,852 meter drill program consisted of a series of stratigraphic fences designed to test a wide area of low grade gold mineralization and alteration associated with the MC and Crocker zones. This altered and mineralized stratigraphy is over 300 meters in width and is bounded by two north-northwest faults splaying off of the Hydro Creek fault. Previous drilling by Golden Harp Resources (GH drill holes) and by Benton (GH09 drill holes) have intersected significant intervals of gold mineralization including 0.90 gpt Au over 43.8 meters (GH-25), 0.62 gpt Au over 28.3 meters (GH-23), 4.5 gpt Au over 7.0 meters and 0.68 gpt Au over 20.5 meters (GH-19) and 0.43 gpt Au over 56 meters (GH09-22). The drilling program was cut short due to the spring breakup.

The exploration and drilling on the Block A Option to date continues to be encouraging as these programs have clearly identified a large gold-bearing alteration system with the potential to host significant gold mineralization. Benton is planning a further drill program that is expected to commence in the third quarter.

The technical information regarding the Benton Resources Corp. exploration results is extracted from press releases issued by Benton Resources Corp. Although Golden Harp believes the information included in the press release to be generally reliable, the data has not been independently verified and Golden Harp does not assume any liability for the accuracy or completeness of such information.

**SELECTED ANNUAL INFORMATION:**

	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007 (from inception May 03, 2006)
Total Revenues	NIL	NIL	NIL	NIL
Net loss	605,323	345,462	667,982	259,651
Net income (loss) per share (Basic and diluted)	(0.02)	(0.01)	(0.04)	(0.02)
Total Assets	4,999,409	5,410,937	5,889,885	3,753,501
Total long term financial liabilities	NIL	NIL	NIL	NIL

**RESULTS OF OPERATIONS - FINANCIAL:**

The Company is an exploration stage company without revenues. Net loss for the year ended June 30, 2010 was \$605,323, compared with \$345,462 for the same period the previous year, a increase of \$259,861. The increase in the net loss was primarily the result of a non-cash \$215,157 charge to stock-based compensation as a result of the re-pricing and extension of warrants. Management significantly reduced general overhead and salary expenditures during the second half of the fiscal year. This was evidenced by the decrease in most administrative categories demonstrated compared with the same period in 2009. Significant line item changes during the year were as follows:

- Stock-based compensation was \$215,157 in 2010 compared to \$55,910 in 2009, an increase of \$159,247 mainly due to the \$191,239 charge to stock-based compensation resulting from the re-pricing and extension of warrants.
- Salaries, management, consulting and director's fees were \$170,296 for the year ended June 30, 2010 compared to \$273,472 for the year ended June 30, 2009, a decrease of \$103,176.
- Office and general expenses were \$54,351 during 2010 compared to \$82,370 in 2009. The decrease of \$28,019 resulted from cost cutting measures implemented by management.
- Professional fees were \$104,581 in 2010 compared to \$76,051 in 2009. The increase year over year resulted from increased legal fees that were primarily related to the costs associated with the re-pricing and extension of warrants.

**SUMMARY OF QUARTERLY RESULTS**

	June 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009	June 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(252,846)	(83,430)	(116,306)	(152,741)	(158,217)	(116,241)	81,272	(152,276)
Net income (loss) per share (Basic and diluted)	(0.010)	(0.003)	(0.005)	(0.006)	(0.006)	(0.005)	0.003	(0.006)

For each of the above periods, the Company had no revenue. A non-cash stock-based compensation charge of \$191,239 was recorded in the fourth quarter of 2010 due to the re-pricing and extension of warrants. A tax recovery of \$232,620

was recorded in the second quarter of fiscal 2009.

The operating results of junior exploration companies are capable of demonstrating wide variations from period to period. Other than the descriptions regarding administrative costs already discussed, management of Golden Harp does not believe that meaningful information about the Company's operations can be derived from an analysis of quarterly fluctuations in any more detail than presented herein.

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are set out in Note 2 of the audited annual financial statements for the year ending June 30, 2010. All financial amounts are in Canadian dollars.

The audited annual financial statements have been prepared on a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations as disclosed in Note 1 of the year end financial statements.

### **LIQUIDITY AND CAPITAL RESOURCES:**

As at June 30, 2010, current assets were \$236,399 consisting of \$87,719 in cash, \$138,000 in marketable securities and the remainder in Amounts Receivable and Prepaid Expenses. Current liabilities for the period totaled \$24,793, which consisted of Accounts Payable. As at June 30, 2010, the Company had working capital of \$211,606 which management considers sufficient to continue operations for the 2011 fiscal year.

For the year ended June 30, 2010, net cash used in operating activities was \$564,268 including cash used for Garnished Funds of \$169,464 (see below). Cash invested in exploration on the mineral property was \$20,971. An amount of \$25,000 was received pursuant to the Benton option bringing the net investing activities for the quarter to \$4,029. No financing activities took place during the year except for 11,000 warrants exercised at \$0.15 netting \$1,650. Including the Garnished Funds of \$169,464, the Company realized a net decrease of \$558,589 from the Company's cash position in fiscal 2009.

The decrease in value of mineral interests of \$83,529 reflects exploration expenditures incurred at the Copper Hill Property during the year less \$104,500 cash and share option payments received from Benton. See Note 3 accompanying the annual financial statements for the year ended June 30, 2010 for further details on the expenditures.

The Company owns a 100% interest in the Copper Hill property subject to outstanding NSR's. It has met all the terms of the various contract agreements for the Copper Hill property, above and beyond the exploration work required to keep the property in good standing. The exploration work completed during fiscal 2009 and fiscal 2010 generated significant assessment credits to keep the Block A claims in good standing for the 2011 fiscal year ahead. The company has optioned the Block A of its property to Benton Resources and the Main Block of its property to Mineral Mountain Resources where they can earn up to 70% and 60% of their respective portion of the property. Mineral Mountain must keep the Main Block claims in good standing as part of the Option Agreement.

On March 20, 2010, the company was served with a garnishing order before judgment from the Company's prior president and chief executive officer, Natasha Blackburn. Ms. Blackburn resigned from the Company on February 1, 2010 (see Stockwatch Press Release). Subsequently, Ms. Blackburn alleges that she was constructively dismissed by the current management and board of the Company. The Company disputes these allegations and intends to vigorously defend itself against Ms. Blackburn.

There are no other known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. However, at this time, the Company does not own any operating mines and has no operating income/sales from mineral production. Funding for operations is raised primarily through equity financings. Realization of the carrying value of mineral interests is dependent upon funding, the ability of the Company and third parties to bring mineral interests into profitable production, or recovery from sale. In the longer term, in order to continue operations, the Company will need to raise additional capital through equity financings. There is no guarantee

that financing will be available on terms acceptable to the Company, given the current climate in the financial markets and reduced availability of funding.

The Company has no material debt obligations, other than short-term liabilities incurred in the normal monthly activities of exploration and administration. The Company has no long-term debt.

**OFF BALANCE SHEET ARRANGEMENTS:**

The Company has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

**RELATED PARTY TRANSACTIONS:**

Related party transactions are described in Note 4 accompanying the audited annual financial statements for the year ended June 30, 2010. Rates for the services provided by the related party transactions represent normal commercial rates.

**FOURTH QUARTER RESULTS:**

	Three Months Ended June 30, 2010 -\$-	Three Months Ended June 30, 2009 -\$-	Twelve Months Ended June 30, 2010 -\$-	Twelve Months Ended June 30, 2009 -\$-
Amortization	-	177	-	1,425
Business Development	6,173	9,016	40,519	66,642
Office and general	11,059	13,603	54,351	82,370
Professional fees	13,766	25,238	104,581	76,051
Salaries, benefits, management and director's fees	27,674	51,010	170,296	273,472
Stock-based compensation	191,239	49,570	215,157	55,910
Transfer agent and filing fees	2,962	3,170	20,490	22,043
Equipment write-off	-	6,457	-	6,457
Interest Income	(27)	(24)	(71)	(6,288)
Future Income tax recovery	-	-	-	(232,620)
	252,846	158,217	605,323	345,462

For the three months ended June 30, 2010 the general and administration expenses totalled \$ 252,846 compared with \$158,217 in the fourth quarter of 2009, representing an increase of \$94,629. Significant line item changes during the quarter were as follows:

- Stock-based compensation was \$191,239 for quarter four of 2010 compared to \$49,570 in the fourth quarter of 2009, an increase of \$141,669. The Stock-based compensation of \$191,239 in the fourth quarter of 2010 was a charge to Stock-based compensation on the re-pricing and extension of warrants.
- Salaries, benefits, management and director's fees was \$27,674 for quarter four of 2010 compared to \$51,010 in the fourth quarter of 2009, a decrease of \$23,336. The decrease resulted from cost cutting measures implemented by management
- Professional fees was \$13,766 for quarter four of 2010 compared to \$25,238 in the fourth quarter of 2009, a decrease of \$11,472. The decrease resulted from decrease in legal fees.

## **PROPOSED TRANSACTIONS:**

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the audited annual financial statements for the year ended June 30, 2010.

## **FUTURE ACCOUNTING POLICIES:**

### Basis of presentation

The audited annual financial statements of the Company have been prepared by management in accordance with Canadian GAAP and are presented in Canadian dollars. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality. The significant accounting policies follow that of the most recently reported annual audited financial statements for the year ended June 30, 2010.

### Recent Accounting Pronouncement, Not Yet Adopted

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to prepare its comparative figures for the year ended June 30, 2011 in accordance with IFRS. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Other accounting pronouncements issued with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended September 30, 2011. The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Property, plant and equipment (measurement and valuation);
- Provisions, including asset retirement obligations;
- Stock-based compensation;
- Accounting for joint ventures;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures; information technology; internal controls; contractual arrangements; and employee training. The summary below the expected timing of activities related to the Company's transition to IFRS.

- Initial analysis of key areas for which changes to accounting policies may be required – In progress now.
- Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes of

those with accounting policy alternatives - Throughout 2010.

- Assessment of first-time adoption (IFRS 1) requirements and alternatives - Throughout 2010.
- Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives - Complete.
- Resolution of the accounting policy change implications on information technology, internal controls and contractual agreements - Complete.
- Management and employee education and training - Throughout the transition process.
- Quantification of the Financial Statements impact of changes in accounting policies - Throughout 2010.

Other accounting pronouncements issued with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

## **RISKS AND UNCERTAINTIES:**

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time

- Limited business history of the Company, including lack of revenues and no assurance of profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties to property title
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

The Company is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

## **FINANCIAL INSTRUMENTS**

The carrying value of cash and cash equivalents, short term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial assets that may be exposed to credit risk consist primarily of cash and cash equivalents, which are placed with a major Canadian financial institution, primarily in guaranteed investment certificates. None of the funds are invested in asset backed commercial paper type securities.

The Company's functional currency is the Canadian dollar and the Company does not operate in foreign jurisdictions, which could give rise to exposure to market risk from foreign currency rate changes.

**ADDITIONAL INFORMATION:**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

**DISCLOSURE BY VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE**

An analysis of the material components of the Company's general and administrative expenses is disclosed in the audited annual financial statements for the year ended June 30, 2010 to which this MD&A relates. An analysis of the material components of the acquisition and deferred exploration costs of the Company's mineral property is disclosed in Note 3 to the audited annual financial statements for the year ended June 30, 2010 to which this MD&A relates.

**SHARE CAPITAL:**

At October 25, 2010, the Company had the following number of securities outstanding:

<b>Securities</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry date</b>
Common shares issued and outstanding	24,684,042		
Stock options	1,789,285	\$0.10 to \$0.35	July 31, 2011-September 20,2015
Fully diluted share capital	26,473,327		