



**Annual Report to Shareholders
December 31, 2010**

RED MILE MINERALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Background

This discussion and analysis of financial position and results of operation is prepared as at April 15, 2011 and should be read in conjunction with the audited financial statements and corresponding notes for the fiscal year ended December 31, 2010 of Red Mile Minerals Corp. ("Red Mile" or the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Company's results of operations and financial condition. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Company Overview

The Company was incorporated under the laws of the Province of Alberta on May 31, 2007 and continued into the Province of British Columbia on June 3, 2010.

The Company issued 2,200,000 common shares, at a price of \$0.10 per share, to the directors, officers and seed shareholders on June 6, 2007 for aggregate gross proceeds of \$220,000.

On August 24, 2007, the Company received final receipts for a prospectus dated August 23, 2007 and became a reporting issuer in the Provinces of Alberta and British Columbia. On November 6, 2007, the Company completed its initial public offering to raise \$800,000. Subsequently, on November 12, 2007, the Company's common shares were listed on the TSX Venture Exchange ("TSXV"), as a capital pool company, under the trading symbol "RDM.P". The Company received final approval of its Qualifying Transaction in February 2010 and subsequently changed its name to Red Mile Minerals Corp. The Company's common shares continue to trade under the symbol "RDM".

Qualifying Transaction Summary

The Company completed the arm's length acquisition (the "Acquisition") from Russet Lake Resources Inc. ("Russet Lake") of all of Russet Lake's interest in the option (the "Option") to acquire a 100% interest in the Blue Quartz Property, Beatty Township, Ontario (the "Property"), subject to net smelter return royalties totaling 2.5% (the "NSR"), previously announced by Red Mile in its Press Release dated June 25, 2009. The Option is held under an option agreement between Russet Lake and Thundermin Resources Inc. and Wesdome Gold Mines Ltd. (the "Optionors") dated September 1, 2008 (the "Option Agreement"). Pursuant to the terms of an Assignment and Assumption Agreement dated August 25, 2009, as amended November 27, 2009, (the "Acquisition Agreement") between Red Mile, Russet Lake and the Optionors, Red Mile issued 3,505,000 of its Common Shares to Russet Lake and acquired, by assignment and assumption of remaining obligations, all of Russet Lake's interest in the Option Agreement. Accordingly, Red Mile now holds the Option to acquire a 100% interest in the Property, subject to the NSR. Under the terms of the Acquisition Agreement, the 3,505,000 Common Shares were issued to Russet Lake at a fair value of \$0.06 per Common Share for an aggregate acquisition value of \$210,300 and are subject to Escrow Restrictions as imposed by the TSX Venture Exchange (the "Exchange").

Pursuant to the terms of the Acquisition Agreement, Russet Lake's remaining obligations under the Option Agreement that have been assumed by Red Mile include, in addition to those related to area of interest provisions, the NSR (up to an aggregate 0.5% of which can be bought down for \$500,000), and possible repayment of certain exploration and development expenditures out of net profits from operations on the Property if brought into production, in respect of which Red Mile is to be indemnified by Russet Lake for any amount Red Mile is required to repay in excess of \$1 million, the following in order to exercise the Option:

- (i) paying \$20,000 and issuing 50,000 Red Mile Common Shares to the Optionors on or before September 1, 2009, which cash payment has been made with funds advanced by Red Mile and which share issuance has been made;
- ii) paying \$20,000 and issuing 100,000 Red Mile Common Shares to the Optionors and completing \$150,000 in work expenditures in respect of the Property on or before September 1, 2010, all of which have been completed; and
- iii) paying \$20,000 and issuing 100,000 Red Mile Common Shares to the Optionors and completing \$250,000 in work expenditures in respect of the Property on or before September 1, 2011.

Having completed the Acquisition, Red Mile is now engaged in the business of exploring for, with the ultimate goal of developing and producing, precious metals from the Property and such other properties and interests as may be subsequently acquired by Red Mile.

Upon approval of the Qualifying Transaction, John V. Hickey, President of Russet Lake, joined the board of Red Mile as President and CEO. Kerry Sparkes was appointed Vice President. Robert Matheson remains as the Chief Financial Officer. Larry Whitehead resigned as President and CEO and director. Peter Tallman and John Pallot remain on the Board of Directors.

The current directors and key officers' biographies are listed below:

Mr. Hickey (Toronto, Ontario), President, CEO and Director, John Hickey has been employed as a consultant with Blind Pharaoh Consulting, a private company, since 2006. From 2003 to 2006, he was Chief Financial Officer, Chief Operating Officer and a partner at Industrial Temporary Solutions Inc. Prior thereto, from 1996 to 2003, he served as investment advisor with BMO Nesbitt Burns. Mr. Hickey is also Chief Financial Officer for Nebu Resources Inc. and Sea Green Capital Corporation, both junior exploration companies listed on the Exchange.

Mr. Sparkes (North Vancouver, British Columbia), Vice President and Director is a professional geologist and has over 20 years experience in the exploration business gained working for Noranda Exploration Co. Limited as Project Geologist for seven years prior to becoming Senior Geologist and Exploration Manager with Archean Resources. In 1997, he joined Voisey's Bay Nickel Company Ltd., as Senior Geologist in charge of advanced exploration at Voisey's Bay. In 1998, Mr. Sparkes formed his own consulting company and began consulting for several junior exploration companies. At present, Mr. Sparkes holds the position of Vice-President Exploration for Rainy River Resources Ltd. Mr. Sparkes is also a director of Donner Metals Ltd. and Knight Resources Ltd., both Vancouver based junior exploration companies listed on the Exchange.

Mr. Matheson (Vancouver, British Columbia), Chief Financial Officer, Corporate Secretary and Director, received his Chartered Accountant designation in 1983 while articling with an international accounting firm. In 1984, he founded a predecessor firm of Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants, where he has been a principal since. Mr. Matheson is a lead in the firm's Private Enterprise Group. In addition, he has other business interests, including being a partner in four steakhouse franchises.

Mr. Pallot (New Westminster, British Columbia), Director, has over 32 years experience in the telecommunications industry as a Business Field Supervisor for Telus. He has served as a Director of numerous public companies focused on the resource sector since 1993. Since 2002, Mr. Pallot has been the President and Chief Executive Officer of Windarra Minerals Ltd., a mining issuer listed on the Exchange.

Mr. Tallman (North Vancouver, British Columbia), Director, is a geologist with over 25 years of mineral exploration experience gained from working on projects in Canada, Mexico, South America and Australia. He received his Bachelor of Science degree from the University of Western Ontario in 1984. Mr. Tallman spent three years as Vice-President, Exploration for Prime Equities International Corp., and previously worked for Noranda Inc. and BP-Selco Inc., exploring mineral resource properties primarily in Canada, Mexico, and South America. At present, Mr. Tallman is President and Chief Executive Officer of Messina Minerals Inc. focusing on base metal mineral deposits in central Newfoundland including Messina's newly discovered Boomerang massive sulphide deposit.

Property Descriptions

Blue Quartz

The Blue Quartz Property is located approximately 12 kilometres north-northeast of Matheson, 73 kilometres east-northeast of Timmins and 56 kilometres northwest of Kirkland Lake, all located in the Province of Ontario.

The Property consists of 25 patented mining claims, all with surveyed boundaries, located in Beatty Township, Ontario. As of April 2004, the patented mining claims have been consolidated into 1 parcel – Parcel 23623 covering approximately 400 ha.

The Qualifying Property is subject to net smelter returns royalties totalling 2.5%, up to an aggregate 0.5% of which can be bought for \$500,000.

Patented claims do not have due dates or expiration dates. Assessment work is filed with the Ontario Ministry of Northern Development and Mines. The only payments in respect to the Qualifying Property are annual tax filings to the Ontario Ministry of Northern Development and Mines (2010 - \$1613.36, and municipal taxes to the township of Black River-Matheson, Ontario (2010 - \$653.85).

After the Qualifying Transaction was approved by the TSXV, the Company formally planned and approved a diamond drill program. Cabo Drilling Ontario Corporation has been awarded the surface diamond drilling contract for approximately 1500 meters of NQ diamond drilling over 6 holes. The program is designed to test Blue Quartz auriferous structures associated with the Pipestone fault at depth below the current underground workings and along strike to the north west of existing workings as outlined in the NI 43-101 Technical Report by Luc Rioux P.Geo., (Amended July 27th, 2009) and filed on Sedar. Total budget for the program is \$200,000 and once complete will constitute the final requirement stipulated by the TSX Venture Exchange for minimum listing requirements (MLR) for Red Mile as a Tier 2 issuer. This drill program commenced May 10, 2010 and was completed June, 2010.

The 4-hole drill program tested the gold potential of the Blue Quartz vein and No. 2 vein along strike and down dip from the historical Blue Quartz mine workings developed on these veins. Drill hole collar, azimuth, dip, and hole length information are below:

Hole ID	UTM North*	UTM East*	Azimuth	Dip	Length (m)
RBQ-10-01	5384062	547422	325	-45	351.1
RBQ-10-02	5384062	547422	340	-51	384.0
RBQ-10-03	5384062	547422	340	-45	357.0
RBQ-10-04	5384151	547212	360	-45	409.0

RBQ-10-01 intersected the Blue Quartz vein containing pyrite, arsenopyrite, and sphalerite 150 meters along strike and to the west of previous workings. No significant assays were returned. The main No. 2 vein was intersected 50 meters down dip and directly beneath the western extent of the former mine workings. The vein consisted of pyrite in a quartz chlorite matrix, and assayed 5.3 g/t Au over 2.3 meters. A subsidiary vein system, intersected approximately 40 meters up dip, assayed 0.6 g/t Au over 4.2 meters, and will be referred to as the No. 2a vein.

RBQ-10-02 intersected the Blue Quartz vein 125 meters along strike from the historic workings, however, no significant assays were returned. The No. 2 vein assayed 23.8 g/t Au over 1.0 meter included within 11.9 g/t Au over 2.2 meters, and a broader interval of 1.83 g/t Au of 20.8 meters. The vein was intersected 100 meters down dip from the former mine workings (including BQ-89-12 – 1.06 g/t Au over 25.6 m), and 40 meters below a historic drill intersection (RBQ-90-18) that returned values of 0.86 g/t Au over 75.6 meters.

RBQ-10-03 intersected the Blue Quartz vein 25 meters up dip of RBQ-10-02. No significant assays were returned. The No. 2 vein was intersected from 319-340 meters down hole and 60 meters up dip of RBQ-10-02. Here, a quartz, chlorite pyrite zone was intersected over 0.2 meters and returned 57.4 g/t Au within a broader zone of 1.6 g/t Au over 9.1 meters.

RBQ-10-04 intersected the No. 2 vein which assayed 1.5 g/t Au over 4.0 meters. The No. 2 vein intersection is 40 meters along-strike to the west of the former mine workings and between levels.

A summary of significant gold assay intervals is summarized in Table 1 below.

Table 1: Significant Assays

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Vein
RBQ-10-01	301.10	305.30	4.20	0.6	No. 2a
RBQ-10-01	339.15	341.95	2.80	5.3	No. 2
RBQ-10-02	355.10	375.90	20.8	1.8	No. 2
RBQ-10-02	373.70	375.90	2.20	11.9	No. 2
RBQ-10-02	373.90	374.90	1.00	23.8	No. 2
RBQ-10-03	327.80	336.85	9.10	1.6	No. 2
RBQ-10-03	327.80	328.00	0.20	57.4	No. 2
RBQ-10-04	185.70	189.70	4.00	1.5	No. 2

In December 2010 the Company signed an option agreement with McLaren Resources Inc (CNSX: MCL) "McLaren" whereby McLaren can earn 50% of the Company's interest in the Blue Quartz Property. In addition, upon McLaren earning a 50% interest, McLaren will have the right of first refusal for the remaining 50%.

To acquire 50% of Red Mile's interest in the Blue Quartz Property, McLaren has made a cash payment of \$10,000 and is required to spend a minimum of \$200,000 in exploration and development expenditures on or before September 1, 2011.

John Hickey, President & CEO of Red Mile commented: "We are pleased to have McLaren Resources join with us to take the Blue Quartz project forward. Our previous work on the historic Blue Quartz mine has clearly indicated the property deserves more work to fully explore its mineralization. By McLaren taking on a \$200,000 work program to earn 50%, it allows Red Mile to focus its attention on the Dorset Property in Baie Verte Newfoundland."

Dorset , Newfoundland

On October 25th, 2010, the Company announced that it has acquired an option (the "Agreement") to earn a 100% interest in the Dorset gold property located in northern Newfoundland, Canada from Tenacity Holdings Inc. ("Tenacity") of St. John's, Newfoundland.

The Dorset property lies approximately 7km west southwest of Rambler Metals & Mining PLC Ming Mine Project and 10 km southwest of Anaconda Mining Incorporated's Pine Cove Gold Mine. The Dorset Property is comprised of eight mineral licences encompassing 69 claims totalling 1725 hectares in area.

History

The Dorset property covers 12 kilometers of strike length along the 'Baie Verte Line' crustal suture prospective for gold mineralization in Newfoundland. The property includes the original Dorset showing discovered in 1988 which assayed up to 408 g/t gold in a grab sample followed by representative channel samples from surface trenching of 177 g/t gold over 0.35 meters; 56 g/t gold over 2.5 meters, and 42 g/t gold over 1.5 meters over a strike length of 150 meters. Gold discoveries in the mid-1990's along strike over the 12 km property length include grab samples from outcrop of 10.9 g/t gold, 18.7 g/t gold, and panned concentrates up to 6.2 g/t gold in locally-derived till. None of these have been followed up by diamond drilling or trenching.

John Hickey, President & CEO of Red Mile commented: "We are excited about acquiring a quality property in a structurally favourable setting, that has been under-explored and has had several multi ounce gold showings."

Transaction Terms

To acquire a 100% interest in Tenacity's Dorset Property, Red Mile will issue 100,000 shares in tranches of 25,000 upon signing (issued) and 25,000 shares every 6 months for 18 months (25,000 issued), and in addition issue 1,000,000 non-transferable common share purchase warrants in tranches of 250,000 upon Regulatory Approval (issued), 250,000 every 6 months (250,000 issued), for eighteen months after signing of the Agreement. The share purchase warrants entitle Tenacity to purchase one common share per warrant for a period of eighteen months from the date of issue at a price equal to the closing market price on the day prior to the respective dates of issuance of the warrants.

Red Mile must also incur exploration expenses of not less than \$750,000 by October 18, 2015. A 2.5% net smelter return royalty ("NSR" or "Royalty") has been reserved in favour of Tenacity; Red Mile may purchase and terminate 40% of the Royalty at any time upon paying to Tenacity Gold an aggregate cash payment of \$1,000,000 whereupon the Royalty will be reduced to a 1.5% NSR.

Work Plan

Field work commenced in early March 2011 on the Dorset Property. SCI Exploration completed 70 line kilometers of new grid during the month to facilitate ground magnetic and IP geophysical surveys. Ground Magnetic surveys are now complete, and IP geophysical surveying should be complete by mid-April. Once final data has been received and analyzed, diamond drill targets will be prioritized for a late spring diamond drill program.

Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of gold; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such forward-looking information would include, but is not limited to, risks related to:

- the Company's goal of creating shareholder value by concentrating on the acquisition and development of

- properties that have the potential to contain economic gold;
- management's assessment of future plans for the Company's Blue Quartz Property;
- management's economic outlook regarding future trends;
- the Company's expected exploration plans for Blue Quartz, and, in particular, the availability of skilled labour, timing and the amount of the expected exploration budget;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- governmental regulation and environmental liability.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate and readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Selected Annual Financial Information

A summary of selected annual financial information is as follows:

	For the year ended December 31					
	2010		2009		2008	
Loss for the year	\$	(285,551)	\$	(210,228)	\$	(93,862)
Basic and diluted loss per common share	\$	(0.03)	\$	(0.03)	\$	(0.02)
Total assets	\$	987,897	\$	620,922	\$	799,447
Working capital	\$	468,337	\$	541,044	\$	774,692

December 31, 2010 Compared to December 31, 2009

During the fiscal year ended December 31, 2010, the Company recorded a net loss of \$285,551, including general and administrative expenses of \$286,671, compared to a net loss of \$210,228 and general and administrative expenses of \$214,430 in fiscal 2009. There was a decrease in 2010 professional fees of \$47,346. Included in 2010 professional fees were legal fees of \$90,520 related primarily to mineral property acquisitions as compared to 2009 legal fees of \$133,966 relating primarily to the Company's Qualifying Transaction. In fiscal 2010, the Company also experienced significant increases in management fees, promotion and advertising, rent and stock-based compensation in comparison to fiscal 2009 as the Company became more active in the areas of acquisition and development of mineral properties, financing and shareholder communications.

December 31, 2009 Compared to December 31, 2008

During the fiscal year ended December 31, 2009, the Company recorded a net loss of \$210,228, including general and administrative expenses of \$213,430, compared to a net loss of \$93,862 and general and administrative expenses of \$114,858 in 2008. Included in 2009 expenses are professional fees of \$154,966 related primarily to the Company's Qualifying Transaction.

Selected Interim Financial Information

A summary of selected interim financial information is as follows:

For the three month period ended

	Dec. 31 2010 \$	Sept. 30 2010 \$	June 30 2010 \$	Mar. 31 2010 \$	Dec. 31 2009 \$	Sept. 30 2009 \$	June 30 2009 \$	Mar. 31 2009 \$
Cash and term deposits	499,367	90,765	179,294	477,090	593,382	623,164	740,832	771,279
Loss for the quarter	(40,672)	(40,532)	(104,780)	(99,594)	(67,543)	(106,630)	(31,712)	(4,343)
Loss per share (basic and diluted)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.00)
Total assets	987,897	540,387	587,973	687,348	620,922	654,150	745,435	773,470

The Company has had no revenues other than interest on term deposits. Accordingly, each quarter, cash and term deposits have decreased as funds are spent on property acquisition and exploration, as well as on administrative expenses and increased by funds raised through financings. Cash and term deposits have increased from \$90,765 at September 30, 2010 to 499,367 at December 31, 2010. The change is primarily due to gross proceeds of 435,000 from the private placement which closed December 24, 2010. Administrative expenses for the last two quarters of the year have decreased relative to the first and second quarters primarily as a result of decreases in professional fees and regulatory fees as a result of completion of the Blue Quartz agreement.

Financial Condition / Capital Resources

Since inception, the Company's capital resources have been limited to amounts raised from the sale of common shares in the Company. From inception to December 31, 2009, the Company raised \$1,020,000 gross proceeds from the sale of its common shares.

In December 2010, the Company issued 1,225,000 units at a price of \$0.10 per unit and 2,500,000 flow-through units at \$0.125 for total proceeds of \$435,000 by way of a non-brokered private placement. Each non-flow-through unit consisted of one common share and one common share purchase warrant exercisable for two years at a price of \$0.20. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant, each whole warrant exercisable for two years at a price of \$0.25. The Company also issued 25,000 non-flow-through units (valued at \$2,500) and 168,000 common share purchase warrants (valued at \$10,080) as finders' fees on completion of the private placement. The finders' units bear the same rights as the non-flow-through units of the private placement. The finders' warrants are exercisable for a period of one year at a price of \$0.10. The Company also paid \$10,000 in finders' fees.

As at December 31, 2010, the Company had working capital of \$468,337. At the current rate of expenditure, the Company has sufficient working capital to meet its 2011 administrative overhead and complete its 2011 work expenditures on its mineral properties.

Related Party Transactions

The Company entered into the following transactions with related parties during the year ended December 31, 2010:

- a) paid management fees of \$45,833 (2009 - \$Nil) to a director and officer of the Company;
- b) paid geological consulting fees of \$25,300 (2009 - \$Nil) to a director of the Company; and
- c) paid accounting fees of \$1,500 (2009 - \$2,000) to an entity in which a principal is a director of the Company and \$7,173 (2009 - Nil) to a party related to a director.

Included in accounts payable at December 31, 2010 is \$3,651 (2009 - \$Nil) owing to officers and directors of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Income Taxes

The Company currently has no active business and therefore any tax liability is limited to taxes on income received from cash on deposit. In the future, the Company anticipates that this tax position will change. For the year ended December 31, 2010, expenses exceeded interest income, resulting in a loss for tax purposes.

Risks and Uncertainties

As the Company has not commenced principal operations, historical revenue and expenditure trends are not indicative of future activity. The Company has committed to certain work expenditures on the Blue Quartz gold property, and may enter into future agreements. The ability of the Company to fund its future operations and commitments is dependent on its ability to obtain additional financing.

Risks of the Company's business include the following:

Mining Industry

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration and development of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to life or property, environmental damage and possible legal liability. The Company's mineral exploration activities are directed towards the search, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by the Company as described herein will result in discoveries of commercial quantities of ore. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Government Regulation

The exploration activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, taxes, labour standards, toxic substances and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations governing operations and exploration activities, no assurance can be given that new rules and

regulations, amendments to current laws and regulations or more stringent implementation thereof could have a substantial adverse impact on the Company's activities.

Permits and Licenses

The exploitation and development of mineral properties may require the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that may be required to carry out exploration, development and mining operations on its properties.

Environmental Risks and Hazards

All phases of the Company's mineral exploration operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulations, laws and permits, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Commodity Prices

The profitability of mining operations is significantly affected by changes in the market price of gold and other minerals. The level of interest rates, the rate of inflation, world supply of these minerals and stability of exchange rates can all cause significant fluctuations in base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of gold and other minerals has fluctuated widely in recent years, and future serious price declines could cause commercial production to be impracticable.

Uninsured Risks

The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

Conflicts of Interest

Certain of the directors of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Land Title

Although the Company has obtained a title opinion with respect to its property, there may still be undetected title defects. Accordingly, the property may be subject to prior unregistered liens, agreements, transfers, claims or other undetected defects, which may affect title and could have a material adverse impact on the Company's operations.

Aboriginal Land Claims

No assurance can be given that aboriginal land claims will not be asserted in the future, in which event, the Company's operations and title to its property may be adversely affected.

Recent Accounting Pronouncements

International Financial Reporting Standards (IFRS)

IFRS Transition Plan

The Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's fiscal 2011 interim and annual financial statements will include comparative fiscal 2010 financial statements, adjusted to comply with IFRS.

The Company has established an IFRS implementation plan to prepare for this transition and will be communicating with the Company's auditors and the Audit Committee in order to facilitate a smooth transition. The Company 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;
- Impairment of assets;
- Stock-based compensation;
- Asset retirement obligations;
- First-time adoption of IFRS (IFRS 1).

Detailed analysis of all relevant IFRS requirements and identification of areas requiring policy changes or areas eligible for alternatives will be undertaken during the first quarter of fiscal 2011. The Company does not anticipate significant adjustments to its comparative figures for fiscal 2010. Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives will be undertaken in the first quarter of fiscal 2011.

The Board of Directors and Audit Committee will be regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation of key aspects of IFRS affecting the Company. Quantification of the financial statement impact of changes in accounting policies will be made during the fourth quarter of fiscal 2011.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

As part of the IFRS implementation plan, the Company will identify the optional exemptions it will apply in its preparation of an opening IFRS statement of financial position as at January 1, 2011, the Company's transition date.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS may result in changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the period ended March 31, 2011, will include an update on the progress of the transition plan, and any further information available regarding the impact of adopting IFRS on significant accounting policies and key elements of the financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the first quarter of fiscal 2011 will also include fiscal 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (as at January 1, 2011).

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces Section 1581. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with IFRS. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with early adoption permitted.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces Section 1600, Consolidated Financial Statements. Section 1601 provides guidance on the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective for the Company's interim and annual financial statements for its fiscal year beginning on January 1, 2011. The adoption of these standards is not expected to have a material effect on the Company's financial statements.

Management's Report On Financial Controls Over Internal Reporting

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Additional Disclosure for Venture Issuers Without Significant Revenue

Fourth Quarter Operating Expenses

	Three months ended December 31	
	2010	2009
EXPENSES		
Amortization	\$ 855	\$ -
Consulting fees	-	5,000
Corporate administration fees	3,975	1,445
Management and financial consulting	16,417	3,120
Office and miscellaneous	1,610	1,914
Professional fees	20,707	-
Promotion and advertising	(4,774)	82,444
Regulatory fees and transfer agent fees	4,191	11,603
Rent	4,500	-
Telephone	(7,650)	871
Travel and related costs	22	442
	\$ 40,672	\$ 106,839

Disclosure of Outstanding Share Data (as at April 15, 2011)

Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	13,715,000
Preferred	Nil	Unlimited	Nil

During the fiscal year the Company issued 3,555,000 common shares pursuant to its Qualifying Transaction property acquisition. The Company issued 100,000 common shares pursuant to its option on the Blue Quartz property and 60,000 shares with a fair value of \$4,500 for services. During the last quarter, the Company issued 25,000 shares pursuant to its option on the Dorset property as well as issuing 1,225,000 units at a price of \$0.10 per unit and 2,500,000 flow-through units at \$0.125 for total proceeds of \$435,000 by way of a non-brokered private placement. Each non-flow-through unit consisted of one common share and one common share purchase warrant exercisable for two years at a price of \$0.20. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant, each whole warrant exercisable for two years at a price of \$0.25. 25,000 non-flow-through units (valued at \$2,500) and 168,000 common share purchase warrants (valued at \$8,400) were issued

as finders' fees on completion of the private placement. The finders' units bear the same rights as the non-flow-through units of the private placement. The finders' warrants are exercisable for a period of one year at a price of \$0.10. Subsequent to the fiscal year end the Company issued 25,000 shares pursuant to its Dorset property option.

Escrowed Shares

The initial 2,200,000 common shares issued on incorporation and all common shares that may be acquired from treasury of the Company by non-arm's length parties of the Company prior to completion of a Qualifying Transaction have been deposited with Computershare Investor Services Inc. under the Escrow Agreement dated June 30, 2007. Subsequent to the Company's completion of its Qualifying Transaction, 10% of these shares were released, and an additional 15% will be released each six months thereafter. The 3,505,000 shares issued to acquire the Blue Quartz property were deposited into escrow, with 175,250 released upon approval by the TSX of the Qualifying Transaction, 175,250 released 6 months later and the balance to be released on a schedule over a period of 2.5 years. 132,000 common shares held by insiders were deposited into escrow, with 10% released upon approval by the TSX of the Qualifying Transaction, and an additional 15% to be released each 6 months thereafter.

Description of Options, Warrants and Convertible Securities Outstanding

Security Type	Number	Weighted Average Exercise Price	Expiry Date
Options	460,000	\$0.20	November 6, 2012
Options	225,000	\$0.10	February 4, 2015
Warrants	250,000	\$0.10	November 17, 2015
Warrants	193,000	\$0.11	December 24, 2012
Warrants	2,475,000	\$0.23	December 24, 2012
Warrants	250,000	\$0.135	April 11, 2016

During the year, the Company issued 225,000 incentive stock options exercisable at \$0.10 for a period of 5 years. Also, 160,000 options granted November 6, 2007 had their expiry date changed from November 6, 2012 to February 3, 2011 upon the resignation of a Director and expired subsequent to the year end. During the fourth quarter the Company issued 250,000 warrants exercisable at \$0.10 to November 17, 2015 pursuant to the Dorset property option. Pursuant to the December 24, 2012 private placement, the Company issued 2,475,000 common share purchase warrants exercisable into one common share for a period of one year with an average exercise price of \$0.23. The Company also issued 25,000 warrants as part of finders' units exercisable at \$0.20 into one common share for a period of two years and 168,000 finders' warrants exercisable into one common share at \$0.10 for a period of one year pursuant to the private placement. Subsequent to the fiscal year end the Company issued 250,000 warrants exercisable at \$0.135 to April 11, 2016 pursuant to the Dorset property option.

Additional Information

Additional information relating to the Company can also be found on SEDAR at www.sedar.com.

RED MILE MINERALS CORP.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Red Mile Minerals Corp.

We have audited the accompanying financial statements of Red Mile Minerals Corp., which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Red Mile Minerals Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to these financial statements which describes the uncertainty related to Red Mile Minerals Corp.'s ability to continue as a going concern. Our opinion is not qualified in respect to this matter.

/s/ "Manning Elliott LLP"

Chartered Accountants

Vancouver, British Columbia

April 12, 2011

RED MILE MINERALS CORP.
BALANCE SHEETS
AS AT DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Current		
Cash	\$ 499,367	\$ 93,382
Term deposits	-	500,000
Receivables	4,786	4,120
Prepaid expenses	6,195	-
	<u>510,348</u>	<u>597,502</u>
Computer software (Note 6)	-	3,420
Advance on mineral property agreement (Note 7)	-	20,000
Mineral property and deferred exploration expenditures (Note 7)	477,531	-
	<u>\$ 987,879</u>	<u>\$ 620,922</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities \$ 42,011 \$ 56,458

Shareholders' Equity

Share capital (Note 8) 1,463,627 837,102

Contributed surplus (Note 8) 178,245 137,815

Deficit (696,004) (410,453)

945,868 564,464

\$ 987,879 \$ 620,922

Nature of business and going concern (Note 1)

On behalf of the Board:

"John V. Hickey"

 Director

"Bob Matheson"

 Director

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

RED MILE MINERALS CORP.
STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
EXPENSES		
Amortization	\$ 3,420	\$ 1,140
Consulting fees	-	9,575
Corporate administration fees	15,303	3,803
Management and financial consulting	59,135	5,355
Office and miscellaneous	4,755	3,238
Professional fees	107,620	154,966
Promotion and advertising	27,437	780
Property evaluation costs	2,453	-
Regulatory fees and transfer agent fees	34,779	27,465
Rent	16,500	-
Stock-based compensation (Note 10)	10,350	-
Telephone	3,187	3,730
Travel and related costs	1,732	3,378
Loss before other item	(286,671)	(213,430)
OTHER ITEM		
Interest income	1,120	3,202
Loss and comprehensive loss for the year	(285,551)	(210,228)
Deficit, beginning of year	(410,453)	(200,225)
Deficit, end of year	\$ (696,004)	\$ (410,453)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.03)
Weighted average number of common shares outstanding during the year	9,603,233	6,200,000

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

RED MILE MINERALS CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (285,551)	\$ (210,228)
Items not affecting cash:		
Amortization	3,420	1,140
Promotion and advertising	4,500	-
Stock-based compensation	10,350	-
	<u>(267,281)</u>	<u>(209,088)</u>
Changes in non-cash working capital items:		
Increase in receivables	(666)	(348)
Increase in prepaid expenses	(6,195)	-
Increase (decrease) in accounts payable and accrued liabilities	(21,197)	31,703
Net cash used in operating activities	<u>(295,339)</u>	<u>(177,733)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Term deposits	500,000	250,000
Purchase of computer software	-	(4,560)
Advance on mineral property agreement	-	(20,000)
Mineral property expenditures	(214,481)	-
Net cash provided by investing activities	<u>285,519</u>	<u>225,440</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	425,000	-
Share issue costs	(9,195)	-
Net cash provided by investing activities	<u>415,805</u>	<u>-</u>
Change in cash during the year	405,985	47,707
Cash, beginning of year	<u>93,382</u>	<u>45,675</u>
Cash, end of year	<u>\$ 499,367</u>	<u>\$ 93,382</u>

Supplemental disclosure with respect to cash flows (Note 12)

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

Note 1 NATURE OF BUSINESS AND GOING CONCERN

Red Mile Minerals Corp (the "Company") was incorporated under the Business Corporations Act of Alberta on May 31, 2007 as a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange (the 'TSXV'). Effective February 17, 2010, the Company changed its name from Red Mile Capital Corp. to Red Mile Minerals Corp. During the 2010 year, the Company completed its Qualifying Transaction by acquiring from Russet Lake Resources Inc. all of Russet Lake's interest in the Blue Quartz gold property located in Beatty Township, Ontario. See Mineral Property, Note 7. Effective January 19, 2010, the Company was no longer considered a capital pool company.

The Company incurred a net loss of \$285,551 (2009: \$210,228) for the year ended December 31, 2010 and had an accumulated deficit of \$696,004 (2009: \$410,453) at December 31, 2010 which has been funded primarily by the issuance of equity. The ability of the Company to continue as a going concern is uncertain and is dependent upon the ability of the Company to obtain additional financing. In the event the additional financial support is not received, the carrying value of the Company's assets may be adversely affected.

These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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.

Term deposits

Term deposits consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase.

Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840 - Related Party Transactions.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company classifies its cash and term deposits as held-for-trading and accounts payable as other financial liabilities.

Computer software

Computer software is recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated amortization. When computer software is sold or abandoned, the recorded costs and related accumulated amortization are removed from the accounts and any gains or losses are included in the determination of net earnings. Amortization is calculated using the declining balance method.

Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. 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 have lapsed, the unrecoverable amounts are expensed.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves, 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 any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date less write-downs and recoveries and do 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.

Asset retirement obligations

The Company follows the recommendations of the CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2010, the Company has not incurred any asset retirement obligations related to the exploration and development of its mineral properties.

Stock-based compensation

The Company has a plan for granting stock options to management, directors, employees and consultants as described in Note 9. The Company recognizes compensation expense under this plan using the fair value method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of stock options granted to employees is recognized as stock-based compensation expense over the vesting period and credited to contributed surplus. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as stock-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to contributed surplus are recorded as share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted.

Future income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences which arise between the accounting basis and the tax basis of various assets and liabilities, and are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized. Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that future income tax asset will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company files the renouncement documents with the tax authorities to renounce the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Loss per share

Loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of “in the money” stock options and warrants.

Use of estimates

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates used in the preparation of these financial statements include, among others, the impairment of mineral properties, future income tax valuation allowances and assumptions used in valuing options and warrants in stock-based compensation calculations. Management believes that the estimates used are reasonable and prudent; however, actual results could differ from those estimates.

Note 3 RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board (“AcSB”) announced that 2011 is the changeover date for publicly-listed companies to use International Financial Reporting Standards (“IFRS”), replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company is January 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended December 31, 2011. The impact of the transition to IFRS on the Company’s financial statements is currently being evaluated.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces Section 1581. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with IFRS. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with early adoption permitted.

Business Combinations (cont’d)

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces Section 1600, Consolidated Financial Statements. Section 1601 provides guidance on the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective for the Company’s interim and annual financial statements for its fiscal year beginning on January 1, 2011. The adoption of these standards is not expected to have a material effect on the Company’s financial statements.

Note 4 FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

Under Canadian GAAP, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2010	2009
	\$	\$
Cash – Held-for-trading	499,367	93,382
Term deposits – Held-for-trading	-	500,000
Accounts payable - Other financial liabilities	22,111	46,918

The estimated fair values of cash, term deposits and accounts payable approximate their respective carrying values due to their nature and short terms to maturity.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is \$499,367 consisting of cash. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the government of Canada. In management's opinion, the Company's credit risk related to cash is minimal.

Liquidity Risk

The Company's manages its liquidity risk in order to ensure that it will have sufficient financial resources to meet liabilities when due. As at December 31, 2010, the Company had working capital of \$468,337. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at December 31, 2010, the Company has adequate working capital to discharge its existing financial obligations. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as its administrative operations are all in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's exposure relates to its ability to earn short term interest on cash and term deposit balances at variable rates. The Company has no long-term debt and therefore is not affected by changes in long-term interest rates. With respect to interest rate risk management, the Company is at risk to open market fluctuation in interest rates.

Note 4 FINANCIAL INSTRUMENTS AND RISK (cont'd)Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.

Fair Value Measurements

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of December 31, 2010 as follows:

	Fair Value Measurements Using			Total December 31 2010 \$
	Quoted Prices in Active Markets for Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	
Assets:				
Cash	499,367	-	-	499,367

Note 5 MANAGEMENT OF CAPITAL

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

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. As at December 31, 2010, the Company had capital resources consisting of cash and term deposits. 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 through share issuances as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

The Company's investment policy is to invest in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

Note 6 COMPUTER SOFTWARE

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 4,560	\$ 4,560	\$ -	\$ 3,420

Note 7 MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Blue Quartz Property	Dorset Property	Total 2010
Acquisition and maintenance costs			
Balance, beginning of year	\$ -	\$ -	\$ -
Additions during the year:			
Cash paid	20,000	-	20,000
Advances applied to acquisition	20,000	-	20,000
Fair value of shares issued	220,550	2,500	223,050
Fair value of warrants issued	-	20,000	20,000
Mining and property taxes	2,267	-	2,267
Balance, end of year	262,817	22,500	285,317
Deferred exploration costs			
Balance, beginning of year	-	-	-
Additions during the year			
Assays, testing and analysis	9,170	-	9,170
Camp construction and supplies	7,089	-	7,089
Diamond drilling	136,960	-	136,960
Geology, geophysics and prospecting	42,934	-	42,934
Transportation and travel	6,061	-	6,061
Balance, end of year	202,214	-	202,214
Option agreement payment	(10,000)	-	(10,000)
Total, end of year	\$ 455,031	\$ 22,500	\$ 477,531

Blue Quartz Property, Ontario

During the year ended December 31, 2009, the Company entered into an agreement with Russet Lake Resources Inc. (Russet Lake) to acquire a 100% interest in the Blue Quartz gold property located in northern Ontario. Russet Lake holds an option to acquire the 100% interest subject to net smelter return (NSR) royalties of 2.5%.

Note 7 MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Blue Quartz Property, Ontario (cont'd)

During the year ended December 31, 2010, the agreement received regulatory approval and the acquisition was completed. In order to acquire this interest, the Company has issued a total of 3,655,000 of its common shares (valued at \$220,500) and made cash payments of \$40,000. The Company must also make a cash payment of \$20,000, issue 100,000 of the Company's common shares, and complete \$250,000 in work expenditures on or before September 1, 2011.

Up to an aggregate 0.5% of the NSR can be bought back for \$500,000.

Also, during the year ended December 31, 2010, the Company entered into an option agreement whereby the optionee can earn 50% of the Company's interest in the property by making a cash payment of \$10,000 (received) and spending a minimum of \$200,000 in exploration and development expenditures on or before September 1, 2011. Upon earning the 50% interest, the optionee will have right of first refusal for the remaining 50%.

Dorset Property, Newfoundland

On October 18, 2010, the Company entered into an option agreement to earn a 100% interest in the Dorset gold property located in northern Newfoundland. In order to acquire this interest, the Company issued 25,000 common shares (valued at \$2,500) and must issue a further 75,000 shares at 6 month intervals within 18 months of the signing date of the agreement. The Company has also issued 250,000 common share purchase warrants (valued at \$20,000) and must issue a further 750,000 warrants at 6 month intervals within 18 months of the signing date of the agreement. The Company must also incur exploration expenses of not less than \$750,000 by October 18, 2015.

The property is subject to a 2.5% NSR. The Company may purchase 40% of the NSR for \$1,000,000.

Note 8 SHARE CAPITAL**Authorized**

Unlimited common voting shares, without par value

Unlimited preferred shares, without par value

Issued and outstanding	Number of Common Shares	Amount	Contributed Surplus
Balance at December 31, 2009 and December 31, 2008	6,200,000	\$ 837,102	\$ 137,815
Private placement	3,725,000	435,000	-
Issued for property	3,680,000	223,050	-
Issued for services	85,000	7,000	-
Fair value of warrants issued for property	-	-	20,000
Fair value of finders' warrants	-	(10,080)	10,080
Share issue costs	-	(18,445)	-
Share subscription receivable	-	(10,000)	-
Stock-based compensation	-	-	10,350
Balance at December 31, 2010	13,690,000	\$ 1,463,627	\$ 178,245

During the year ended December 31, 2010, the Company completed the following share transactions:

- a) issued 1,225,000 units at a price of \$0.10 per unit and 2,500,000 flow-through units at \$0.125 for total proceeds of \$435,000 by way of a non-brokered private placement. Each non-flow-through unit consisted of one common share and one common share purchase warrant exercisable for two years at a price of \$0.20. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant, each whole warrant exercisable for two years at a price of \$0.25;
- b) issued 25,000 non-flow-through units and 168,000 common share purchase warrants as finders' fees on completion of the private placement. The finders' units bear the same rights as the non-flow-through units of the private placement. The finders' warrants are exercisable for a period of one year at a price of \$0.10. The Company also paid \$10,000 in finders' fees.
- c) issued a total of 3,655,000 shares with a fair value of \$220,500 as part of the acquisition of the Blue Quartz property (Note 7);
- d) issued 25,000 shares with a fair value of \$2,500 as part of the acquisition of the Dorset property (Note 7);
- e) issued 60,000 shares with a fair value of \$4,500 as part of an agreement for internet presentation and branding which has been expensed as promotion and advertising.

The Company did not issue any shares in the year ended December 31, 2009.

There are 4,621,500 shares held in escrow. Under the terms of the escrow agreements, these shares will be released on a schedule over the 3 years from February 3, 2010.

Warrants

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance, December 31, 2009	-	\$ -	
Private placement issued	2,475,000	\$ 0.23	December 24, 2012
Issued for services	193,000	\$ 0.11	December 24, 2012
Issued for property	250,000	\$ 0.10	November 17, 2015
Balance, December 31, 2010	2,918,000	\$ 0.22	

During the year ended December 31, 2010, the Company issued 2,475,000 common share purchase warrants as part of a private placement. The Company also issued 25,000 warrants as part of finders' units exercisable at \$0.20 into one common share for a period of two years and 168,000 finders' warrants exercisable into one common share at \$0.10 for a period of one year pursuant to the private placement. The fair value of the 168,000 finders' warrants was estimated at \$10,080 on the issue date using the Black-Sholes pricing model based on the following assumptions:

Risk-free interest rate	1.69%
Expected life of options	2 years
Expected annualized volatility	115%
Expected dividend yield	0.00%

Also during the year, the Company issued 250,000 common share purchase warrants exercisable at \$0.10 for a period of two years as part of the Dorset property agreement (Note 8). The fair value of these warrants was estimated at \$20,000 on the issue date using the Black-Sholes pricing model based on the following assumptions:

Risk-free interest rate	2.32%
Expected life of options	5 years
Expected annualized volatility	115%
Expected dividend yield	0.00%

During the year ended December 31, 2009, the Company did not issue any warrants.

Note 9 STOCK OPTION PLAN AND STOCK-BASED COMPENSATION

The Company has a stock option plan applicable to directors, officers and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is five years from the grant date. Options under this plan vest upon issuance.

During the year ended December 31, 2010, the Company issued 225,000 common stock options with a fair value of \$0.046 per option to directors, officers and consultants and, accordingly, stock-based compensation of \$10,350 has been recognized. The Company did not issue any options during the year ended December 31, 2009.

The fair value of these stock options was calculated using the Black-Sholes option pricing model based on the following weighted average assumptions:

Risk-free interest rate	2.52%
Expected life	5 years
Expected annualized volatility	115%
Expected dividend rate	0.00%

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

Number of Shares	Weighted Average	
	Exercise Price \$	Expiry Date
160,000	0.20	February 3, 2011
460,000	0.20	November 6, 2012
225,000	0.10	February 4, 2015
845,000	0.17	

During the year ended December 31, 2010, the expiry date on 160,000 common stock options was changed from November 6, 2012 to February 3, 2011.

Note 10 INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2010	2009
Combined Canadian statutory income tax rate	28.50%	30.00%
Income tax recovery at statutory rate	\$ 81,382	\$ 63,068
Effect of income taxes of:		
Change in enacted rates	(9,230)	(10,611)
Change in valuation allowance	(72,152)	(52,457)
Income tax recoverable	\$ -	\$ -

Note 10 INCOME TAXES (cont'd)

Significant components of the Company's future income tax assets are shown below:

	2010	2009
Non-capital loss carry forwards	\$ 175,369	\$ 99,541
Share issue costs	10,674	13,971
Mineral properties	(94)	-
Computer software	-	285
Valuation allowance	(185,949)	(113,797)
Net future income tax asset	\$ -	\$ -

The Company has approximately \$701,474 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2027	39,328
2028	121,804
2029	246,089
2030	294,253
	<u>701,474</u>

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

Note 11 RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended December 31, 2010:

- d) paid management fees of \$45,833 (2009 - \$Nil) to a director and officer of the Company;
- e) paid geological consulting fees of \$25,300 (2009 - \$Nil) to a director of the Company; and
- f) paid accounting fees of \$1,500 (2009 - \$2,000) to an entity in which a principal is a director of the Company, and \$7,173 (2009 - Nil) to a party related to a director.

Included in accounts payable at December 31, 2010 is \$3,651 (2009 - \$nil) owing to officers and directors of the Company.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 12 SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2010, the Company had the following significant non-cash transactions:

- a) incurred accounts payable for share issue costs in the amount of \$6,750;
- b) issued 3,655,000 common shares valued at \$220,550 as part of the Blue Quartz property agreement (Note 7);
- c) issued 25,000 common shares valued at \$2,500 and 250,000 common share purchase warrants valued at \$20,000 as part of the Dorset property agreement (Note 7);
- d) issued 25,000 non-flow-through units valued at \$2,500 and 168,000 common share purchase warrants valued at \$10,080 as finders' fees pursuant to a private placement; and
- e) accepted a share subscription receivable for common shares in the amount of \$10,000.

Note 13 COMPARATIVE FIGURES

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