Consolidated Financial Statements

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Midasco Capital Corp.

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Midasco Capital Corp. and its subsidiary 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 in the consolidated financial statements which indicates that the Company incurred a net loss of $413,215 during the year ended December 31, 2010 and, as of that date, the Company's current liabilities exceeded its current assets by $72,240. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
March 24, 2011

CONSOLIDATED BALANCE SHEETS
At December 31

	Note	**2010**	2009
		$	$
Assets			
Cash		**51,066**	50,713
Term deposit		**-**	200,000
Receivables		**869**	3,361
Marketable securities	4	**20,000**	18,750
Current assets		**71,935**	272,824
Other investment		**2**	2
Equipment	5	**-**	48,715
Reclamation bonds	3	**-**	16,154
Mineral properties and deferred costs	6	**-**	79,446
		71,937	417,141
Liabilities			
Accounts payable and accrued liabilities		**16,589**	23,577
Due to related parties	8	**127,586**	53,837
Current liabilities		**144,175**	77,414
Shareholders' Equity (Deficiency)			
Share capital	7	**12,690,041**	12,690,041
Contributed surplus	7	**1,309,342**	1,309,342
Accumulated other comprehensive loss		**(2,500)**	(3,750)
Deficit		**(14,069,121)**	(13,655,906)
		(72,238)	339,727
		71,937	417,141

Nature of operations and going concern	1
Subsequent events	14

Approved on Behalf of the Board of Directors

/s/ Dustin Elford	/s/ William Pettigrew
Director	Director

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
Years Ended December 31

	Note	**2010**	2009
		$	$
Expenses			
Amortization		**48,715**	19,983
Consulting		**663**	-
Investor relations		**2,193**	24,147
Management fees	8	**180,000**	210,000
Office and general	8	**16,214**	60,947
Professional fees	8	**45,836**	56,635
Stock-based compensation	7	**-**	41,525
Transfer agent and filing fees		**8,666**	10,874
Property investigation		**1,158**	-
Travel and promotion		**5,272**	19,211
Loss before other items		**(308,717)**	(443,322)
Investment income		**-**	1,649
Impairment of mineral properties	6	**(87,905)**	(552,266)
Impairment of reclamation bonds	3	**(16,154)**	-
Foreign exchange loss		**(439)**	(2,869)
Net loss for the year		**(413,215)**	(996,808)
Deficit, beginning		**(13,655,906)**	(12,659,098)
Deficit, ending		**(14,069121)**	(13,655,906)
Basic and diluted loss per common share		**(0.01)**	(0.03)
Weighted average number of common shares outstanding – basic and diluted		**34,098,275**	34,098,275

The accompany notes are integral to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Years Ended December 31

	2010	2009
	$	$
Net loss for the year	**(413,215)**	(996,808)
Unrealized gain on available-for-sale securities	**1,250**	17,500
Comprehensive loss for the year	**(411,965)**	(979,308)
Accumulated other comprehensive income (loss) - beginning	**(3,750)**	(21,250)
Other comprehensive income (loss)	**1,250**	17,500
Accumulated other comprehensive loss - ending	**(2,500)**	(3,750)

The accompany notes are integral to these consolidated financial statements.

CONSOLIDATED STATEMENTS CASH FLOW
Years Ended December 31

	2010	2009
	$	$
Cash Flows From Operating Activities		
Net loss for the year	(413,215)	(996,808)
Items not affecting cash:		
Amortization	48,715	19,983
Impairment of bond reclamation	16,154	-
Impairment of mineral properties	87,905	552,266
Stock-based compensation	-	41,525
Foreign exchange	-	(785)
	(260,441)	(383,819)
Change in non-cash working capital balances	69,253	37,931
	(191,188)	(345,888)
Cash Flows From Investing Activities		
Acquisition and exploration of mineral properties	(8,459)	(102,753)
Redemption of term deposit	200,000	300,000
	191,541	197,247
Change in Cash	353	(148,641)
Cash, Opening Balance	50,713	199,354
Cash, Ending Balance	51,066	50,713

Supplement disclosure with respect to cash flows (Note 9)

The accompany notes are integral to these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010

1. Nature and Continuance of Operations

Midasco Capital Corp. (the "Company"), through its wholly-owned subsidiary Midasco Uranium LLC, is engaged in the acquisition, exploration and development of mineral properties. The Company is in the process of evaluating its mineral property interests and has not yet determined whether it is economically feasible to advance these projects in light of current market conditions. The recoverability of amounts recorded for mineral properties and related deferred costs are dependent upon the discovery of economically recoverable reserves.

The ability of the Company to continue to operate as a going concern is dependent on its ability to raise sufficient capital to acquire and develop its mineral properties and to fund the costs of its operations and ultimately operate its business at a profit. To date, the Company has not generated revenues from operations and will require additional funds to meet its obligations and the costs of its operations. The Company incurred a net loss of $413,215 during the year ended December 31, 2010 and, as of that date, the Company's current liabilities exceeded its current assets by $72,240. Further losses are anticipated prior to the generation of any operating revenues or profits. The Company's future capital requirements will depend on many factors, including the costs of exploring its mineral properties, operating costs, competitive environment and global market conditions. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations in the future.

The Company will depend almost exclusively on outside capital. Such outside capital will include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet ongoing commitments and to fund continuing evaluation activity or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. If the Company is unsuccessful in raising adequate financing, exploration activity will be postponed until market conditions improve. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

These consolidated financial statements are presented in accordance with generally accepted accounting principles ("GAAP") applicable in Canada. These consolidated financial statements include the accounts of Midasco Capital Corp. and its wholly owned subsidiary Midasco Uranium LLC ("Midasco Uranium"), incorporated in the state of Colorado. All inter-company transactions and balances have been eliminated upon consolidation.

(b) 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination and measurement of impairment of mineral property interests, the determination of future income taxes and the determination of fair value for stock-based transactions. Where estimates have been used financial results as determined by actual events could differ from those estimates.

(c) Cash and cash equivalents

Cash equivalents usually consist of highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased. At December 31, 2010 and 2009, the Company did not hold any cash equivalents.

(d) Short term investments

Short-term investments consist of highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity more than ninety days, but not more than one year, that are readily convertible to contracted amounts of cash. Short-term investments are classified as held-for-trading and are recorded at fair value with realized and unrealized gains and losses reported in net income (loss). At December 31, 2010 the Company's short term investment was $Nil (2009 - $200,000).

(e) Future income taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using 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 to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(f) Long-lived assets

Mineral Properties

The Company is in the exploration and development stages and defers all expenditures related to its mineral properties until such time as the property is put into commercial production, sold, abandoned or management has determined it to be impaired. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the property is put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the property is sold, abandoned or impaired, then the expenditure will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

Equipment

Equipment is valued at cost less accumulated amortization. The Company provides for amortization for all property and equipment classes using the declining balance method at rates between 20% and 45% and applies one-half of the applicable rate in the year of acquisition.

Impairment of long-lived assets

The carrying value of long-lived assets, which consist primarily of mineral properties and equipment, is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized if the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and disposal. An impairment loss is recorded on the statement of loss and deficit based on the amount by which the carrying amount of the asset exceeds its fair value, which is equal to the present value of the estimated cash flows.

(g) Foreign currency translation

The Company's reporting currency is the Canadian dollar and the Company uses the temporal method of foreign currency translation for translating the operations of its fully integrated wholly-owned US subsidiary. Transactions are translated into Canadian dollar equivalents as follows:

a) Monetary items at the rate prevailing at the balance sheet date;
b) Non-monetary items at the historical exchange rate;
c) Revenue and expense at the average exchange rate for the period;
d) Gains or losses arising on translation are included in earnings or loss.

(h) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share is equal to basic loss per share for the periods ended December 31, 2010 and 2009 as the effects of conversion is anti-dilutive. Basic and diluted loss per common share are calculated using the weighted average number of shares outstanding at December 31, 2010 and 2009.

(i) Stock-based compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(j) Asset retirement obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at December 31, 2010 and 2009, the Company did not have any readily determinable asset retirement obligations.

(k) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity from transactions and other events from non owner sources. Other comprehensive income (loss) refers to items that are excluded from net income (loss) calculated in accordance with GAAP. The Company's other comprehensive income (loss) represents changes in shareholders' equity arising from unrealized gains and losses on financial assets classified as available-for-sale.

(l) Financial Instruments

The Company's financial instruments consist of cash, term deposits, receivables, marketable securities, accounts payable and amounts due to related parties. The value of the Company's arm's length short term financial instruments is estimated by management to approximate their carrying values due to their immediate or short-term maturity. The fair value of advances due to related parties has not been determined as comparable arms-length interest, security and risk information is not determinable.

The Company has designated its cash and term deposits as held-for-trading, which are measured at fair value. Marketable securities are designated as available for sale which are measured at fair value. Receivables are classified under loans and receivables, which are measured at amortized cost. Accounts payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Changes in Accounting Policy and Presentation

International Financial Reporting Standards ("IFRS")
In February 2008, the Canadian Accounting Standards Board confirmed that public companies will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The Company's transition date was at January 1, 2010, and the first set of IFRS compliant financial statements will be for the 3 months ended March 31, 2011. The conversion to IFRS will require the Company to change certain accounting policies, and systems.

Business Combinations, Consolidations, Non-Controlling Interests
In January 2009, the CICA issued Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1502 Non-controlling Interests. These new standards are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective January 1, 2011 with early adoption permitted. The Company does not expect the impact of adoption to be significant on the consolidated financial statements.

3. Reclamation Bonds

The drilling permit for the Carpenter Ridge Property calls for a refundable reclamation bond of $12,365 (US$10,096) for the exploration site (paid). The bond is held by the State of Colorado.

The drilling permit for the Bluebird Property calls for a refundable reclamation bond of $3,789 (US$3,095) for the exploration site (paid). The bond is held by the State of Colorado.

The Company has taken steps to recover the bonds; however, due to the length of time of the recovery process, has written down the respective carrying values to $Nil.

4. Marketable Securities

Marketable securities consist of 125,000 common shares of AMI Resources Inc. ("AMI") with a fair value on December 31, 2010 of $20,000 (2009 - $18,750). AMI is a public company listed on the TSX Venture Exchange ("TSX-V") and is a related entity with three directors in common with the Company. The Company designated this investment as available-for-sale and recorded an unrealized gain of $1,250 in Other Comprehensive Income (Loss) at December 31, 2010 (2009 - $17,500).

5. Equipment

	December 31, 2010			December 31, 2009		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
	$	$	$	$	$	$
Equipment	13,165	13,165	-	13,165	12,148	1,017
Trucks	38,001	38,001	-	38,001	22,912	15,089
Exploration Equipment	51,449	51,449	-	51,449	18,840	32,609
	102,615	102,615	-	102,615	53,900	48,715

During the year ended December 31, 2010 the Company fully amortized its equipment as a result of abandoning its mineral property interests.

6. Mineral Properties

The Company incurred the following expenditures:

	Carpenter Ridge	**Foothills**	**Centennial**	**Dunn**	**Total**
	$	$	$	$	$
Balance , December 31, 2008	305,837	33,260	96,363	83,794	519,254
Expenditures:					
Claim renewals & leases	-	-	-	6,702	6,702
Geologist fees	18,051	17,953	10,917	25,992	72,914
Reports and maps	-	-	1,036	-	1,036
Travel	21,204	10,603	-	-	31,807
Impairment	(345,092)	(61,816)	(108,316)	(37,042)	(552,266)
Balance, December 31, 2009	-	-	-	79,446	79,446
Expenditures:					
Geologist fees	-	-	-	8,459	8,459
Impairment	-	-	-	(87,905)	(87,905)
Balance, December 31, 2010	-	-	-	-	-

Carpenter Ridge

Effective May 8, 2007, the Company entered into an agreement with Mayan Minerals Ltd. ("Mayan") to lease 209 claims in the historic Urvan Uranium/Vanadium Belt in Montrose County Colorado. Under the terms of the agreement the Company paid $106,380 (US$103,556) and issued 627,000 common shares of the Company with a fair value of $203,775.

The Company determined that due to market conditions, the funds required to progress the Carpenter Ridge project further and meet specified financial obligations could not be raised in a timely fashion. Therefore, the Company recorded an impairment of $345,092 at December 31, 2009.

Foothills

Effective September 6, 2007, the Company entered into an agreement to lease 331 mining claims in San Miguel County and 75 mining claims in Montrose County. The Company originally paid $170,248 (US$163,088) on signing of the agreement.

The Company determined that due to market conditions, the funds required to progress the Foothills project further and meet specified financial obligations could not be raised in a timely fashion. Therefore, the Company recorded an impairment of $61,816 at December 31, 2009.

Centennial

On June 4, 2008, the Company entered into an option agreement wherein the Company has the right to purchase Centennial Sun-Cup Mine and 27 associated mine claims.

In February 2009, the Company and the Optionor entered into a new option agreement whereby the Company had the right to purchase Centennial Sun-Cup Mine and the same 27 associated mine claims. To exercise the option, the Company was required to pay US$800,000 over 5 years in equal annual installments commencing July 15, 2009. Upon entering into the new option agreement, the Company transferred ownership of a vehicle valued at US$14,715 to the Optionor.

The Company determined that due to market conditions, the funds required to exercise the Centennial option, could not be raised in a timely fashion. Therefore, the Company recorded an impairment of $108,316 at December 31, 2009.

Dunn

On February 22, 2008 the Company entered a 20 year mining lease agreement granting exclusive surface and mineral rights to portions of the Dunn Mine and surrounding area within the Uravan Mineral Belt in San Juan County, Utah. This agreement is co-located with one of the Calliham mine Lease Agreements with J.H. Ranch, Inc.

On April 30, 2008 the Company entered a 20 year mining lease agreement granting exclusive surface and mineral rights to strategic areas surrounding the Dunn Mine in San Juan County, Utah. The lease is for a term of 20 years and annual lease payments total $8,761 (US$8,160).

On August 15, 2008 the Company entered into an option agreement to acquire 19 mining claims encompassing portions of the Dunn Mine and surrounding area in San Juan County, Utah. Under the terms of the agreement, the Company paid $53,682 (US$50,000) on signing. Within one year following the issuance of mining permits the Company must spend US$500,000 on the property. As of the December 31, 2010, the mining permits had not been issued. To fully acquire the property the Company must pay an additional US$50,000 payable on or before the first haulage of ore and three years from the issuance of the mining permits. The Optionor retains a sliding-scale net smelter royalty ranging from 3.0 to 7.5%.

The Company determined that due to market conditions, the funds required to pursue the Dunn mining lease agreements, could not be raised in a timely fashion. Therefore, the deferred costs relating to the mineral lease agreements were impaired by $37,042 at December 31, 2009 and the remaining capitalized option costs were fully impaired by $87,905 at December 31, 2010.

7. Share Capital

Authorized: Unlimited common shares without par value

Issued:	Number of Shares	Amount	Contributed Surplus
		$	$
Balance - December 31, 2008	34,098,275	12,690,041	1,267,817
Stock-based compensation	-	-	41,525
Balance - December 31, 2009 and 2010	34,098,275	12,690,041	1,309,342

Stock Options

The Company adopted a share option plan in 2007 whereby the Company may grant options to its directors, officers, employees and consultants. The plan has 3,505,455 options available, the exercise price of each option at the date of grant is equal to the market price at that date, and all options are subject to 9 to 18 month vesting periods.

During the year ended December 31, 2009, the Company recognized $41,525 in stock-based compensation cost relating to the vesting of options granted through the year ended December 31, 2008.

During the years ended December 31, 2009 and 2010, the Company did not grant any stock options.

Stock option transactions are summarized as follows:

	Options outstanding	Weighted average exercise price	Weighted average grant date fair value	Weighted average life (years)
		$		$
December 31, 2008 - balance	2,050,000	0.19	-	2.87
Granted	-	-	-	-
Expired and/or Cancelled	(1,250,000)	-	-	-
December 31, 2009 - balance	800,000	0.25	-	3.02
Granted	-	-	-	-
Expired and/or Cancelled	-	-	-	-
December 31, 2010 – balance	800,000	0.25	-	2.02

Summary of stock options outstanding as at December 31, 2009 and 2010 is set out below:

Outstanding	Outstanding and Exercisable	Exercise Price	Expiry Date
		$	
800,000	800,000	0.25	January 8, 2013

8. Related Party Transactions and Balances

The value of transactions and outstanding balances relating to key officers and directors and entities over which they have control or significant influence were as follows:

The Company incurred $12,000 (2009 – $24,000) in rent and telecommunication costs under a cost sharing agreement with a company that has two directors in common. As at December 31, 2010, $36,000 (2009 - $24,000) remains unpaid and is included in related party liabilities.

The Company incurred $90,000 (2009 – $105,000) of management fees from a company controlled by a director and officer for CEO services performed. As at December 31, 2010, $37,500 (2009 - $2,500) remains unpaid and is included in related party liabilities.

The Company incurred $90,000 (2009 – $105,000) of management fees from a Company controlled by a director and officer for CFO services performed. As at December 31, 2010, $37,500 (2009 - $2,500) remains unpaid and is included in related party liabilities.

The Company incurred $30,000 (2009 – $24,000) of professional fees from a Company controlled by a director for accounting services performed. As at December 31, 2010, $2,500 (2009 - $Nil) remains unpaid and is included in related party liabilities.

The Company owes $5,086 (2009 - $5,086) to company controlled by a director for legal services

The Company owes $9,000 (2009 - $9,000) to three directors of the Company for director services performed. The balance remains unpaid since December 31, 2008.

Amounts due to related parties are unsecured, non-interest bearing and without specified repayment terms. All related party 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.

9. Supplemental Cash Flow Information

During the year ended December 31, 2010 the Company paid $Nil (2009 - $Nil) for interest and taxes.

10. Capital Management

The Company defines capital that it manages as its shareholders equity. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets.

The Company expects it will need to raise capital to continue exploration operations through its next fiscal year. There were no changes in the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to managing capital during the period.

11. Financial Instruments and Risk Management

Financial instruments are classified into one of the following five categories in accordance with GAAP: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. The Company has also determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of the fair value of financial assets and liabilities.

- 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 following table summarizes the Company's financial instruments:

	Level	**December 31, 2010**	December 31, 2009
		$	$
Held-for-Trading			
Cash	1	**51,066**	50,713
Held-to-Maturity			
Term deposit	1	**-**	200,000
Available-for-Sale			
Marketable securities	1	**20,000**	18,750
Loans and Receivables			
Receivables	1	**869**	3,361
Other Financial Liabilities			
Accounts payable and accrued liabilities	2	**16,589**	23,577
Due to related parties	2	**127,586**	53,837
		144,175	77,414

Management of Industry Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and short term investment. There were no short term investments as at December 31, 2010. The short term investment at December 31, 2009 consisted of a Government Insured Certificate with a 1 year term bearing interest at prime less a sliding scale discount percentage.

The Company manages the credit exposure related to short-term deposits by selecting counter parties based on stability of the counter party and avoids complex investment vehicles with higher risk. The carrying amount of cash and short term investment represents the maximum credit exposure. This risk is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash and short term investment. The Company's cash and term deposits are invested in business accounts and short term interest bearing instruments and are available on demand. As at December 31, 2010, the Company's working capital (deficit) was $(72,240) (2009 - $195,410).

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency Risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rate. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. The Company is exposed to interest rates fluctuations on its short-term interest bearing instruments as they are based on floating rates of interest.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Price Risk

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to finance due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

13. Future Income Tax

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

	2010	2009
Loss before income taxes	$ (413,215)	$ (996,808)
Corporate statutory rate	32.48%	35%
Expected tax recovery	(133,676)	(348,883)
Increase (decrease) resulting from:		
Permanent differences	1,067	15,765
Other items	66,750	65,254
Impact of tax rate changes	1,022	53,215
Change to prior year estimates	69,961	-
Change in valuation allowance	(5,124)	214,649
Effective income tax provision	$ -	$ -

The significant components of the Company's tax effected future income tax assets and liabilities are as follows:

	2010	2009
Resource deductions in excess of book value	$ 323,696	$ 306,843
Non-capital losses carry-forward	1,457,792	1,468,001
Tax basis of investments in excess of book value	406,619	406,619
Share issuance costs	14,950	29,900
Equipment	16,483	576
Other	(10,171)	(7,694)
Potential future income tax assets	2,209,369	2,204,245
Less: valuation allowance	(2,209,369)	(2,204,245)
Net future income tax asset	$ -	$ -

The Company has Canadian non-capital loss carryforwards of approximately $2,016,000 (2009 - $1,922,000) and US net operating loss carryforwards of approximately US$2,510,000 (2009 – US$2,473,000) which can be applied to reduce future taxable income in Canada and the US respectively, and expiring as follows:

Year	Canadian Amount	United States Amount
	$	US$
2014	150,232	-
2015	200,984	-
2026	167,806	-
2027	290,652	141,347
2028	487,125	1,432,248
2029	401,784	899,567
2030	317,250	37,218
	2,015,833	2,510,380

In addition, as at December 31, 2009 the Company has Canadian exploration and development expenditures amounting to approximately $1,163,000 that may be available to reduce future taxable income. These can be carried forward indefinitely. The Company's Colorado subsidiary has United States resource pools of US$103,000 which will be written off over the next 9 years.

Due to the uncertainty of realization of these loss carry-forwards and resource tax pools, the benefits are not reflected in the financial statements as the Company has provided a full valuation allowance for the future tax assets resulting from these items.

14. Subsequent Events

Subsequent to year end, the Company paid a non-refundable amount of US$50,000 to a private Colombian citizen to secure an exclusive 45 day due diligence period on nine licenses in Colombia.

On February 25, 2011, the Company completed a non-brokered private placement of 11,000,000 units at a price of $0.10 per unit. Each unit consists of one common share and one half share purchase warrant, with each warrant entitling the holder thereof to acquire one common share at an exercise price of $0.20 for a period of one year to February 25, 2012.

Under the Company's shareholder approved 2009 Incentive Stock Option Plan 2,350,000 stock options exercisable at $0.10 per share for a period of three years have been granted to certain directors, officers and consultants of the Company and 800,000 outstanding options have been re-priced to $0.10 per share.