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Duncan Park Holdings Corporation

(A Development Stage Enterprise)

Unaudited Interim Financial Statements

As At and For the Three Months Ended

February 28, 2011 and 2010

Duncan Park Holdings Corporation

(A Development Stage Enterprise)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Duncan Park Holdings Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the period end unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Duncan Park Holdings Corporation
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Unaudited Interim Balance Sheets
As At February 28, 2011 and November 30, 2010

	February 28	November 30
	2011	2010
		(Audited)
ASSETS		
CURRENT		
Cash	\$1,121,947	\$318,643
Advance payments on contracts	129,500	-
Federal sales tax recoverable	10,545	26,525
	<u>1,261,992</u>	<u>345,168</u>
MINERAL EXPLORATION PROPERTIES (Note 2)		
Shares issued	172,000	-
Property payments	61,620	51,620
Exploration expenses	204,941	143,153
	<u>438,561</u>	<u>194,773</u>
TOTAL ASSETS	<u>1,700,553</u>	<u>539,941</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	99,130	38,182
FUTURE INCOME TAX LIABILITY (Note 9)	400,000	-
TOTAL LIABILITIES	<u>499,130</u>	<u>38,182</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	9,142,195	8,413,421
Warrants	10,476	-
Contributed surplus	33,550	-
Deficit	(7,984,798)	(7,911,662)
Accumulated other comprehensive income	-	-
	<u>1,201,423</u>	<u>501,759</u>
	<u>\$1,700,553</u>	<u>\$539,941</u>

Commitments Note 12

See accompanying notes

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Unaudited Interim Statements of Deficit

For the Three Month Periods Ended February 28, 2011 and 2010

	2011	2010
DEFICIT - BEGINNING OF PERIOD	(\$7,911,662)	(\$7,629,221)
LOSS FOR THE PERIOD	(73,136)	(78,061)
DEFICIT - END OF PERIOD	(\$7,984,798)	(\$7,707,282)

Unaudited Interim Statements of Contributed Surplus

For the Three Month Periods Ended February 28, 2011 and 2010

	2011	2010
CONTRIBUTED SURPLUS - BEGINNING OF PERIOD	-	-
FAIR VALUE OF FINDERS' OPTIONS	33,550	-
CONTRIBUTED SURPLUS - END OF PERIOD	33,550	-

Unaudited Interim Statements of Accumulated Comprehensive Income

For the Three Month Periods Ended February 28, 2011 and 2010

	2011	2010
ACCUMULATED OTHER COMPREHENSIVE INCOME BEGINNING OF PERIOD	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME END OF PERIOD	-	-

See accompanying notes

Duncan Park Holdings Corporation
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Unaudited Interim Statements of Operations
And Other Comprehensive Income
For the Three Month Periods Ended February 28, 2011 and 2010

	2011	2010
EXPENSES		
Executive compensation	\$23,265	\$24,650
Professional fees		
Legal	25,143	45,111
Audit	4,500	2,100
Regulatory compliance	13,494	1,519
Investor communications	2,250	-
Office and general	4,484	4,681
	<u>73,136</u>	<u>78,061</u>
LOSS BEFORE INCOME TAXES	(73,136)	(78,061)
<u>PROVISION FOR INCOME TAXES (NOTE 9)</u>	<u>-</u>	<u>-</u>
NET LOSS FOR THE PERIOD	(73,136)	(78,061)
<u>OTHER COMPREHENSIVE INCOME</u>	<u>-</u>	<u>-</u>
NET LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>(\$73,136)</u>	<u>(\$78,061)</u>
LOSS PER SHARE		
Basic and diluted	(\$0.001)	(\$0.001)
Weighted Average Number of Shares Outstanding		
Basic and diluted	69,836,217	61,634,224

See accompanying notes

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Unaudited Interim Statements of Changes in Cash Position

For the Three Month Periods Ended February 28, 2011 and 2010

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss for the period	(\$73,136)	(\$78,061)
Increase in current liabilities	56,448	1,205
Recovery of federal sales tax	15,980	40,852
	(708)	(36,004)
FINANCING		
Issue of "flow through" units for cash	1,100,000	-
Share issue cash expenses	(99,200)	-
	1,000,800	-
INVESTING		
Investment in mineral exploration properties	(196,788)	(25,000)
INCREASE (DECREASE) IN CASH	803,304	(61,004)
CASH AND EQUIVALENTS		
AT BEGINNING OF PERIOD	318,643	264,217
AT END OF PERIOD	\$1,121,947	\$203,213

See accompanying notes

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February 28, 2011

1. NATURE OF OPERATIONS

The Corporation is a development stage enterprise operating in the mining industry, devoting its efforts to establishing commercially viable mineral properties by exploring for gold and other precious metals in political stable areas of the world. It is a reporting issuer which trades on the TSX Venture exchange under the symbol DPH-V.

2. EXPLORATION OPTION AGREEMENTS

The Corporation has entered into two agreements with Sphere Resources Inc. ("Sphere") with respect to two properties in the Red Lake mining district of north-western Ontario, Canada, commonly referred to as the "Dome" and the "McManus" properties. Pursuant to the agreements, which are described fully below, the Corporation has acquired Sphere's right to earn a 75% interest in the Dome property and a 100% interest in the McManus property by assuming Sphere's earn-in obligations, subject to Sphere's right to claw back a 51% interest in either property by the payment to the Corporation of four times the amount expended for the property and subject to Net Smelter Royalty obligations ("NSR's") to the underlying property owners. The result of the agreements is that the Corporation has the right to earn into 75% of the Dome property at a cost of approximately \$1,000,000 subject to Sphere's right to claw back 51% at a cost to Sphere of approximately \$4.0 million, leaving the Corporation with 24%, and the right to earn a 100% interest in the McManus property at a cost of approximately \$1,200,000 subject to Sphere's right to claw back 51% at a cost to Sphere of \$4.8 million leaving the Corporation with 49%.

Dome Agreement

On March 7, 2010, following upon a letter of intent dated November 28, 2009, the Corporation entered into an option and joint venture arrangement (the "Dome Option Agreement") with Sphere with respect to 13 unpatented mining claims covering 34 units in the Dome, Byshe and Heyson Townships in Ontario's Red Lake Gold District, generally referred to as the Dome Property (the "Property"). Subsequently, 4 unpatented mining claims covering 5 mining units were added to the Dome Property at nominal cost.

Under the terms of the Option Agreement, the Corporation would join Sphere in exploring the Property, which has been optioned by Sphere from Global Minerals Limited ("Global"). Sphere has granted Duncan Park the option to acquire its option to acquire a 75% interest in the Property, subject to the following:

1. A 2% net smelter royalty ("NSR") held by the original property owners, one percent of which may be acquired for \$1,750,000 and one percent of which is subject to a right of first refusal in favour of Sphere and Duncan Park;
2. Satisfaction of the terms of the Global/Sphere agreement, which are essentially the making of the payments and incurring the exploration expenses set out below and the issue to Global by Sphere of 500,000 shares of Sphere each year for three years; and
3. Sphere's right to claw back from Duncan Park a 51% undivided interest in the Property by paying Duncan Park an amount equal to four times Duncan Park's expenditures on the Property, which right may be exercised by Sphere within 30 days following the earn-in date.

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In addition, if Sphere, or failing it, Duncan Park, activates its option, Global has the right to require Sphere or Duncan Park, as the case may be, to acquire its remaining 25% undivided interest in the Property in exchange for a 3% NSR, which NSR may be acquired by Sphere or Duncan Park by the issue of 3,000,000 Sphere shares or 1,500,000 Duncan Park shares.

For Duncan Park to acquire Sphere's option to acquire a 75% interest in the Property, Duncan Park must make cash payments of \$25,000 per year to Global, issue to Sphere two million Duncan Park shares per year for three years, and make staged exploration expenditures of \$75,000 in year one, \$350,000 in year two and \$500,000 in year three. Duncan Park retains the right to accelerate the cash payments and share issuances and Duncan Park may abandon the project after year two with no residual interest, further spending requirements or obligation to issue Sphere the third installment of Duncan Park shares.

The Option Agreement contemplates that Sphere will act as operator of the Property during the option period with Duncan Park having the right to approve all work plans and budgets. It also contemplates that shortly after the earn-in date the continuing parties will enter into a joint venture agreement to carry on the exploration.

McManus Agreement.

On December 23, 2010, the Corporation entered into a Letter of Intent, which has since been superseded by a definitive agreement (the "Definitive Agreement") with Sphere and Camp McMan Red Lake Gold Mines Inc. ("Camp McMan") with respect to funding the exploration of 17 patented mining claims and 11 licenses of occupation (the "McManus Claims") covering approximately 324 hectares, which expand the Red Lake property.

Sphere is entitled to earn a 100% interest in the Claims, subject to the satisfaction of certain conditions as set out below, pursuant to a letter agreement (the "Letter Agreement") which has since been incorporated into the Definitive Agreement, that it has entered into with Camp McMan Red Lake Gold Mines Inc. ("Camp McMan").

The McManus Claims about the Dome property, add approximately 65% to the size of the Red Lake property and square up and fill in the north-eastern section of the property.

Since the Claims about the Dome property, they are subject to area of interest clauses in both the Sphere/Duncan Park Option Agreement (the "Dome Option Agreement") and the Sphere/Global Option Agreement (the "Global Option Agreement").

Pursuant to the Dome Option Agreement, Duncan Park is required to pay Sphere 24% of Sphere's acquisition costs. However, the Letter of Intent provides that Duncan Park will join Sphere in participating in the Camp McMan Option Agreement and will fund Sphere's earn-in costs as set out below and thereby earn all of Sphere's rights to the Claims, subject to Sphere's right to clawback a 51% interest in the property by the payment to Duncan Park of four times the expenditures made by Duncan Park ("Sphere's Clawback Right").

Pursuant to the Global Option Agreement, the Claims may, at Global's option and at no additional cost to Global, be made subject to that agreement in which Global has a standing 25% interest.

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The result of the combination of the existing agreements and the Letter of Intent is that, should Global exercise its option to have the McManus claims deemed to be part of the Dome Property, Duncan Park has the option to earn a 75% interest in the combined properties, subject to Sphere's Clawback Right, which, if exercised, would leave Duncan Park with a 24% interest in the property and reimbursement of four times the combined required expenditures of approximately \$2.41 million, with Global maintaining a 25% continuing interest. Sphere has entered into an agreement with Global to acquire Global's entire interest, including the residual 25% interest.

Sphere's financial obligations (which are to be funded by Duncan Park under the Definitive Agreement as described above) and share issuance obligations pursuant to the agreement with Camp McMan are:

Date	Option Payment	Sphere Share Issues	Exploration Costs
On signing letter agreement	\$ 10,000	Nil	Nil
On signing option agreement	\$ 25,000	300,000	Nil
On or before December 15, 2011	\$ 50,000	400,000	\$ 100,000
On or before December 15, 2012	\$ 50,000	500,000	\$ 200,000
On or before December 15, 2013	\$ 75,000	500,000	\$ 350,000
On or before December 15, 2014	Nil	Nil	\$ 550,000
Total	\$210,000	1,700,000	\$1,200,000

In addition, Sphere is obligated to make the tax payments on the Claims. Sphere is committed to the option payments, tax payments, share issuances and exploration costs for the first year.

Upon making the required option and tax payments and share issuances and incurring the exploration costs, Sphere will have earned a 100% interest in the Claims, including the residue of surface rights with respect thereto, subject only to a 3½% Net Smelter Royalty ("NSR") interest on all metals produced from the McManus Claims to Camp McMan. Sphere also has the right to buy down the NSR interest from 3½% to 2% for \$500,000 per ½%. Upon Sphere earning its interest in the Claims, Sphere is obligated to make annual advance royalty payments of \$10,000 until either it exercises this NSR buy-down option or a decision is made to enter production. As noted above, under the Definitive Agreement Duncan Park will have earned the above-mentioned 100% interest in the Claims and the above-mentioned NSR buy-down right, and will be responsible for the above-mentioned advance royalty payments, all subject to Sphere's 51% Clawback Right upon the payment to Duncan Park of four times the amount spent by Duncan Park.

3. PREVIOUS OPERATIONS

The Corporation, through its wholly-owned subsidiary Duncan Park Holdings Nevada Ltd., had been exploring for gold on owned and leased properties in the State of Nevada, USA. It had not determined whether the properties contained ore reserves that were economically recoverable. However, on April 6, 2009 the Corporation received a letter from the lessor of certain key properties effectively forcing the termination of renegotiation of the contractual arrangements needed by the Corporation to continue exploration of those properties. The result was that the

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Corporation had to abandon those properties. It then also abandoned the lease of neighbouring property and subsequently abandoned mining claims it owned in the area. In 2010 the Nevada subsidiary company was wound up.

4. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements are stated in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. The appropriateness of using the going concern assumption is dependent upon, among other things, future profitable operations, the ability to realize assets and discharge liabilities in the normal course of business in the foreseeable future and the ability of the Corporation to raise additional capital. Specifically, the recovery of the Corporation's investment in mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition.

Mineral Exploration Properties

Investments in mineral exploration properties are recorded at cost and are not written down except to the extent that it is determined that their value is impaired.

Expenditures which are initially capitalized include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling;
- Trenching;
- Sampling, and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Some facts and circumstances which may be indicative of possible impairment are:

- The expiration of the period for which the Corporation has the right to explore the property or the Corporation's intention not to renew that right;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area;
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.

Any impairment loss identified is recognized as an expense in the income statement.

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Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Stock Based Compensation

The Corporation follows the recommendations of the CICA Handbook Section 3870, “*Stock Based Compensation and Other Stock-Based Payments*”. The section establishes standards for the recognition, measurement and disclosure of stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to employees and non-employees must be measured and recognized using a fair value based method.

Fair value is estimated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation’s stock options or other stock awards.

Financial Instruments

The Corporation has no complex financial instruments. In reporting its financial position and results of operations in accordance with the recommendations of the CICA Handbook section 3855 “Financial Instruments” the Corporation classifies its cash and cash equivalents as held-for-trading which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost.

Income Taxes

Income taxes are calculated using the asset and liability method of accounting. Under this method current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax asset and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or the losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered “more likely than not”.

Loss Per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise

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of common share purchase options and warrants, if dilutive. In periods of a loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and, accordingly, reported basic and diluted loss per share are equal.

Flow-Through Shares

The Corporation finances a portion of its exploration activities through the issuance of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor. The Corporation follows the guidance of the CICA provided in Abstract #146 by its Emerging Issues Committee. Under Canadian GAAP, flow through shares are accounted for as an issuance of capital stock at the price paid for the shares net of any issue costs and future income tax liability. On the date that the Corporation files the renouncement documentation with the tax authorities to renounce the tax credits associated with the exploration expenditures and the Corporation has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and shareholders' equity is reduced.

If the Corporation has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion, of such unrecognized losses, may be recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Foreign Currency Translation

In prior years the Corporation had a wholly-owned United States subsidiary which was accounted for as an integrated foreign operation. Transactions of the Corporation and its subsidiary originating in a foreign currency were translated at the rates in effect at the time of the transaction. Monetary items denominated in a foreign currency were translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary items were translated at historical exchange rates. Foreign exchange gains and losses are included in operations.

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5. SHARE CAPITAL

The authorized capital is an unlimited number of common shares.

The following share transactions have occurred in the past fiscal year and the current year to date.

	Shares	\$
Balance November 30, 2009	61,634,224	7,916,754
2010		
Second Quarter		
Issue of "flow through" shares pursuant to a private placement at \$0.05 per share (see (i) below)	4,000,000	200,000
Fourth Quarter		
Issue of shares on the exercise of warrants at \$0.10 per share (see (ii) below)	2,966,667	296,667
Balance November 30, 2010	68,600,890	8,413,421
2011		
First Quarter		
Issue of 2,000,000 shares to Sphere pursuant to the Dome agreement	2,000,000	172,000
Issue of shares for cash pursuant to a private placement (see (iii) below)	10,476,188	1,089,524
Share issue expenses		(132,750)
Flow through renunciation		(400,000)
Balance February 28, 2011	81,077,078	9,142,195

(i) In the second quarter of 2010, the Corporation completed a non-brokered private placement of 4,000,000 flow through common shares at \$0.05 per share for aggregate proceeds of \$200,000.

(ii) In the fourth quarter of 2010 warrant holders, including two directors of the Corporation, exercised warrants on 2,966,667 shares at a price of \$0.10 per share for total proceeds of \$296,667.

(iii) On February 24, 2011, the Corporation completed the issuance of \$1,100,000 of units ("Units") pursuant to a private placement at a price of \$0.105 per Unit. Each Unit was comprised of one "flow-through" common share and one-half of one non flow-through common share purchase warrant (a "Warrant"). Each whole Warrant is exercisable for one common share at a price of \$0.15 per share for a period of 12 months.

In connection with February 2011 the private placement, the Corporation paid an aggregate cash fee of \$74,700 to the following finders: Limited Market Dealer Inc., Secutor Capital Management Inc. and Jones, Gable & Company Limited (collectively, the "Finders"). The Company also issued an aggregate of 871,428 finder's options ("Finder's Options") to the Finders. Each Finder's Option is exercisable for one non flow-through unit (a "Finder's Unit") at a price of \$0.105 per Finder's Unit for a period of 12 months. Each Finder's Unit is exercisable on the same

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terms as the Units, except that the common shares issuable thereunder shall be non flow-through shares.

6. WARRANTS

In February, 2011, as part of the issue of units described in 5iii above, the Corporation issued an aggregate of 5,238,094 warrants exercisable for the purchase of one common share at \$0.15. 4,999,998 of these warrants are exercisable until February 24, 2012, and 238,095 are exercisable until February 28, 2012.

The following table sets out the warrant activity for the last two fiscal years and the current year to date.

	2011	2010	2009
At beginning of period	-	6,666,666	6,666,666
Issued	5,238,093	-	-
Exercised		1,133,333	-
Expired		5,333,333	-
At end of period	5,238,093	-	6,666,666

7. STOCK OPTION PLAN

The Corporation has a share option plan which was originally approved by shareholders in January, 2003 with certain amendments approved by shareholders in October, 2005, and further amendments in May 2010, at which time it was converted to a “rolling” plan under which the maximum number of options available to be granted is equal to 10% of the shares outstanding at the time of issuance of the grant. (The “Share Option Plan”).

Options may be granted only to directors, officers, employees and other service providers, subject to applicable securities laws and the rules of any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. Options are personal to each optionee. The aggregate number of Common Shares reserved for issuance to any person, pursuant to the grant of options, may not exceed 5% of the total number of Common Shares then outstanding. In addition, the total number of Common Shares reserved for issuance to any one consultant or to an employee conducting investor relations activities, within a one-year period, shall not exceed 2% of the total number of Common Shares then outstanding. The Plan also provides that the aggregate number of Common Shares that may be reserved for issuance pursuant to options granted to insiders of the Corporation within a 12 month period shall not exceed 10% of the total number of Common Shares outstanding, unless the Corporation has obtained disinterested shareholder approval.

The exercise price of an option shall not be less than the closing price of the Common Shares on the stock exchange upon which its shares are listed on the last trading day on which the Common Shares traded immediately prior to the date of the grant, subject to an allowable discount of 25% and a \$0.10 minimum.

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Options granted under the Share Option Plan that have been cancelled or that have expired without being exercised shall again become available for grant. The Board has the discretion to determine the vesting schedule, if any, that would apply to option grants (subject to certain mandated vesting requirements for consultants conducting investor relations activities.) and discretion to determine when options will cease to be exercisable in the event of retirement or termination, subject to a 12-month outside date. Notwithstanding this discretion, options are not exercisable past their expiry date.

As a rolling plan, the plan must be approved by shareholders of the Corporation yearly at the Corporation's annual and special meeting of shareholders. The Share Option Plan continues to be administered by the Board, and provides that disinterested shareholder approval shall be obtained for any reduction in the exercise price of options held by insiders of the Corporation.

8. OPTIONS

Director/Officer/Contractor Options

The following table sets out the director/officer/contractor stock option activity for the latest two fiscal years and the current year to date

	Average		Average		Average	
	Number	Price	Number	Price	Number	Price
At beginning of period	800,000	\$0.30	1,300,000	\$0.39	1,450,000	\$0.42
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	(400,000)	\$0.70	(150,000)	\$0.60
Forfeited	-	-	(100,000)	\$0.60	-	-
At end of period	800,000	\$0.30	800,000	\$0.30	1,300,000	\$0.39

The fair value of stock options granted is expensed over the vesting period as compensation expense with an offsetting credit to contributed surplus. When stock options are exercised the proceeds are recorded in share capital and the fair value assigned to the options is transferred from contributed surplus. The value of stock options that expire remains in contributed surplus.

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No options were issued during the first quarter of 2011, but 4,000,000 options to acquire common shares at a price of \$0.15 expiring March 31, 2016 were issued subsequent to the quarter end. The fair value of these options on the date of issue was estimated to be \$240,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97.5%; risk free interest rate of 1.25%; expected life of 5 years. This amount will be charged to expense and credited to contributed surplus over the six fiscal quarters commencing in the second quarter of 2011, which corresponds approximately to their vesting period.

At February 28, 2011 the following Director/Officer/Contractor options were outstanding

Holder	On # Of Shares	Exercise Price	Expiry Date
Eric Salsberg	100,000	\$0.30	January 2, 2013
Harold Doran	150,000	\$0.30	January 2, 2013
Ian McAvity	300,000	\$0.30	January 2, 2013
Larry Kornze	250,000	\$0.30	January 2, 2013
	<u>800,000</u>		

Finders' Options

As described in note 5(iii) above, in the first quarter the Corporation issued an aggregate of 871,428 finder's options ("Finder's Options") to the Finders. Each Finder's Option is exercisable for one non flow-through unit (a "Finder's Unit") at a price of \$0.105 per Finder's Unit for period of 12 months. Each Finder's Unit is exercisable on the same terms as the Units, except that the common shares issuable thereunder shall be non flow-through shares.

The fair value of these options on the date of issue was estimated to be \$24,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97.5%; risk free interest rate of 1.25%; expected life of 1 year. This amount will be charged to expense and credited to contributed surplus over the four fiscal quarters commencing in the second quarter of 2011, which corresponds to their exercise period.

9. INCOME TAXES

For Canadian income tax purposes the Corporation is reporting an operating loss of approximately \$172,000. As of February 28, 2011 the Corporation had cumulative losses for income tax purposes of approximately \$1,900,000, expiring at various times up to 2031, and a capital loss arising from the write off of the advances to the subsidiary company of \$5,412,100, one half of which is deductible for income tax purposes and which may be carried forward indefinitely against capital gains. The Corporation has no current prospect of utilizing these losses.

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Notes to Unaudited Interim Financial Statements

February 28, 2011

These losses available for carry-forward give rise to a latent tax asset in the amount of approximately \$610,000. However, as the prospect of utilizing these losses is not “more likely than not” the Corporation has not reflected the potential asset in these financial statements.

Further, the Corporation has renounced \$200,000 of exploration expenses to the investors in the 2010 issue of flow-through shares, and \$1,100,000 to the investors in the 2011 first quarter issue of flow-through shares. Accordingly, these amounts will never be deductible by the Corporation for income tax purposes. The result is the future income taxes payable by the Corporation will be higher than they would otherwise be. Based upon a current corporation income tax rate of 31%, a liability of \$400,000 has been reflected in these accounts, with the offset being taken as a reduction in shareholders’ equity.

10. FINANCIAL INSTRUMENTS

The Corporation’s financial instruments include from time to time cash, Government of Canada treasury bills, miscellaneous receivables and deposits and trade accounts payable and accrued liabilities. The Corporation designated its cash and Government of Canada treasury bills as held for trading which are measured at fair value. Transaction costs are expensed as incurred for financial instruments classified as held for trading. Miscellaneous receivables and deposits are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

11. FINANCIAL RISK

i) Foreign-exchange risk management -

The Corporation’s exposure to foreign exchange fluctuations is minimal, limited to its U.S. cash which at February 28, 2011 amounted to US\$110’ and US accounts payable of which there were none.

ii) Interest-rate risk management -

The Corporation currently has no fixed-term cash or cash equivalent assets or interest bearing debt outstanding.

iii) Liquidity risk management-

The Corporation’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities as they come due. This includes ensuring that the use of funds raised through the issue of flow through shares is limited to those types of expenditure which qualify for such treatment and that it has sufficient non flow through funds to meet its administrative costs and those exploration costs which do not qualify for flow through funding.

12. COMMITMENTS

Pursuant to the Dome Option Agreement referred to in Note 2, the Corporation committed to incur additional exploration costs in the amount of \$245,500 before November 18, 2011. It is also committed to issue 2,000,000 shares to Sphere by May 31, 2011.

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If it elects to continue with the Dome option agreement beyond November 18, 2011, it must then pay Global \$25,000 on November 18, 2011, incur a further \$500,000 in exploration expenses in the ensuing year, and issue an additional 2,000,000 shares to Sphere in April 2012.

Pursuant to the McManus agreement the Corporation is committed to pay Camp McMan \$25,000 (which has since been paid) and to incur additional exploration costs in the amount of \$75,000 by December 15, 2011.

If it elects to continue from year to year with the option agreement beyond December 15, 2011, it must then pay Camp McMan \$50,000 on December 15, 2011 and 2012 and \$75,000 on December 15, 2013, and incur further exploration expenses of \$200,000, \$300,000, and \$550,000 in each of the ensuing years.

The Corporation entered into flow-through share subscription agreements in 2010 whereby it is committed to incur on or before December 31, 2011, a total of \$200,000 of qualifying Canadian Exploration Expenses as described in the Income Tax Act, which has been done.

The Corporation entered into flow-through share subscription agreements in 2011 whereby it is committed to incur on or before December 31, 2012, a total of \$1,100,000 of qualifying Canadian Exploration Expenses as described in the Income Tax Act, most of which has yet to done. The Company has indemnified the subscribers for any tax related amounts that may become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

13. SUBSEQUENT EVENTS

1. Subsequent to the quarter end the Corporation the Corporation granted an aggregate of 4,000,000 options, including the grant of an aggregate of 3,500,000 options to the officers and/or directors of the Company. The balance of the options was granted to certain consultants of the Company. The options are exercisable for a period of five years at a price of \$0.10 per share and will vest over an 18-month period, with one-third of the options vesting every six months.

The option grants are the first options issued by the Company since January 2008 and are being issued under the Company's amended option plan approved by shareholders in May 2010. The decision to issue the options follows the restructuring and recapitalization of the Company to go forward on its Red Lake Ontario properties.

2. Subsequent to the quarter end the Corporation issued 2,000,000 shares to Sphere pursuant to the Dome option agreement.