ENDURANCE GOLD CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

(Stated in Canadian Dollars)

Notice to Reader

The accompanying unaudited interim consolidated financial statements of Endurance Gold Corporation ("the Company"), for the nine month period ended September 30, 2010, have been prepared by management and have not been the subject of a review by the Company's independent auditor.

ENDURANCE GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited, Prepared by Management)

		September 30, 2010 (Unaudited)		December 31, 2009 (Audited)
ASSETS				
Current				
Cash	$	756,752	$	404,951
Marketable securities (Note 3)		52,000		74,000
Prepaid expenses and deposits		60,791		14,930
Receivables		25,365		16,657
		894,908		510,538
Mineral properties (Note 5)		2,072,746		1,905,387
Reclamation bonds		6,500		6,500
	$	2,974,154	$	2,422,425
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	94,865	$	34,676
Shareholders' equity				
Capital stock (Note 6)		5,745,008		4,986,508
Contributed surplus (Note 6)		479,271		400,221
Deficit		(3,344,990)		(2,998,980)
		2,879,289		2,387,749
	$	2,974,154	$	2,422,425

Nature of operations and going concern (Note 1)

On behalf of the Board:

/s/ Robert T. Boyd
______________________ Director
Robert T. Boyd

/s/ J. Christopher Mitchell
______________________ Director
J. Christopher Mitchell

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited, prepared by management)

	Three months ended Sept. 30, 2010	Three months ended Sept. 30, 2009	Nine months ended Sept. 30, 2010	Nine months ended Sept. 30, 2009
EXPENSES				
Amortization	$ -	$ 216	$ -	$ 648
Business development and property investigation	20,662	-	75,470	12,061
Corporate communications	702	510	5,003	4,367
Listing and transfer agent fees	1,659	1,633	13,114	13,511
Management fees	35,430	35,000	134,130	81,500
Office and administrative	23,325	14,390	42,038	41,390
Professional fees	1,125	560	16,380	13,826
Stock-based compensation (Note 6)	-	-	79,050	74,970
	(82,903)	(52,309)	(365,185)	(242,273)
OTHER ITEMS				
Interest income	2,149	653	3,675	1,860
Realized loss on sales of marketable securities	-	(27,647)	-	(27,647)
Unrealized gain (loss) on marketable securities	(2,000)	36,273	(22,000)	74,230
	149	9,279	(18,325)	48,443
NET LOSS BEFORE TAX	(82,754)	(43,030)	(383,510)	(193,830)
Future income tax recovery (Note 10)	-	-	37,500	-
NET LOSS FOR THE PERIOD	(82,754)	(43,030)	(346,010)	(193,830)
DEFICIT, BEGINNING OF PERIOD	(3,262,236)	(2,832,653)	(2,998,980)	(2,681,853)
DEFICIT, END OF PERIOD	$ (3,344,990)	$ (2,875,683)	$ (3,344,990)	$ (2,875,683)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Basic and diluted weighted average number of common shares outstanding	47,472,586	36,151,716	44,932,366	33,018,813

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited, Prepared by Management)

	Share Capital		Contributed	Retained	Total
	No. of Shares	**Amount**	**Surplus**	**Earnings (Deficit)**	**Shareholder's Equity**
	(Note 6)		*(Note 6)*		
Balance, December 31, 2008	**27,212,586**	**$ 4,052,779**	**$ 305,187**	**$ (2,681,853)**	**$ 1,676,113**
Shares issued for cash					
Private placements, net of issue costs	12,000,000	943,793	-	-	943,793
Issued for other consideration					
Mineral properties	300,000	10,000	-	-	10,000
Agent's options compensation	-	(20,064)	20,064	-	-
Stock-based compensation	-	-	74,970	-	74,970
Loss for the year	-	-	-	(317,127)	(317,127)
	12,300,000	933,729	95,034	(317,127)	711,636
Balance December 31, 2009	**39,512,586**	**$ 4,986,508**	**$ 400,221**	**$ (2,998,980)**	**$ 2,387,749**
Shares issued for cash					
Exercise of Warrants	7,960,000	796,000	-	-	796,000
Tax cost recognized on issuance of flow-through shares	-	(37,500)	-	-	(37,500)
Stock-based compensation	-	-	79,050	-	79,050
Loss for the period	-	-	-	(346,010)	(346,010)
	7,960,000	758,500	79,050	(346,010)	491,540
Balance September 30, 2010	**47,472,586**	**$ 5,745,008**	**$ 479,271**	**$ (3,344,990)**	**$ 2,879,289**

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

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, prepared by management)

	Three months ended Sept. 30, 2010	Three months ended Sept. 30, 2009	Nine months ended Sept. 30, 2010	Nine months ended Sept. 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ (82,754)	$ (43,030)	$ (346,010)	$ (193,830)
Add items not involving cash:				
Amortization	-	216	-	648
Stock-based compensation	-	-	79,050	74,970
Realized loss on sales of marketable securities	-	27,647	-	27,647
Unrealized loss (gain) on marketable securities	2,000	(36,273)	22,000	(74,230)
Future income tax recovery	-	-	(37,500)	-
Changes in non-cash working capital items:				
Prepaid expenses and deposits	(56,016)	(1,244)	(45,861)	(35,212)
Receivables	(13,049)	(41,163)	(8,708)	(185)
Accounts payable and accrued liabilities	5,403	(1,669)	(4,935)	(26,227)
Proceeds from sales of marketable securities	-	25,061	-	25,061
Net cash used in operating activities	(144,416)	(70,455)	(341,964)	(201,358)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties	(123,581)	(83,242)	(102,235)	(199,550)
Net cash used in investing activities	(123,581)	(83,242)	(102,235)	(199,550)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	-	600,000	796,000	1,000,000
Share issuance costs	-	(49,598)	-	(56,207)
Net cash provided by financing activities	-	550,402	796,000	943,793
Net increase (decrease) in cash during the period	(267,997)	396,705	351,801	542,885
Cash, beginning of period	1,024,749	235,391	404,951	89,211
Cash, end of period	$ 756,752	$ 632,096	$ 756,752	$ 632,096

Supplemental disclosures with respect to cash flows (Note 7)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Endurance Gold Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The Company is engaged in the exploration and development of mineral properties in North America and has not yet determined whether its properties contain ore reserves that are economically recoverable. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

These unaudited interim consolidated financial statements have been prepared by the Company's management in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with those outlined in the Company's audited financial statements for the year ended December 31, 2009, except that they do not include all of the note disclosures required by Canadian GAAP for annual financial statements. They have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. They do not give effect to adjustments that could be necessary to the carrying values of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

At September 30, 2010, the Company had a deficit of $3,344,990 ($2,875,683 in 2009) and further losses are anticipated in the development of its business plan. The Company's ability to continue in operation is dependent on its ability to secure additional financing to fund planned exploration and its ongoing administrative expenditures. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

Recent Accounting Pronouncements

International financial reporting standards ("IFRS")

The Canadian Institute of Chartered Accountants ("CICA") has adopted a strategic plan whereby the Canadian accounting standards will be converged with IFRS with the requirement to report under the new standards for fiscal years commencing in 2011. The Company's transition date of January 1, 2011 will require the restatement into IFRS for comparative purposes of amounts previously reported under Canadian GAAP by the Company for the year ended December 31, 2010, including a revised opening balance sheet as at January 1, 2010.

The Company has implemented a three phase conversion process into IFRS as follows:

- Phase 1 – Preliminary planning and scoping;
- Phase 2 – Detailed assessment, conversion planning and development;
- Phase 3 – Implementation.

The Company has completed Phase 1. Work on Phase 2 will carry on throughout 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

2. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION (cont'd…)

Recent Accounting Pronouncements (cont'd…)

Business Combinations, Consolidations, Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 *Business Combinations*, 1601 *Consolidated Financial Statements* and 1602 *Non-controlling Interests* which replace CICA Handbook Sections 1581 *Business Combinations* and 1600 *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

3. MARKETABLE SECURITIES

As at September 30, 2010 the Company owned 400,000 (400,000 in 2009) common shares of Metal Creek Resources Ltd., whose shares are traded on the TSX Venture Exchange, with a quoted market value of $52,000 ($56,000 in 2009), being $0.13 ($0.14 in 2009) per share.

4. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including, but not limited to pursuing the exploration of its mineral properties, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of commodity prices, forecast capital and operating expenditures, and other investing and financing activities. The forecast is regularly updated based on new commodity prices and other changes, which the Company views as critical in the current environment. Selected forecast information is frequently provided to the Board of Directors.

The Company's capital structure as at September 30, 2010 was $2.9 million ($2.5 million in 2009). The Company's capital management objectives, policies and processes have not been changed over the period presented.

5. MINERAL PROPERTIES

As at September 30, 2010, the Company's mineral properties are located in North America. Expenditures incurred on mineral properties are as follows:

	Rattlesnake-Natrona, Wyoming, USA	Bandito, Yukon CANADA	Pardo, Ontario, CANADA	McCord, Alaska, USA	Vana, Alaska, USA	Nechako, B.C. CANADA	Other Properties, CANADA	Other Property, USA	TOTAL
Deferred Acquisition 12/31/09	$ 34,786	$ -	$ 68,750	$ -	$ -	$ 80,000	$ -	$ -	$ 183,536
Additions	-	45,406	-	5,810	9,130	-	-	-	60,346
Recoveries	-	-	(50,000)	-	-	-	-	-	(50,000)
	-	45,406	(50,000)	5,810	9,130	-	-	-	10,346
Deferred Acquisition 09/30/10	34,786	45,406	18,750	5,810	9,130	80,000	-	-	193,882
Deferred Exploration 12/31/09	164,751	-	1,076,789	-	-	480,311	-	-	1,721,851
Additions:									
Field expenses	7,937	4,962	-	-	-	-	-	-	12,899
Geological and misc.	40,824	27,780	1,069	991	992	3,371	8,314	-	83,341
Geophysics	800	-	-	-	-	-	26,286	-	27,086
Land and recording fees	14,743	-	-	-	-	3,544	-	-	18,287
Line cutting/trenching	-	-	-	-	-	-	15,400	-	15,400
	64,304	32,742	1,069	991	992	6,915	50,000	-	157,013
Deferred Exploration 9/30/10	229,055	32,742	1,077,858	991	992	487,226	50,000	-	1,878,864
Total Mineral Properties 9/30/10	$ 263,841	$ 78,148	$ 1,096,608	$ 6,801	$ 10,122	$ 567,226	$ 50,000	$ -	$ 2,072,746

5. MINERAL PROPERTIES (cont'd…)

	Rattlesnake-Natrona, Wyoming, USA	Bandito, Yukon CANADA	Pardo, Ontario, CANADA	McCord, Alaska, USA	Vana, Alaska, USA	Nechako JV, B.C. CANADA	Other Properties, CANADA	Other Property, USA	TOTAL
Deferred Acquisition 12/31/08	$ -	$ -	$ 73,750	$ -	$ -	$ 80,000	$ 2,361	$ -	$ 156,111
Additions	34,786	-	45,000	-	-	-	6,239	37,929	123,954
Recoveries	-	-	(50,000)	-	-	-	-	-	(50,000)
	34,786	-	(5,000)	-	-	-	6,239	37,929	73,954
Deferred Acquisition 12/31/09	34,786	-	68,750	-	-	80,000	8,600	37,929	230,065
Deferred Exploration 12/31/08	-	-	1,048,510	-	-	347,424	2,780	-	1,398,714
Additions:									
Drilling	-	-	-	-	-	78,205	-	-	78,205
Field expenses	15,893	-	4,624	-	-	15,536	714	2,562	39,329
Geochemistry	16,396	-	-	-	-	7,432	1,470	-	25,298
Geological and misc.	54,055	-	23,655	-	-	20,616	1,574	23,992	123,892
Geophysics	54,197	-	-	-	-	-	-	-	54,197
Land and recording fees	7,070	-	-	-	-	17,293	-	796	25,159
Line cutting/trenching	17,140	-	-	-	-	-	-	-	17,140
	164,751	-	28,279	-	-	139,082	3,758	27,350	363,220
Deferred Exploration 12/31/09	164,751	-	1,076,789	-	-	486,506	6,538	27,350	1,761,934
BC mining exploration tax credit	-	-	-	-	-	(6,195)	-	-	(6,195)
Write-downs	-	-	-	-	-	-	(15,138)	(65,279)	(80,417)
Total Mineral Properties 12/31/09	$ 199,537	$ -	$ 1,145,539	$ -	$ -	$ 560,311	$ -	$ -	$ 1,905,387

5. MINERAL PROPERTIES (cont'd…)

Rattlesnake - Natrona Gold Properties, Wyoming, USA

The Company, through its wholly-owned US subsidiary, Endurance Resources Inc., ("ERI") acquired by staking a 100% interest in 62 claims and was granted four state leases for a combined total acreage of 3,841 acres located in Rattlesnake Hills, Natrona County, Wyoming, USA.

Bandito Ni-Cu-REE Property, Yukon, CANADA

In August 2010, the Company entered into an option agreement (the "Agreement") with True North Gems Inc. ("TGX"), whereby the Company can earn up to a 75% interest in the Bandito property located in the Watson Lake district, Yukon Territory. Under the terms of the agreement, Endurance can earn an initial 51% joint venture interest in the Bandito property by completing a total of $125,000 ($25,000 paid) in cash payments by December 31, 2012 and also completing $1,000,000 in exploration expenditures by December 31, 2013. Once Endurance earns its 51% interest, it has a further option that will allow Endurance to acquire an additional 24% interest (total 75%) by issuing TGX 200,000 shares of Endurance and by completing an additional $1,000,000 in exploration expenditures prior to December 31, 2015.

Pardo Gold Property, Ontario, CANADA

The Company acquired a 100% interest on the Pardo Property located northeast of Sudbury, Ontario, by making payments of $100,000 in cash and issuing 200,000 common shares (at a value of $18,750). The vendors have retained a 3% net smelter return royalty ("NSR") interest, one-half of which may be purchased by the Company for $1,500,000.

In June 2009, the Company entered into an option agreement (the "Agreement") with Ginguro Exploration Inc. ("Ginguro"), a TSX Venture Exchange issuer, (formerly Mount Logan Resources Ltd., a private Ontario corporation). Under the terms of the Agreement, Ginguro can earn an initial 55% interest in the Pardo Property by completing $1,000,000 in exploration expenditures and making cash payments totaling $200,000 ($100,000 received) to the Company over a three year period. On completion of its earn-in, Ginguro has a one-time option to increase its ownership to 70% by completing an additional $1,000,000 in exploration expenditures and making a further cash payment of $250,000 to the Company.

McCord Gold Property, Alaska, USA

In September 2010, ERI acquired by staking a 100% interest in 14 Alaska State mineral claims encompassing over 2,200 acres located in Fairbanks District in Alaska, USA.

Vana Gold Property, Alaska, USA

In September 2010, ERI acquired by staking a 100% interest in 22 Alaska State mineral claims encompassing over 3,200 acres located in Fairbanks District in Alaska, USA.

5. MINERAL PROPERTIES (cont'd…)

Nechako Gold (Amarc JV) Property, British Columbia, CANADA

The Nechako Gold Property is now comprised of seven mineral claims located within the Cariboo Mining District, west of Quesnel, British Columbia.

During 2004, the Company entered into an option and joint venture agreement with Amarc Resources Inc. ("Amarc"), whereby the Company earned a 60% interest in the Nechako Gold Property by completing $250,000 in exploration expenditures and issuing 250,000 shares to Amarc and 70,000 shares to an underlying property vendor. As a result, a joint venture as to 60% (Endurance) and 40% (Amarc) was formed in December 2005. As Amarc elected not to participate in its pro-rata share of costs on the Nechako Gold Property since 2006, the property is now held 75% by Endurance and 25% by Amarc.

Other Properties, CANADA

Dogpaw Property, Ontario

The Company entered into an option agreement dated April 16, 2007 with Metals Creek Resources Corp. ("MEK"), whereby MEK earned a 75% interest in a majority of the claims comprising the Dogpaw property by incurring exploration expenses of $450,000 and issuing 450,000 common shares of MEK (with a value of $161,000). As a result, a joint venture as to 25% (Endurance) and 75% (MEK) was formed in January 2010.

In addition, the Company retains a 4% NSR payable by Houston Lake Mining of four of the other claims forming part of the Dogpaw Property.

BQ–Endurance 100% Property, British Columbia

The Company acquired a 100% interest in ten mineral claims in the Omineca Mining Division, British Columbia by staking. At December 31, 2009, the Company wrote off the carrying value of $1,649 in acquisition costs incurred on the property. The property is inactive.

Virginia Silver – Endurance 100% (Annie) Property, British Columbia

The Company acquired a 100% interest in seven mineral claims in the Omineca Mining Division, British Columbia by staking. At December 31, 2009, the Company wrote off the carrying value of $3,492 in acquisition and exploration costs incurred on the property. The property is inactive.

Other Property, USA

Carter Property, West Virginia, USA

The Company, through ERI, acquired an option to explore for and potentially develop and mine metallurgical coal on the Carter property located three miles south of the town of Iaeger, in southern West Virginia, USA by making a total payment of US$24,000. The Company also issued 200,000 shares (valued at $5,000) as finders' fees. The Company terminated the option in February 2010 and wrote off the carrying value of $65,279 in acquisition and exploration costs incurred on the property as of December 31, 2009.

6. CAPITAL STOCK

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

6. CAPITAL STOCK (cont'd…)

(b) Issued and outstanding:

	Number of Shares	Amount	Contributed Surplus
Balance at December 31, 2008	**27,212,586**	**$ 4,052,779**	**$ 305,187**
Issued for:			
Mineral properties acquisition	300,000	10,000	-
Stock-based compensation	-	-	74,970
Non-brokered private placement	12,000,000	1,000,000	-
Share issuance costs	-	(56,207)	-
Agent's options compensation	-	(20,064)	20,064
Balance at December 31, 2009	**39,512,586**	**4,986,508**	**400,221**
Issued for:			
Flow-through share renunciation (Note 10)	-	(37,500)	-
Warrants exercised	7,960,000	796,000	-
Stock-based compensation	-	-	79,050
Balance at September 30, 2010	**47,472,586**	**$ 5,745,008**	**$ 479,271**

Share issuance

During the nine month period ended September 30, 2010, the Company issued 7,960,000 common shares at $0.10 per share for proceeds of $796,000 from the exercise of Warrants.

During the fiscal year ended December 31, 2009, the Company:

i) Issued 200,000 common shares as Finders' fees pursuant to a mineral property agreement with a total value of $5,000 (see Note 5).

ii) Completed a non-brokered private placement financing of 8,000,000 Units at a price of $0.05 per Unit for gross proceeds of $400,000 with four directors, an officer and a consultant of the Company in March 2009. Each Unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company for a period of twelve months from closing at a price of $0.10 per share.

iii) Issued 100,000 common shares as the final Option payment pursuant to the Pardo property agreement with a total value of $5,000 (see Note 5).

iv) Completed a non-brokered private placement financing of 1,000,000 flow-through ("FT") shares at a price of $0.15 per FT share and 3,000,000 non-flow through Units ("Unit") at a price of $0.15 per Unit, for gross proceeds of $600,000 in September 2009. Each Unit consists of one common share and one-half share purchase warrant entitling the holder to purchase one common share of the Company for a period of two years from closing at a price of $0.30 per share. A total of 420,000 Units were subscribed by two directors of the Company.

6. CAPITAL STOCK (cont'd…)

(c) Stock Options, Warrants and Agent's Compensation Options Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, officers, employees and consultants of the Company at exercise prices determined by the market value of the common shares on the date of the grant. The options vest immediately on the date of the grant or otherwise at the discretion of the Board.

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	**775,000**	**$ 0.18**
Options granted	1,700,000	0.10
Options expired	(175,000)	0.23
Balance, December 31, 2009	**2,300,000**	**0.12**
Options granted	1,250,000	0.10
Options expired	(350,000)	0.18
Balance, September 30, 2010	**3,200,000**	**$ 0.10**
Number of options currently exercisable	3,200,000	$ 0.10

The following incentive stock options were outstanding and exercisable at September 30, 2010:

Number Outstanding	Exercise Price $	Expiry Date
250,000	0.15	October 11, 2012
1,700,000	0.10	February 14, 2014
750,000	0.10	March 31, 2015
500,000	0.10	April 9, 2015
3,200,000		

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2008	-	$ -
Warrants granted	9,500,000	0.13
Balance, December 31, 2009	9,500,000	0.13
Warrants exercised	(7,960,000)	0.10
Warrants expired	(40,000)	0.10
Balance, September 30, 2010	1,500,000	$ 0.30

6. CAPITAL STOCK (cont'd…)

The following warrants to acquire common shares were outstanding at September 30, 2010:

Number Outstanding	Exercise Price $	Expiry Date
1,500,000	0.30	September 14, 2011

There are 240,000 Agent's compensation options outstanding at September 30, 2010. The Agent's compensation options were issued to the Agent in connection with the Company's non-brokered private placement completed in September 2009, each of which entitles the Agent to purchase one common share of the Company at a price of $0.30 per share until September 14, 2011. The Agent's options were valued at $20,064 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.23%, an expected life of 2 years, annualized volatility of 171.79% and a dividend rate of 0%).

(d) Stock-based compensation

The fair value of options reported as compensation expense during the three month period has been estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	2010	2009
Description		
Expected dividend yield	0.0%	0.0%
Risk free interest rate	2.96%	2.04%
Expected stock price volatility	138.16%	217.98%
Expected life of options	5 years	5 years
Weighted average fair value	$0.063	$0.0441

Based on the foregoing, stock-based compensation expense of $79,050 ($74,970 in 2009) was recorded for options that vested during the nine month period ended September 30, 2010. The off-setting credit was recorded in Contributed Surplus.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Supplementary disclosure of non-cash investing and financing activities during the nine month period ended September 30:

	2010	2009
Shares issued for mineral properties (Note 5)	$ -	$ 10,000
Stock-based compensation (Note 6)	$ 79,050	$ 74,970
Agent's options compensation	$ -	$ 20,064

Incurred mineral property expenditures of $65,124 through accounts payable ($21,187 in 2009).

8. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is $29,673 ($11,586 in 2009) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

During the nine month period ended September 30, 2010, the Company entered into the following related party transactions:

a) Paid or accrued to companies controlled by an officer and directors of the Company an aggregate of $25,290 ($34,500 in 2009) for geological and project management fees included in general exploration and mineral property expenses and $134,130 ($82,000 in 2009) for corporate management fees.

b) Paid or accrued to companies controlled by directors of the Company an aggregate of $33,575 ($6,075 in 2009) for consulting fees.

c) Paid a company with a common director an aggregate of $21,139 ($21,139 in 2009) for rent.

d) Issued nil common shares (33,334 common shares with a value of $1,667 in 2009) and paid an amount of $nil ($13,333 in 2009) to the late President of the Company under an option agreement on the Pardo Property (see Note 5).

The amounts charged to the Company for the transactions provided have been determined by negotiations amongst the parties. These transactions were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

9. FINANCIAL INSTRUMENTS AND RISK

Financial instruments are classified into one of the following five categories under Canadian generally accepted accounting principles: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The Company classifies its cash and marketable securities as held-for-trading, receivables as loans and receivables, and reclamation bond as held-to-maturity. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

Fair value

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 756,752	$ -	$ -	$ 756,752
Marketable securities	52,000	-	-	52,000
Total	$ 808,752	$ -	$ -	$ 808,752

9. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash, marketable securities, receivables and reclamation bonds.

The Company's cash and marketable securities are held through a Canadian chartered bank and a brokerage firm, which are high-credit quality financial institutions. The Company's receivables primarily consist of goods and services tax / harmonized sales tax rebates due from the Government of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2010, the Company had a cash balance of $756,752 to settle current liabilities of $94,865. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency rate risk

While the Company is domiciled in Canada and its capital is raised in Canadian dollars, a portion of its business is conducted in the United States of America. As such, it is subject to risk due to fluctuations in the exchange rates between the Canadian and US dollars. At September 30, 2010, the Company has cash denominated in US dollars of US$273,003 and accounts payable of US$30,213. Each 1% change in the Canadian dollar versus the U.S. dollar will result in a gain/loss of approximately $2,514.

Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying value of cash, marketable securities, receivables, reclamation bonds, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

10. INCOME TAXES

Flow-through Expenditures

Under the Canadian *Income Tax Act* a company may issue securities referred to as flow-through shares, whereby the investors may claim the tax deductions arising from the qualifying expenditure (Canadian Exploration Expense) of the proceeds by the company. When resource expenditures are renounced to the investors and the company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing share capital. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

In January 2010, the Company renounced $150,000 of exploration expenditures raised through the issuance of flow-through shares in 2009, resulting in a future tax liability of $37,500, which was deducted from share capital (see also Note 6). The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future tax liability. This decrease in the valuation allowance has resulted in a future income tax recovery of $37,500 disclosed on the Consolidated Statements of Operations and Deficit.

At September 30, 2010, all of the $150,000 of flow-through proceeds had been incurred.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of mineral properties in Canada and the United States.

Geographic information is as follows:

	September 30, 2010	Dec. 31, 2009
Mineral properties and deferred exploration costs in:		
- Canada	$ 1,791,983	$ 1,705,850
- United States	280,763	199,537
TOTAL	$ 2,072,746	$ 1,905,387