(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Max Resource Corp.

We have audited the accompanying consolidated financial statements of Max Resource Corp. which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years ended December 31, 2010, 2009 and 2008, 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 and with the standards of the Public Company Accounting Oversight Board (United States). 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 Max Resource Corp. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years ended December 31, 2010, 2009 and 2008 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 describe certain conditions that give rise to doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from this uncertainty.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 28, 2011

MAX RESOURCE CORP.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

(Expressed In Canadian Dollars)

		December 31, 2010		December 31, 2009
ASSETS				
CURRENT				
Cash and cash equivalents	$	2,087,207	$	3,118,960
Receivables and prepaids		11,138		22,203
Taxes recoverable		15,287		9,753
Marketable securities (Note 3)		174,000		-
		2,287,632		3,150,916
EQUIPMENT (Note 4)		2,254		3,218
RECLAMATION BONDS (Note 5)		61,983		28,356
MINERAL PROPERTIES (Note 5)		2,592,248		2,142,513
	$	4,944,117	$	5,325,003
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	29,774	$	57,459
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 7)				
Authorized: Unlimited number of voting common shares without par value				
Unlimited number of preferred shares without par value				
Issued and outstanding: 21,699,230 common shares (2009: 21,699,230)		13,003,168		13,003,168
SHARE PURCHASE WARRANTS (Note 7)		288,562		288,562
CONTRIBUTED SURPLUS (Note 7)		1,458,599		1,393,485
DEFICIT		(9,919,986)		(9,417,671)
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 3)		84,000		-
		4,914,343		5,267,544
	$	4,944,117	$	5,325,003

NATURE OF OPERATIONS (Note 1)
COMMITMENTS (Note 5)
SUBSEQUENT EVENTS (Note 13)

APPROVED BY THE DIRECTORS:

"PAUL JOHN"	"STUART ROGERS"
Paul John – Director	Stuart Rogers – Director

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

MAX RESOURCE CORP.
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

YEAR ENDED DECEMBER 31,
(Expressed In Canadian Dollars)

	2010	2009	2008
EXPENSES			
Amortization	$ 964	$ 1,930	$ -
Consulting	60,920	55,394	86,762
Consulting – stock-based compensation (Note 7)	65,114	86,256	66,794
Investor relations – stock-based compensation	-	-	142,172
Management fees (Note 6)	120,000	120,000	120,000
Management and directors fees – stock-based compensation	-	-	242,999
Office and general	38,172	25,285	24,439
Part XII.6 tax	-	23,079	-
Professional fees	97,772	96,697	82,757
Transfer agent, filing fees and shareholder relations	158,252	337,024	385,710
Travel and promotion	24,870	22,808	50,713
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	(566,064)	(768,473)	(1,202,346)
OTHER ITEMS			
Gain on mineral property option payments received (Note 5)	39,893	-	-
Interest income	23,856	95,470	273,890
Impairment of mineral properties (Note 5)	-	(3,987,802)	(484,306)
LOSS BEFORE INCOME TAXES	(502,315)	(4,660,805)	(1,412,762)
Future income tax recovery (Note 8)	-	-	263,748
NET LOSS FOR THE YEAR	(502,315)	(4,660,805)	(1,149,014)
DEFICIT, BEGINNING OF YEAR	(9,417,671)	(4,756,866)	(3,607,852)
DEFICIT, ENDING OF YEAR	$ (9,919,986)	$ (9,417,671)	$ (4,756,866)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.02)	$ (0.22)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – basic and diluted	21,699,230	21,670,736	21,584,202

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

MAX RESOURCE CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31,

(Expressed In Canadian Dollars)

	2010	2009	2008
LOSS FOR THE YEAR	$ (502,315)	$ (4,660,805)	$ (1,149,014)
Other comprehensive gain:			
Unrealized gain on available for sale marketable securities	84,000	-	-
COMPREHENSIVE LOSS FOR THE YEAR	$ (418,315)	$ (4,660,805)	$ (1,149,014)
ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR	$ -	$ -	$ -
Other comprehensive gain:			
Unrealized gain on available for sale marketable securities	84,000	-	-
ACCUMULATED OTHER COMPREHENVISE INCOME, END OF YEAR	$ 84,000	$ -	$ -

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

MAX RESOURCE CORP.
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31,
(Expressed In Canadian Dollars)

	2010	2009	2008
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss for the year	$ (502,315)	$ (4,660,805)	$ (1,149,014)
Adjustments for items not involving cash:			
Amortization	964	1,930	-
Gain on mineral property option payments received	(39,893)	-	-
Stock-based compensation - consulting, management and investor relations expense	65,114	86,256	451,965
Impairment of mineral properties	-	3,987,802	484,306
Future income tax recovery	-	-	(263,748)
Changes in non-cash working capital items:			
Decrease in receivables and prepaids	11,065	77,342	108,501
Decrease (increase) in taxes recoverable	(5,534)	4,179	3,207
Decrease in accounts payable and accrued liabilities	(27,685)	(117,212)	(4,934)
CASH USED IN OPERATING ACTIVITIES	(498,284)	(620,508)	(369,717)
INVESTING ACTIVITIES			
Reclamation bonds	(33,627)	-	88
Purchase of equipment	-	(5,148)	-
Mineral property acquisition and exploration costs	(676,246)	(632,745)	(2,914,138)
Mineral property option payments	176,404	-	-
CASH USED IN INVESTING ACTIVITIES	(533,469)	(637,893)	(2,914,050)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,031,753)	(1,258,401)	(3,283,767)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,118,960	4,377,361	7,661,128
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,087,207	$ 3,118,960	$ 4,377,361
CASH AND CASH EQUIVALENTS CONSISTS OF:			
Cash	$ 87,207	$ 118,960	$ 207,693
Term deposits	2,000,000	3,000,000	4,169,668
	$ 2,087,207	$ 3,118,960	$ 4,377,361

SUPPLEMENTARY CASH FLOW DISCLOSURE (Note 9)

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

NOTE 1. NATURE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (Alberta) on April 25, 1994. The Company is in the business of mineral property exploration and development. The recoverability of amounts recorded for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future production or proceeds from the disposition thereof. To date, the Company has not generated any revenues from operations and will require additional funds for expenditures and the costs of its operations. As a result, further losses are anticipated prior to the generation of any profits.

The Company's future capital requirements will depend on many factors, including costs of exploration of its properties, cash flow from and used in operations, and global market conditions. The Company's anticipates recurring operating losses and growing working capital needs to operate its business. The Company has sufficient funds on hand to cover anticipated operating expenses and the costs of budgeted exploration programs for the next year.

These financial statements are prepared on a going concern basis, which implies the Company will continue realizing its assets and discharging its liabilities in the normal course of business and will be able to fund exploration programs. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be required. The Company’s ability to continue as a going concern will depend almost exclusively on access to external capital to complete the exploration and development of mineral properties. Such outside capital will include the sale of additional stock. There can be no assurance that capital will be available as necessary to meet continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional shares by the Company may result in a significant dilution in the equity interests of its current shareholders.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada for financial statements. Except as indicated in Note 12, they also comply, in all material respects, with accounting principles generally accepted in the United States.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Max Resource, Inc., a Nevada company, which was incorporated on August 24, 2005 Inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to useful lives of assets for depreciation and amortization, the recoverability of mineral property interests, the determination of future income taxes, asset retirement obligations, and the determination of fair value for stock based transactions and financial instruments. Where estimates have been used financial results as determined by actual events could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents include highly liquid investments which are readily convertible to specified amounts of cash without penalty and with maturities of three months or less when purchased.

Equipment
Equipment is recorded at cost with amortization provided using the declining balance basis at 30% per annum.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral properties
The Company initially records its interests in and expenditures on mineral properties at cost. If impairment is indicated then fair value is used if such amount is less than carrying value. Where specific exploration programs are planned and budgeted by management, the cost of mineral properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

Costs include cash or other consideration paid and the fair value of shares or other non-cash consideration issued, if any, on the acquisition of mineral properties. Costs related to properties acquired under option agreements or joint ventures, where payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. For properties held jointly with other parties, the Company only records its proportionate share of acquisition and exploration costs. The proceeds from options granted are deducted from the cost of the related property and any excess is deducted from other remaining capitalized property costs. The Company does not accrue estimated future costs of maintaining its mineral properties in good standing.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the mineral interests.

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether continuing costs are capitalized or charged to operations. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management’s intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

The Company does not have any producing mineral properties and all of its efforts to date have been exploratory in nature. Upon the establishment of commercial production, carrying values of deferred acquisition and exploration costs will be amortized over the estimated production life using the units of production method.

The Company receives mining exploration tax credits for certain qualifying work done on its properties. The benefits related to such mining exploration tax credits are credited against exploration costs in the period in which the Company can reasonably estimate the amounts to be received and establish their ultimate recovery.

Asset retirement obligations
The Company reviews and recognizes legal obligations associated with retirement of tangible long-lived assets, including rights to explore or exploit natural resources. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled. Resource property related retirement obligations are capitalized as part of carrying values and are accounted for in the same manner as all other capitalized costs.

Future site restoration costs
The Company records future site restoration costs as asset retirement obligations when they are known or likely and they can be reliably determined and measured. Actual site restoration expenditures are charged to the accumulated provision account as incurred.

Impairment of long-lived assets
The Company follows the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook section 3063, “Impairment of Long-Lived Assets”. Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation

The Company follows CICA Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards be measured using a fair value methodology. Under the standard all awards are measured and expensed or allocated to specific asset accounts, as applicable, in the period of grant or modification. The fair value of options and other stock-based awards issued or altered in the period, are determined using the Black-Scholes option pricing model. Upon the exercise of stock options or agents warrants, the fair value of the share based award is allocated to share capital.

Income taxes

Income taxes are accounted for using the liability method, which requires the recognition of taxes payable or refundable for the current period and future tax liabilities and assets for future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The measurement of current and future tax liabilities and assets is based on provisions of enacted tax laws and the effects of future changes in tax laws or rates. The measurement of future tax assets is reduced, if necessary, by a valuation allowance, where, based on available evidence, the probability of realization of the future tax asset does not meet a more likely than not criterion. The Company has not recognized potential future benefit amounts as the criteria for recognition under generally accepted accounting principals ("GAAP") have not been met.

Loss per share

The Company is using the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate.

Basic loss per share figures have been calculated using the weighted average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year since the effects of the share purchase warrants and stock options have been excluded as they are anti-dilutive.

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.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, and accounts payable. 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.

Cash and cash equivalents are classified as held for trading; receivables are classified as loans and receivables; marketable securities are designated as available for sale which are measured at fair value; and accounts payable are classified as other financial liabilities.

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).

Net Smelter Royalties ("NSR") are a form of derivative financial instrument. The fair value of the Company's right to purchase the NSR is not determinable at the current stage of the Company's exploration program. No value has been assigned by management. The Company does not engage in any form of derivative or hedging instruments.

(Expressed In Canadian Dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of foreign currency
The financial statements of the Company's integrated foreign subsidiary is translated into Canadian dollar equivalents using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities at each period end are included in earnings. Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Gains and losses arising from translation of foreign currency monetary assets and liabilities and transactions are included in earnings.

New accounting pronouncements with future effective dates, not yet adopted

International Financial Reporting Standards ("IFRS")
In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Management has determined that the adoption of IFRS will not have a material impact on the financial statements of the Company or its business, except for expanded disclosures in the financial statements.

Business combinations – section 1582, consolidated financial statements – section 1601 and non-controlling interests – section 1602
The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Section 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

NOTE 3. MARKETABLE SECURITIES

During the year ended December 31, 2010, the Company received an option payment, consisting of 600,000 shares with a market value of $90,000, from Kokanee Placer Ltd. ("Kokanee"), a publically traded British Columbia company. . The Company records these shares at fair value (Note 2). As at December 31, 2010, the fair value of these shares was $174,000. During the year ended December 31, 2010, the Company recognized an unrealized gain of $84,000 on it marketable securities. The gain has been recorded as Other Comprehensive Income.

NOTE 4. EQUIPMENT

	December 31, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 5,148	$ 2,894	$ 2,254	$ 5,148	$ 1,930	$ 3,218

(Expressed In Canadian Dollars)

NOTE 5. MINERAL PROPERTIES

	Balance December 31, 2008	Additions (Recoveries)	Write-off	Balance December 31, 2009	Additions	Option Payments / Recoveries Received	Balance December 31, 2010
Acquisition costs:							
Target Claims, NWT	$ 1	$ -	$ (1)	$ -	$ -	$ -	$ -
Gold Hill, AK	432,944	91,500	(524,444)	-	-		-
MacInnis Lake, NWT	1	-	(1)	-	-	-	-
C de Baca, NM	172,563	16,339	-	188,902	17,570		206,472
Diamond Peak, NV	48,737	1,370	-	50,107	134,463	(148,841)	35,729
Nustar Claims, AZ	497,948	-	(497,948)	-	-	-	-
Ravin, NV	116,043	60,560	-	176,603	17,985	-	194,588
East Manhattan, NV	105,451	45,888	-	151,339	53,631	-	204,970
Howell, BC	27,500	10,000	-	37,500	-	-	37,500
Crowsnest, BC	-	8,817	-	8,817	-	-	8,817
Indata, BC	22,500	-	(22,500)	-	-	-	-
Table Top, NV	-	30,318	-	30,318	40,402	-	70,720
	1,423,688	264,792	(1,044,894)	643,586	264,051	(148,841)	758,796
Exploration costs:			-				
Gold Hill, AK	2,509,579	83,893	(2,593,472)	-	-	-	-
C de Baca, NM	235,596	-	-	235,596	-	-	235,596
Nustar Claims, AZ	4,096	1,392	(5,488)	-	-	-	-
Ravin, NV	486,418	17,930	-	504,348	639	-	504,987
East Manhattan, NV	9,658	53,448	-	63,106	38,748	-	101,854
Howell, BC	455,407	(17,606)	-	437,801	-	-	437,801
Crowsnest, BC	-	248,429	-	248,429	613	(77,670)	171,372
Indata, BC	338,478	5,470	(343,948)	-	-	-	-
Table Top, NV	-	9,647	-	9,647	314,103	-	323,750
Diamond Peak	-	-	-	-	58,092	-	58,092
	4,039,232	402,603	(2,942,908)	1,498,927	412,195	(77,670)	1,833,452
	$ 5,462,920	$ 667,395	$(3,987,802)	$ 2,142,513	$ 676,246	$ (226,511)	$ 2,592,248

Target Claims, Northwest Territories, Canada

During 2003, the Company acquired a 50% interest in a mineral claim located in the Longtom Lake area of the Northwest Territories (the "Target 1 Claim"). During the year ended December 31, 2007, the Company recorded an impairment charge of $148,097 on the Target 1 Claim and during the year ended December 31, 2009, the Company elected to abandon the Target Claims and wrote-off the remaining $1 of acquisition costs to operations.

Gold Hill Property, Alaska, United States

During 2004, the Company entered into an option agreement to acquire an interest in the Gold Hill claims near Cantwell, Alaska. During the year ended December 31, 2009, the Company elected to abandon the Gold Hill property and wrote off $524,444 of acquisition costs and $2,593,472 of deferred exploration costs to operations.

(Expressed In Canadian Dollars)

NOTE 5. MINERAL PROPERTIES (continued)

MacInnis Lake, Northwest Territories, Canada

The Company entered into an option agreement dated April 1, 2005, as amended April 11, 2006 and September 29, 2008, with Alberta Star Development Corp. ("Alberta Star"), a company with a common director. Under the agreement the Company could earn an interest in the MacInnis Lake Uranium Project in the Northwest Territories.

During the year ended December 31, 2008, the Company recorded an impairment charge of $484,306 on the MacInnis Lake property and during the year ended December 31, 2009, the Company elected to abandon the MacInnis Lake property and wrote-off the remaining $1 of acquisition costs to operations.

C de Baca, New Mexico, United States

On September 22, 2005, the Company entered into an agreement to acquire a total of 108 claims (the "Dat Claims") in Socorro County, New Mexico, pursuant to an agreement with Applied Geologic Services, Inc. of Denver, Colorado. Consideration for the acquisition of the Claims was US$10,000 cash payment (paid), with annual payments of US$10,000 until the commencement of production. After commencement of production, a royalty of 2% of gross revenues is payable until such time as a total of US$500,000 (including the initial cash payment and annual payments) has been paid.

As at December 31, 2010, the Bureau of Land Management ("BLM") of New Mexico holds a $18,888 reclamation bond (2009 - $18,888) from the Company to guarantee reclamation of the environment on the C de Baca property.

Diamond Peak, Nevada, United States

On May 9, 2006, the Company entered into an Option Agreement, as amended June 30, 2010, to acquire a 100% interest in the claims in Eureka County, Nevada, the "Diamond Peak Property", from The Wendt Family Trust. The Wendt Family Trust is controlled by Clancy J. Wendt, the Vice President of Exploration for the Company. The terms of the Option Agreement require the issuance to the Wendt Family Trust of 100,000 escrowed shares (issued) of the Company with a fair value of $40,000 and the following rental payments:

Date	Payment Amount
Upon execution of the Agreement	$ 25,000 (U.S.) (paid)
May 9, 2007	35,000 (U.S.) (paid)
May 9, 2008	45,000 (U.S.) (paid)
May 9, 2009	50,000 (U.S.) (paid)
June 30, 2010 (on execution of amending agreement)	25,000 (U.S.) (paid)
May 9, 2011 (as amended)	35,000 (U.S.)
May 9, 2012 (as amended	45,000 (U.S.)
Each anniversary thereafter for 4 years (as amended)	$ 50,000 (U.S.)

The Company may purchase the property for US$300,000. If the option to purchase the property is exercised during the term of the rental payments, no further property rental payments will be due. The Diamond Peak property will be subject to a 3% NSR royalty. Upon full exercise of the option, the Company will own 100% of the property.

On May 15, 2006, the Company entered into a mineral property Option Agreement with Kokanee whereby it granted Kokanee the right to acquire up to a 51% interest in the Diamond Peak Property in consideration of certain cash payments totalling US$470,000, the issuance of 600,000 common shares of Kokanee and incur mineral exploration commitments of $1,000,000 (Note 3).

During the year ended December 31, 2010, the Company received cash of $98,734 (US$95,000) and 600,000 common shares of Kokanee valued at $90,000 for total proceeds received of $188,734 on the Diamond Peak property. As the Company had only incurred costs of $148,841 at that point, a gain on option payments received of $39,893 has been recorded. In June 2010, Kokanee advised the Company that they would not make the annual option payment of US$50,000 then due and would be abandoning their option on the property.

(Expressed In Canadian Dollars)

NOTE 5. MINERAL PROPERTIES (continued)

Diamond Peak, Nevada, United States (continued)

During the year ended December 31, 2010, the Company incurred consulting fees of $21,248 drilling and assaying fees of $9,220 and field expenses of $27,624 on the Diamond Peak property (2009 - $Nil).

As at December 31, 2010, the BLM holds a $14,500 reclamation bond (2009 - $Nil) from the Company to guarantee reclamation of the Diamond Peak property.

Nustar Claims, Arizona, United States

On April 4, 2007, the Company entered into an agreement with Nustar Exploration LLC, a private Arizona limited liability corporation, for the acquisition of a 100% interest in 427 mineral claims located in northwest Arizona. During the year ended December 31, 2009, the Company elected to abandon the Nustar project and wrote off $497,948 of acquisition costs and $5,488 of deferred exploration costs.

Ravin Claims, Nevada, United States

On September 10, 2007, as amended November 9, 2010, the Company entered into an Option Agreement with Energex LLC (“Energex”), a Nevada corporation, for the acquisition of a 100% interest in the Ravin property, consisting of mineral claims located in Lander County, Nevada. Energex is wholly-owned by Clancy J. Wendt, the Vice President of Exploration for the Company.

The terms, as amended, of the Option Agreement with Energex require the payment of $4,996 (US$5,000) on execution of the agreement (paid), $26,722 (US$25,000) by September 10, 2008 (paid), $38,700 (US$35,000) by September 10, 2009 (paid) and $10,650 (US$10,000) by September 10, 2010 (paid), with an additional US$10,000 on each anniversary thereafter, subject to increase to US$50,000 upon certain triggering events. The Ravin Property is subject to a 3% NSR royalty. Upon full exercise of the option, the Company will own 100% of the project. In addition, the Company has paid filing fees of $106,185, which have been included in acquisition costs.

During the years ended December 31, 2010 and 2009, the Company incurred the following exploration costs on the Ravin Claims:

	2010	2009
Drilling and assays	$ -	$ 3,929
Geological consulting	639	12,930
Field expenses	-	1,071
	$ 639	$ 17,930

As at December 31, 2010, the BLM holds a $8,046 reclamation bond (2009 - $8,046) from the Company to guarantee reclamation of the environment on the Ravin property.

East Manhattan, Nevada, United States

On November 11, 2007 as amended December 4, 2008 and December 21, 2010, the Company entered into an Option Agreement with MSM LLC (“MSM”), a Nevada corporation, for the acquisition of a 100% interest in the East Manhattan Wash mineral claims located in Nye County, Nevada.

The terms of the Option Agreement with MSM call for the payment of $27,874 (US$28,000) on execution of the agreement (paid), $25,029 (US$20,000) by December 4, 2008 (paid), $26.603 (US$25,000) by December 4, 2009 (paid), $40,560 (US$40,000) by December 4, 2010 (paid), US$50,000 by December 4, 2011 and US$100,000 by December 12, 2012, subject to securing a drill permit.

(Expressed In Canadian Dollars)

NOTE 5. MINERAL PROPERTIES (continued)

East Manhattan, Nevada, United States (continued)

In addition, the Company must make exploration expenditures totalling US$700,000 on the claims including the following minimum expenditures, subject to receipt of drill permits and securing a drill rig which to December 31, 2010 has not been received (i) on or before the second anniversary, US$50,000 (deferred until drill rig secured); (ii) on or before the fourth anniversary, a further US$150,000; (iii) on or before the fifth anniversary, a further US$200,000; and (iv) on or before the sixth anniversary, a further US$300,000. The East Manhattan Property is subject to a 3% NSR royalty. Upon full exercise of the option, the Company will own 100% of the project.

During the years ended December 31, 2010 and 2009, the Company incurred the following exploration costs on the East Manhattan Project:

	2010	2009
Drilling and assays	$ 5,202	$ 12,763
Geological consulting	29,923	35,133
Field expenses	3,623	5,552
	$ 38,748	$ 53,448

Howell and Crowsnest, British Columbia, Canada

On June 9, 2008, the Company entered into an Option Agreement with Eastfield Resources Ltd. (“Eastfield”), whereby the Company may acquire a 60% interest in the Howell Gold Project in Southeast British Columbia. On July 23 2009, the Company agreed with Eastfield to amend the Howell property agreement to allow the Company to earn a 60% interest in either the Howell or the Crowsnest projects over a four year period by making cash payments totalling $60,000 to Eastfield ($10,000 paid on signing of the amended agreement), issuing 50,000 shares (issued) and by completing aggregate exploration expenditures on both properties of $400,000 by the second anniversary date (June 30, 2011). Following that date, the Company can earn its 60% interest in Howell by making further cash payments totalling $90,000, issuing 400,000 shares and spending a further $700,000 on exploration prior to June 30, 2013. To earn its 60% interest in Crowsnest, the Company must make further cash payments to Eastfield of $90,000, issue 400,000 shares and spend a further $1,050,000 on exploration at Crowsnest prior to June 30, 2013.

In February 2010, the Government of British Columbia announced that it intends to halt all ongoing mineral exploration work and prohibit any future mine development in the Flathead Valley in southeastern British Columbia where the Howell and Crowsnest properties are located. The Company has been contacted by the Ministry of Energy, Mines and Petroleum Resources to initiate discussions with respect to compensation. The agreement with Eastfield remains in good standing with all payment requirements suspended pending resolution of payment of compensation from the government of British Columbia.

In October 2010, the Company received $77,670 as a mining tax credit for mineral exploration in British Columbia.

During the years ended December 31, 2010 and 2009, the Company incurred the following exploration costs on the Howell property:

	2010	2009
Geological consulting	$ -	$ 3,078
BC mining tax recovery	-	(20,684)
	$ -	$ (17,606)

During the years ended December 31, 2010 and 2009, the Company incurred the following exploration costs on the Crowsnest property:

	2010	2009
Drilling and assays	$ -	$ 112,088
Geological consulting	613	52,524
Field expenses	-	83,817
	$ 613	$ 248,429

(Expressed In Canadian Dollars)

NOTE 5. MINERAL PROPERTIES (continued)

Indata, British Columbia, Canada

On June 9, 2008, the Company entered into an Option Agreement with Eastfield for the acquisition of a 60% interest in the Indata Project in North Central British Columbia.

During the year ended December 31, 2009, the Company elected to abandon the Indata property and wrote off $22,500 of acquisition costs and $343,948 of deferred exploration costs to operations.

Table Top, Nevada, United States

On August 31, 2009, the Company entered into an Option Agreement with Energex to acquire a 100% interest in the Table Top claims in Humboldt County Nevada.

The terms of the Option Agreement with Energex require the payment of $5,400 (US$5,000) upon execution of the Agreement (paid), US$25,000 on the first anniversary of the Agreement (deferred until results from the March 2011 drill program received), US$35,000 on the second anniversary of the Agreement and US$50,000 on each anniversary thereafter for a term of ten years, subject to renewal. The Company may buy the property at any time for US$300,000, at which point the annual payments will cease. The Table Top property is subject to a 3% NSR royalty. Upon full exercise of the Option Agreement, the Company will own 100% of the project.

During the years ended December 31, 2010 and 2009, the Company incurred the following explorations costs on the Table Top Property:

	2010	2009
Geological consulting	$ 91,048	$ -
Drilling and assaying	198,915	-
Field expenses	24,140	-
	$ 314,103	$ -

At December 31, 2010, the BLM holds a $19,127 reclamation bond (2009 - $Nil) from the Company to guarantee reclamation of the environment on the Table Top property. At December 31, 2010 an additional bond of $1,422 (2009 - $1,422) is held on properties previously fully impaired.

NOTE 6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, management fees of $120,000 (2009 - $120,000; 2008 - $120,000) were incurred to a private company controlled by a director.

During the year ended December 31, 2010, consulting fees of US$120,000 (2009 - US$120,000; 2008 - US$120,000) were incurred to a director for geologic consulting services.

This transactions were measured at the exchange amount as agreed to by the related parties.

(Expressed In Canadian Dollars)

NOTE 7. SHARE CAPITAL

Authorized: Unlimited number of voting common shares without par value
Unlimited number of preferred shares without par value

	Number of Shares	Share Capital	Share Purchase Warrants	Contributed Surplus
Common Shares Issued:				
Balance at December 31, 2008	21,649,230	$ 12,996,918	$ 288,562	$ 1,307,229
Shares issued for mineral property (Note 4)	50,000	6,250	-	-
Stock-based compensation	-	-	-	86,256
Balance at December 31, 2009	21,699,230	13,003,168	288,562	1,393,485
Stock-based compensation	-	-	-	65,114
Balance at December 31, 2010	21,699,230	$ 13,003,168	$ 288,562	$ 1,458,599

Stock Options

The Company has a stock option plan where the directors are authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company to a maximum of 4,309,846. Under the plan, the exercise price of each option shall not be less than the closing price of the Company's shares on the date of grant less any discount permitted by the TSX Venture Exchange ("TSX-V") and vesting terms are at the discretion of the board of directors. The options can be granted up to a maximum term of 5 years as long as the Company is classified as a Tier 2 issuer under the policies of the TSX -V.

On July 3, 2009, the Company granted stock options to a consultant for the right to purchase 250,000 common shares at a price of $0.17 per share to July 3, 2011. These options vested immediately. The total fair value of $23,720 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.16% and an expected volatility of 140%. The granting of these options resulted in stock based compensation expense of $23,720 being recorded in fiscal 2009.

On October 19, 2009, the Company granted stock options to two consultants entitling them to purchase 250,000 common shares at a price of $0.40 per share to October 19, 2011. Of these options, 200,000 vested immediately, and 50,000 options vest over a 1 year period. The total fair value of $73,572 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.52% and an expected volatility of 123.5%. The granting of these options resulted in a stock based compensation expense of $62,536 being recorded in fiscal 2009. Subsequent to December 31, 2009, the 50,000 stock options were cancelled and the remaining $11,036 will not be recorded as the consultant ceased to provide services as of January 1, 2010.

On April 6, 2010, the Company granted stock options to a consultant entitling him to purchase 50,000 common shares at a price of $0.25 per share to April 6, 2012. These options vested immediately. The total fair value of $7,230 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.86% and an expected volatility of 149%. The granting of these options resulted in a stock based compensation expense of $7,230 being recorded in fiscal 2010.

(Expressed In Canadian Dollars)

NOTE 7. SHARE CAPITAL (continued)

Stock Options (continued)

On April 12, 2010, the Company granted stock options to a consultant entitling him to purchase 250,000 common shares at a price of $0.40 per share to April 12, 2012. These options vested immediately. The total fair value of $52,375 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.86% and an expected volatility of 180%. The granting of these options resulted in a stock based compensation expense of $52,375 being recorded in fiscal 2010.

On September 21, 2010, the Company granted stock options to a consultant entitling him to purchase 50,000 common shares at a price of $0.25 per share to September 21, 2012. These options vested immediately. The total fair value of $5,509 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.42% and an expected volatility of 105%. The granting of these options resulted in a stock based compensation expense of $5,509 being recorded in fiscal 2010.

The following table summarizes information on stock option transactions:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Weighted average grant date fair value
Balance, December 31, 2008	1,850,000	$ 0.34	2.33 years	
Options granted	500,000	0.29	2.00 years	$ 0.19
Options cancelled and expired	(125,000)	0.95	-	
Balance, December 31, 2009	2,225,000	0.29	1.67 years	
Options granted	350,000	0.36	2.00 years	$ 0.24
Options cancelled and expired	(50,000)	0.40	-	
Balance, December 31, 2010	2,525,000	$ 0.30	0.76 years	
Exercisable at December 31, 2010	2,525,000	$ 0.30	0.76 years	

The following incentive stock options were outstanding at December 30, 2010:

Number of options outstanding	Exercise Price	Expiry Date
250,000	$0.17	July 3, 2011
1,150,000	0.35	August 1, 2011
200,000	0.40	October 19, 2011
575,000	0.17	October 31, 2011
50,000	0.25	April 6, 2012
250,000	0.40	April 12, 2012
50,000	0.25	September 21, 2012
2,525,000		

Warrants

The following table summarizes information about warrant transactions:

	Outstanding Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2008	250,000	$ 1.23	0.79 years
Warrants cancelled and expired	(250,000)	1.23	-
Balance, December 31, 2009 and 2010	-	$ -	-

(Expressed In Canadian Dollars)

NOTE 8. INCOME TAXES

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

	2010	2009	2008
Loss before taxes for the year	$ (502,315)	$ (4,660,805)	$ (1,412,762)
Expected income tax recovery at blended rate	30%	34%	31%
	(149,390)	(1,582,176)	(437,956)
Non-deductible items	19,463	25,877	140,109
Other	116,757	261,129	280,234
Change in valuation allowance	13,170	1,295,170	(246,135)
Future income tax recovery	$ -	$ -	$ (263,748)

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

	2010	2009
Non-capital losses	$ 2,104,551	$ 970,682
Equipment	1,171	1,503
Resource properties	2,619	1,074,772
Share issuance costs	46,864	95,078
	2,155,205	2,142,035
Valuation allowance	(2,155,205)	(2,142,035)
Net future tax assets	$ -	$ -

The Company has non-capital losses of approximately $3,146,000 (2009: $2,670,000) which may be available to offset future income for Canadian income tax purposes which expire over the next twenty years. In addition, there are resource-related expenditures of approximately $1,004,000 (2009: $1,121,000) which may be used to offset future taxable Canadian resource income indefinitely, subject to annual rates prescribed by the Canadian Income Tax Act. The Company also has foreign tax losses totalling approximately US$3,766,000 (2009: US$825,000) which may be available to reduce future year's taxable income and which will expire, if not utilized, commencing in 2027. In addition, there are foreign resource-related expenditures of approximately US$1,616,000 (2009: US$3,745,000) available to reduce taxable income in future years.

Due to the uncertainty of realization of these loss carryforwards and resource pools, the benefits have not been reflected in the financial statements as the Company has provided a full valuation allowance for the potential future tax assets resulting from these loss carryforwards and resource pools.

(Expressed In Canadian Dollars)

NOTE 9. SUPPLEMENTARY CASH FLOW DISCLOSURE

			2010		2009
Cash paid for:	Interest	$	-	$	-
	Income taxes	$	-	$	-

During the year ended December 31, 2010, the Company received 600,000 common shares of Kokanee with a fair value of $90,000 for an option payment on the Diamond Peak property (Notes 3 and 5).

During the year ended December 31, 2009, the Company issued 50,000 common shares with a fair value of $6,250 for the acquisition requirements of the Crowsnest property (Note 5).

During the year ended December 31, 2010, the Company incurred mineral property expenditures of $5,436 (2009 - $28,400) included in accounts payable and accrued liabilities.

NOTE 10. SEGMENTED INFORMATION

The Company's operates in one business segment and two geographical segments. Income, loss and assets are located in the following geographic locations:

		Canada		United States		Consolidated
December 31, 2010						
Interest income	$	23,856	$	-	$	23,856
Amortization	$	-	$	964	$	964
Stock-based compensation	$	65,114	$	-	$	65,114
Net loss	$	(440,332)	$	(61,983)	$	(502,315)
Additions (reductions) to long-lived assets	$	(77,056)	$	559,454	$	482,398
Identifiable assets	$	2,942,545	$	2,001,572	$	4,944,117
December 31, 2009						
Interest income	$	95,470	$	-	$	95,470
Amortization	$	-	$	1,930	$	1,930
Stock-based compensation	$	86,256	$	-	$	86,256
Net loss	$	(982,129)	$	(3,678,676)	$	(4,660,805)
Additions to long-lived assets	$	255,110	$	417,433	$	672,543
Identifiable assets	$	3,883,462	$	1,441,541	$	5,325,003
December 31, 2008						
Interest income	$	273,890	$	-	$	273,890
Amortization	$	-	$	-	$	-
Stock-based compensation	$	451,965	$	-	$	451,965
Net loss	$	(1,084,476)	$	(64,538)	$	(1,149,014)
Additions to long-lived assets	$	843,885	$	2,217,016	$	3,060,901
Identifiable assets	$	5,331,055	$	4,651,059	$	9,982,114

NOTE 11. CAPITAL MANAGEMENT

The capital of the Company is derived primarily form share capital. Operating working capital represents the capital (current assets less current liabilities) under management. The Company's objectives when managing capital are to: (i) preserve capital and minimize shareholder dilution, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments for changes in economic conditions and the risk characteristics of its operations. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments it holds.

The Company's policy is to invest excess cash in highly liquid, fully guaranteed, bank-sponsored instruments.

The Company is not subject to externally imposed capital restrictions. There were no changes to the capital management approach in the year.

NOTE 12. RISK MANAGEMENT

Management of Industry Risk
The Company is engaged 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.

Management of Financial Risk
The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings. The Company manages credit risk by placing cash with reputable Canadian financial institutions and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

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
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. There is moderate currency risk to the Company as some mineral property interests are located in the United States.

The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical. The Company does not engage in any form of derivative or hedging instruments to reduce its foreign currency risk.

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.

NOTE 13. SUBSEQUENT EVENTS

On March 4, 2011 the Company entered into an option agreement ("Agreement") to acquire up to a 75% interest in the Majuba Hill Copper/Gold/Silver property in Pershing County, Nevada from Claremont Nevada Mines LLC., ("Claremont") of Nevada. The terms of the Agreement with Claremont allow the Company to earn an initial 60% interest in the property over six years by spending US$6,500,000 on exploration of the property. The Company can increase its interest in the property to 75% by spending a further $3,500,000 on exploration over a subsequent two year period. The Majuba Hill property will be subject to a 3% NSR payable to the vendor, 1.5% of which may be purchased at any time for US$1,500,000.

On April 4, 2011 the Company completed a non-brokered private placement of 2,016,755 units at a price of $0.28 per unit for gross proceeds of $564,691. Each unit is comprised of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of $0.38 per share until April 4, 2013. Cash finder's fees of $35,412 were paid with respect to a portion of this placement.

NOTE 14. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") which differ in certain respects with accounting principles generally accepted in the United States and from practices prescribed by the Securities and Exchange Commission (collectively "US GAAP"). Material differences to these financial statements are as follows:

a) Exploration stage enterprise:

Under US accounting standards, the Company is considered to be an enterprise in the exploration stage as substantially all of its efforts have been directed towards the investigation of business opportunities and exploration of resource properties. Accounting principles for exploration stage enterprises require the specific disclosure of this fact and the presentation of certain cumulative information from the inception of the exploration stage. However, it does not require any changes in the measurement of assets, liabilities, revenues or expenses from that set out in the financial statements prepared in accordance with Canadian GAAP.

b) Statement of stockholders' equity:

US accounting standards require a separate Statement of Stockholders' Equity disclosing historical transactions from inception. The information required in this statement is otherwise presented in the current and prior years' notes to the consolidated financial statements.

c) Mineral property costs:

Under Canadian GAAP, mineral property acquisition, exploration and development costs may be deferred and amortized as disclosed in Note 2. Under US GAAP, pursuant to EITF 04-2, mineral rights are classified as tangible assets and accordingly acquisition costs are capitalized as mineral property costs. Under US GAAP mineral property exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property are capitalized. As of the date of these financial statements, the Company has determined that all exploration costs should be expensed under US GAAP as the Company has not established any proven or probable reserves on its mineral properties.

d) Stock-based compensation:

The Company has previously granted stock options to certain directors, employees and consultants. Under Canadian GAAP, prior to 2003, no compensation expense was recorded in connection with the granting of stock options. Under previous US GAAP, the Company accounted for stock-based compensation in respect of stock options granted to directors and employees using the intrinsic value based method in accordance with APB Opinion No. 25. Stock options granted to non-employees were accounted for by applying the fair value method using the Black-Scholes option pricing model in accordance with Statement of Financial Accounting Standards No. 123 ("SFAS 123"). Commencing January 1, 2003, under Canadian GAAP the Company expenses the fair value of all stock options granted and under US GAAP has elected to prospectively change its accounting policy to account for all stock options granted in accordance with SFAS 123. On December 16, 2004, the FASB issued SFAS 123(R), "*Share-Based Payment*", which is a revision of SFAS 123. SFAS 123(R) supersedes APB Opinion 25, and amends SFAS 95, "*Statement of Cash Flows*". SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values at the date of grant. As a result, effective January 1, 2003, there was no material difference between the Company's accounting for stock options under US GAAP versus Canadian GAAP.

(Expressed In Canadian Dollars)

NOTE 14. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

e) Summary of financial statement information

The effect of the accounting differences for mineral property costs and stock-based compensation are as follows:

	Year ended December 31,			Cumulative from April 25, 1994 (inception) to December 31,
Consolidated Balance Sheets	2010	2009	2008	2010
Total assets, Canadian GAAP	$ 4,944,117	$ 5,325,003	$ 9,982,114	
Mineral property exploration costs	(1,833,452)	(1,498,927)	(4,039,232)	
Total assets, US GAAP	$ 3,110,665	$ 3,826,076	$ 5,942,882	
Deficit, Canadian GAAP	$ (9,919,986)	$ (9,417,671)	$ (4,756,866)	$ (9,919,986)
Mineral property exploration costs	(1,833,452)	(1,498,927)	(4,039,232)	(1,833,452)
Stock-based compensation	(6,611)	(6,611)	(6,611)	(6,611)
Deficit, US GAAP	$ (11,760,049)	$ (10,923,209)	$ (8,802,709)	$ (11,760,049)
Consolidated Statements of Operations				
Net loss, Canadian GAAP	$ (502,315)	$ (4,660,805)	$ (1,149,014)	$ (9,919,986)
Mineral property exploration costs	(334,525)	(311,848)	(2,340,177)	(4,763,275)
Stock-based compensation	-	-	-	(6,611)
Net loss, US GAAP	$ (836,840)	$ (4,972,653)	$ (3,489,191)	$ (14,689,872)
Basic net loss per share, US GAAP	$ (0.04)	$ (0.23)	$ (0.16)	
Consolidated Statements of Cash Flows				
Cash used in operating activities, Canadian GAAP	$ (498,284)	$ (620,508)	$ (369,717)	$ (3,596,282)
Mineral property exploration costs	(334,525)	(402,603)	(2,340,177)	(5,947,397)
Cash used in operating activities, US GAAP	$ (832,809)	$ (1,023,111)	$ (2,709,894)	$ (9,543,679)
Cash used in investing activities, Canadian GAAP	$ (533,469)	$ (637,892)	$ (2,914,050)	$ (6,832,050)
Mineral property exploration costs	334,525	402,603	2,340,177	5,840,514
Cash used in investing activities, US GAAP	$ (198,944)	$ (235,290)	$ (573,873)	$ (991,536)
Net cash provided by financing activities, Canadian GAAP and US GAAP	$ -	$ -	$ -	$ 4,931,208

Recent accounting pronouncements adopted:

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities, which is effective for the Company beginning July 1, 2010. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. The adoption of this new guidance had no impact on the Company's financial statements.

Recent Accounting Guidance Not Yet Adopted

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

MAX RESOURCE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the year ended December 31, 2010

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes for Max Resource Corp. ("MAX" or the "Company") for the year ended December 31, 2010. All dollar amounts are stated in Canadian funds. This discussion is based on information available as at April 29, 2011.

During the year under review, the Company conducted two core drilling programs at its Table Top gold project in Nevada and conducted exploration programs at its East Manhattan Wash gold project and Diamond Peak gold/silver/zinc project in preparation for drilling in 2011.

On February 9, 2010 the Company was informed that the Province of British Columbia intended to halt all ongoing mineral exploration work and prohibit any future mine development in the Flathead Valley in Southeastern B.C where the Crowsnest project is located. This action effectively prevents any further exploration or development of the Company's Crowsnest and Howell gold projects, both of which are located in the Flathead Valley watershed. MAX has been advised by the B.C. Provincial Government that we will be reimbursed for our expenditures to date at Howell and Crowsnest and that the details of compensation will be finalized during meetings to be held in early 2011.

Table Top Gold project, Humboldt County, Nevada

On August 31, 2009, the Company entered into an Option Agreement to acquire a 100% interest in the Table Top claims in Humboldt County, Nevada from Energex LLC, a private Nevada corporation controlled by Clancy Wendt, The property consists of 48 claims (960 acres) located 10 miles west of Winnemucca, Nevada, just off of Interstate 80.

The Table Top area is on trend with AMAX's Sleeper Canyon Mine (2.5 MM oz Au produced), located 25 miles to the north, and the Sandman gold deposits (Newmont Mining Corporation (NYSE:NEM) just 8 miles to the north and the Goldbanks gold occurrence located 37 miles to the south. All of these properties, including Table Top, are located along the King River Rift, a regional geologic feature that appears to control mineralization in the area and which hosts multiple high-grade vein-related gold systems. Table Top is located immediately south of the Sandman gold project, which is one of the three Nevada properties included in the acquisition of Fronteer Gold Inc. by Newmont Mining Corp. in April 2011. A map of the King River Rift can be viewed at our web site at www.maxresource.com.

Table Top is located in the Triassic rocks of the Raspberry formation which can be split into two general types: a northwestern belt of sandstone, siltstone, and slate, locally calcareous but devoid of limestone; and a southeastern belt of calcareous sandstone, siltstone and slate with prominent massive limestone beds 5 to 100 feet thick. Bedding in these units trend northeast with steep dips to the southeast.

The mineralization in the Raspberry formation is generally in the form of silicification in veinlets and small pods in the limestone but in a few areas there is massive replacement of the limestone by silica. The silica, where sampled, can contain gold with values as high as 15.5 ppm. Stibnite or stibnite casts can be found in the silica.

MAX has been able to obtain a nearly complete set of geophysical, geological and geochemical data from previous companies that worked on Table Top and land to the north. During the 1980's Gold Fields, Meridian Minerals, Homestake, Santa Fe Mining and others conducted exploration on and around the Table Top property. A limited exploration program by Goldfields consisting of only ten reverse circulation drill holes was conducted to test anomalous, up to 1.1 grams per tonne ("g/t"), gold values in what was called jasperoid. Trenches containing gold values up to 4 g/t over 5 feet were tested by the first drill hole, which contained **55 feet of 0.84 g/t Au** (0.027 opt) from the surface down. This hole was drilled vertically in a breccia zone. The remaining nine angle drill holes, which were wide-spaced (75-300 meters apart), contained little of significance. A follow up analysis showed that the holes may have been drilled in the wrong direction and should have been drilled to the south instead of to the north. MAX tested this theory during drilling conducted in April, 2010.

On May 3 2010, MAX announced initial gold assays from Table Top. Results were received for only those core intervals comprising the silicified breccia intersected during drilling that was reported on April 19th, 2010 and represent approximately 48 meters ("m") of core from four holes which were assayed on a rush basis. Results included drill hole MT 1 which returned **0.823 grams per tonne ("g/t") gold over 4.6 meters**, including **1.5 meters of 1.435 g/t gold.** Other significant results include 24.4 m of 0.473 g/t Au in hole MT 2, which includes 9.1 meters of 0.703 g/t Au.

Drilling was completed at Table Top in May 2010 with a total of 15 holes having been drilled for a total of 660 meters (2,156 feet). Of fifteen holes drilled, ten intersected the mineralized structure and contained significant gold mineralization, including **27.4 meters of 0.467 g/t Au and 3 meters of 1.79 g/t gold**. The zone of mineralization continues for the entire length and is open to the northeast and southwest. Gold mineralization also appears to increase in value as deeper zones are intersected.

In addition to the 15 holes completed at Table Top, three trenches were dug and sampled near the original drill hole reported by Gold Fields Mining Company that contained 50 feet of 0.027 opt Au. The current core holes were drilled to be perpendicular to the strike of the mineralized zone and across mineralization which is hosted in a silicified tectonic breccia.

All significant gold assays are listed below:

Hole	Angle	From (m)	To (m)	Width (m)	Gold (g/t)
MT 1	-45 degrees	6.09	12.2	6.11	0.749
Including		9.1	10.7	1.6	1.436
MT 2	-60 degrees	12.2	39.6	**27.4**	**0.467**
Including		27.4	35.0	7.6	0.760
MT 4	-45 degrees	16.7	22.8	6.1	0.614
Including		18.3	21.3	3.0	0.783
MT 5	-75 degrees	21.3	25.9	4.6	0.396
Including		24.4	25.9	1.5	0.794
MT 6	-60 degrees	16.8	21.3	4.5	0.545
Including		18.3	19.8	1.5	1.27
MT 7	- 75 degrees	22.9	24.4	1.5	0.734
MT 8	-45 degrees	10.7	18.3	7.6	0.664
Including		15.3	16.8	1.5	1.290
MT 9	- 75 degrees	28.9	30.4	1.5	0.451
MT 11	-45 degrees	18.3	19.8	1.5	0.558
MT 12	- 75 degrees	32.0	35.0	**3.0**	**1.79**
Including		32.0	33.5	1.5	2.562

The drill results at Table Top indicate that MAX may have found a potential mineralized feeder similar to a Carlin Type gold system. Multi-element geochemical values of arsenic, antimony and mercury are all extremely elevated with respect to background; numerous 1.5 m intercepts exceed 100 ppm arsenic and antimony, with thallium values in excess of 10 ppm. All of these elevated values are directly associated with elevated (in excess of 100 ppb and as high as 2,562 ppb) gold values. Silver, tellurium, selenium and base metal values are all low. Geologic interpretation indicates the zone is a 20 meter to 30 meter wide, northeast striking and southeast dipping structural zone. Gold and associated trace element mineralization is associated in and surrounding a silicified breccia (jasperoid). Low grade gold mineralization associated with high grade trace elements is often found to occur in Carlin style gold feeder systems, as have lamprophyre dikes that have also been identified in this zone. Lamprophyres are often found in Carlin systems and are indicative of deep seated structures where high grade gold deposits have been found in the recent past at Carlin systems (such as Meikle and Deep Star). These deep targets were tested during drilling conducted in September, 2010.

During the September program, two holes were drilled to test the down dip extension of the mineralized structure intersected in its earlier program to a new depth in the 250-1000 foot (76.2 – 304.8 meters) zone. The drilling intersected the previous mineralized structures in both drill holes and confirms that the mineralization extends to depth.

Hole	Angle	Total Depth (m)	From (m)	To (m)	Width (m)	Gold (g/t)
MT 14	-70 degrees	120.4	73.1	79.2	**6.1**	**0.53**
			100.6	108.2	**7.6**	**0.13**
MT 15	-85 degrees	324.5	227.0	239.2	**12.1**	**0.91**
	Including		230.1	239.2	**9.1**	**1.09**

Assays received in December from MT-15 showed ore grade mineralization **(9.1 m of 1.09 g/t Au)** starting at a depth of 230.1 m. The drill core intervals immediately above this intercept were not originally assayed but were visually similar to the ore grade intervals. Assay results from these intervals were subsequently received and two adjacent intervals immediately above the previously reported interval assayed at 0.77 g/t Au and 0.69 g/t Au respectively, extending the overall mineralized zone to **12.1 m of 0.91 g/t Au**.

Hole MT-15 was drilled to a final depth of 1064.5 feet (324.5 m). There is a very anomalous zone, greater than 97 ppb, from 630 feet to 740 feet in rocks that appear to be very permissive for mineralization. This zone has not been seen at the surface and opens an additional area for exploration. Drilling was resumed in March, 2011 and will target the mineralized system down dip and along strike, exploring for higher grade gold within the sedimentary (stibnite and calcite bearing carbonate rocks) package.

Drilling was completed at Table Top in early April 2011, with six diamond core holes drilled for a total of 497 metres. Five holes were drilled to the northeast of previous drilling and a sixth was drilled to identify 1+ gram gold intercepts found by surface sampling southwest of last year's drilling and 155 metres from the next nearest drill hole. Drill core has now been split and assay results are pending.

Analysis was performed by Inspectorate America Corp, an ISO certified facility in Sparks, Nevada, using fire assay and multi-element (ICP-ES) techniques. Standards and blanks were used for quality control of the samples. A map showing the location of the trenches and drill holes completed at Table Top is available on our web site at www.maxresource.com.

During the year ended December 31, 2010, the Company incurred consulting fees of $91,048, field expenses of $24,140 and drilling and assay costs of $198,915 at Table Top.

East Manhattan Wash gold project, Nye County, Nevada

In December, 2007 MAX entered into an Option Agreement to acquire a 100 % interest in the East Manhattan Wash ("EMW") claims in the Manhattan Mining District, Nye County, Nevada from MSM LLC, a Nevada corporation. The EMW property is comprised of 78 claims (1,560 acres) located 40 miles north of the town of Tonopah.

More than 1,000,000 ounces of gold have been mined in the **Manhattan mining district.** Production has included the nearby Manhattan mine (1974-1990), an open-pit operation that produced 236,000 ounces of gold at an average grade of 0.08 ounce per ton ("opt"). The Echo Bay East and West Pit deposits operated in the early 1990s, producing 260,000 ounces at an average grade of 0.06 opt. The Round Mountain Mine (Kinross/Barrick), situated eight miles north of East Manhattan Wash, is a conventional open pit operation that has produced more than 12 million ounces of gold to date.

In March 2009, the Company announced the results of the first large (bulk) sample taken from the EMW claims. This bulk sample weighed 793 pounds and was crushed to particles of less than 1 millimeter in size. The sample was then processed on a Wilfley Table to concentrate the heavy minerals. From this concentrate, a fired bead was made to produce a gold/silver "button". This button, which weighed 2.67 grams, was then analyzed using a NITON x-ray analyzer and was found to contain approximately 80% gold and 20% silver. On a per ton basis, this is equivalent to 6.1 grams of gold/silver per ton, or **4.9 grams of gold per ton and 1.2 grams per ton of silver.**

Following up the results of the bulk sample, MAX completed three large volume soil sampling grids in May of 2009 at EMW. The sampling program was designed to delineate the geometry of the native gold mineralization in three areas of interest. Significant values in the samples that were taken ranged from 0.05 ppm to 0.32 ppm gold with two of the zones being open in at least three directions.

The first two grids are located in a volcanic rhyolite lithic tuff hosting coarse gold. These areas, the "Gold Pit" and the "Old Drill Hole" grids, were sampled first by clearing a 1 meter by 1 meter area of surface debris then removing the organic (A) and root (B) soil horizons in turn. The sample was collected and consisted of a mixture of the soils directly above the bedrock (C horizon) and a portion of the bedrock below the soil. The sample was then sieved to ¼ inch minus then bagged.

These holes ranged from 12 inches to 48 inches in depth. Each hole location was identified with a 16 inch wooden stake labelled with an aluminum tag and backfilled to minimize disturbance. This technique was used to look at a small representative area and obtain any coarse gold trapped in the bedrock fractures.

In the first area, the Old Drill Hole grid, 30 samples were taken. The values ranged from nil to 0.32 ppm gold. The mineralized zone was 1200 feet long and 600 feet wide and was open in all four directions. Further work was undertaken to define the full areal extent of mineralization in this zone.

At the Gold Pit grid, located approximately 500 feet west of the Old Drill Hole grid, the area of significant mineralization was 1000 feet long by 250 feet wide. Again, the values range from nil to 0.32 ppm Au. The geology of the "Gold Pit" area consists of lithic rhyolitic and lapilli tuffs. These tuffs are locally argillically altered with minor local silicification.

A metallurgical sample was also taken and the entire sample contained 0.018 opt Au. This sample was found to contain visible native gold in the concentrate, middling's, and the reject, with equal values in each of the three sizes. The gold found is from fine to coarse grained in size and did not seem to be in any one size fraction.

In early November 2009, MAX received the assays from additional soil sampling completed at EMW. The sampling was designed to further delineate the geometry of the native gold mineralization in the two main areas of interest, the "Gold Pit" and the "Old Drill Hole Grid", which sampling now indicates are joined. A total of 138 samples were taken, with significant values ranging from **0.05 ppm to 1.5 ppm (1.5 g/t) gold**. The total mineralized zone now encompasses an area **5,500 by 1,500 feet** in size while still remaining open to the north, east, and west.

MAX staff also sampled historic prospector pits to the southeast of the Old Drill Hole Grid and returned high gold values (0.96 g/t) from soils around the pits that indicate that the mineralized zone continues and may be linked to another mineralized zone sampled by MAX further south, the "Southeast Extension".

In September 2010 MAX completed additional soil sampling that was designed to further delineate the geometry of the native gold mineralization at EMW, which previously encompassed the "Gold Pit", the "Old Drill Hole Grid" and now includes the "Southeast Extension". This sampling has filled in the open areas within these grids, where 163 new samples were taken with significant values ranging from **0.05 ppm to 1.27 ppm (1.27 g/t) gold**. While the total mineralized zone now exposed at surface encompasses an area in excess of 5,500 by 1,500 feet in size, the mineralized area is much larger but is covered by either overburden or alluvium.

The Gold Pit, Old Drill Hole Grid and Southeast Extension are located in a volcanic rhyolite lithic tuff hosting coarse gold. The sampling between the three pits has now enabled MAX to identify structural linear features seen in air photo images along with argillic alteration that appears to define where strong gold values may be found. Historic pits dug by earlier prospectors have helped to define the areas of mineralization and to confirm the presence of gold. An updated soil sampling map is now available on our web site at www.maxresource.com.

Clancy Wendt, VP Exploration of MAX, states "With this latest sample result we have now defined a significant area of gold mineralization that contains potential for a large mineralized system. More important is the fact that the mineralization appears to be free gold within the volcanic tuff. Having now defined a large mineralized area at surface, permitting is now underway for a core drilling program to determine the depth of the mineralization, extend the known mineralization below cover, and to see if it increases in grade."

The soil samples were analyzed by ALS Laboratory Group (Chemex) in Reno, Nevada. Samples from two of the sample grids taken in the coarse gold area (as seen in the previous bulk sample) were run for gold and silver using a one kilogram split with following cyanide leach to minimize the potential to miss the coarse gold. The other grid (different mineralization style) samples were fire assayed in addition to an ICP (Inductively Coupled Plasma) suite of 41 elements. All sample bags were labelled at the site with a sample specific number, logged on a sample card with sample card tag put in each sample bag and taken directly from the field to ALS Labs. In addition, each site was located using a GPS in UTM with NAD 27.

During the year ended December 31, 2010, MAX spent $29,923 on geological consulting, $3,623 on field expenses and $5,202 on drilling and assays at the EMW claims.

Diamond Peak gold-zinc Project, Nevada

The Diamond Peak Property is located at the southern end of the prolific Carlin Trend of Nevada, which contains numerous gold deposits. The property comprises 58 claims located 32 miles north of the town or Eureka, Nevada and the Archimedes gold deposit owned by Barrick Gold Corporation. Strong surface mineralization occurs in a 2 mile long band of silicified and intensely clay altered rocks which is 200 to 300 feet wide.

Pursuant to a May 2006 option agreement, Kokanee Minerals Inc. (TSX.V: KOK) had the option to earn a 51% interest in the Diamond Peak project by spending US$1 Million on exploration and reimbursing all lease payments, of which US$95,000 was paid to MAX during the current period along with 600,000 shares of Kokanee due under the terms of the agreement. Kokanee began drilling at Diamond Peak in May 2010 and completed only two drill holes before advising MAX that it did not intend to make the annual option payment of $50,000 (U.S.) then due to MAX and would be abandoning its option on the property.

Max plans to explore the property using the original exploration program recommended to Kokanee. In September 2010 MAX conducted an extensive soil sampling program at Diamond Peak. A total of 375 samples were collected, with assay results as high as **5.8 g/t Ag**, **4.3 g/t Ag** and **3.2 g/t Ag in soils** confirming the high silver zone in the southern part of the property and its continuation to the east. Gold values to **90 ppb Au** were obtained that confirm many of the gold zones previously examined and have also identified a new zone on the west side of the northern part of the property that has not yet been drilled. Zinc values were returned as high as **648 ppm Zn** that indicate that the mineralized system is far larger than originally thought, extending to the east of both the gold zone in the northern portion of the property and the silver zone in the south.

In November, 2010 MAX received and announced assay results from the holes drilled by Kokanee at Diamond Peak prior to their abandoning their interest in the property. One of these holes, DP-02, contained an intercept of **0.588 g/t gold over 7.62 meters** (25 feet) beginning at 155 feet, inclusive of a higher grade zone of **1.359 g/t gold over 1.52 meters** (5 feet). Hole DP-02 was a vertical hole drilled at the same location as a 60 degree angle hole drilled by MK Gold in 1999 that reported 2.08 g/t Au over 5 feet. This zone has been targeted for follow-up drilling in 2011.

In addition, an outcrop sample recently taken from the silver zone in the southern portion of the property has returned an assay grade of **53.5 g/t silver**. This silver zone was identified during extensive soil sampling conducted in September 2010, with assay results as high as 5.8 g/t Ag, 4.3 g/t and 1.9 g/t silver in soils confirming the high silver zone and its continuation to the east.

Additional soil sampling recently undertaken at Diamond Peak has also identified a further zinc zone on the west side of the northern part of the property that had not been previously drilled or sampled. This zone contains a sample grading **648 ppm Zinc**. Zinc geochemistry along the northeastern side of the property remains open and contains values greater than 200 ppm Zn along 600 feet of strike length. This zone will be filled in with more geochemistry to the south and east to close off the mineralized system. MAX intends to explore all of these areas during the upcoming drill program. Maps of the sampling locations for gold, silver and zinc at Diamond Peak are now available on our website at www.maxresource.com.

Drill permits have been received and roads and drill pads have been cleared at Diamond Peak, with drilling to begin in the spring of 2011, as soon as a drill rig becomes available and the weather permits.

MAX's drill program will follow up on:

- an outcrop sampled by MK Gold that contained **3.4 ounces of silver per ton**, which has potential to host a Contact Replacement Deposit ("CRD") and was never followed up on;
- the **11.6% zinc** zone intercepted within 60 feet of surface by MK Gold in 1999;
- a zone of mineralization which contains anomalous zinc, lead, and silver; and
- extensive gold targets on the property and new claims acquired to the east that have been defined by the recent soil sampling program.

During the year ended December 31, 2010, MAX spent \$21,248 on geological consulting, \$27,624 on field expenses and \$9,220 on drilling and assaying on the Diamond Peak claims.

Howell and Crowsnest Gold Properties, British Columbia

The **Howell Gold project** is comprised of 4,376 hectares in Southeast B.C. located one hour by gravel road south of the town of Sparwood, straddling the drainages of Twenty-Nine Mile Creek and Howell Creek. The **Crowsnest Gold project** consists of fifteen claims totalling 3,142 hectares located approximately 10 km southeast of the Howell property. Both the Howell and Crowsnest projects are under option from Eastfield Resources Ltd. (TSX.V: ETF).

At the **Howell Gold project**, disseminated gold mineralization occurs in limestone and as quartz stockworks in limestone and syenite intrusives. Prior drilling included 1.23 g/t gold over 58 metres, 0.95 g/t gold over 39 metres, 0.65 g/t gold over 82 metres, and 0.57 g/t gold over 149 metres. MAX completed twelve holes totalling 1,312 metres of NQ core at Howell in 2008, with the best intercept being 22 metres of 0.78 g/t gold. In addition, two new soil grids were established in 2008, including a stockwork quartz system in limestone that returned up to 3 grams gold in previous sampling that may be targeted during future drill programs.

Gold mineralization at the nearby **Crowsnest Gold property** occurs in limestone, siltstone or syenite. The property is underlain by a thick sequence of Pennsylvanian and Mississippian carbonate and clastic rocks, of which the Mississippian Rundle Group shows the greatest exposure. Mid-Cretaceous syenite and trachyte intrusions as sills, dykes, plugs and possible diatremes intrude these units. Several grids have already been established, including the "A", "B" and "K" grids, which led to the discovery of significant high grade gold.

In September, 2009 MAX commenced a reverse–circulation drill program at Crowsnest. This program was designed to explore the Discovery Trench area with close spaced drill holes to find the extent of the high grade mineralization and to define the direction and extent of the mineralized structure.

MAX drilled 26 holes totalling 766 meters at Crowsnest before an early snowfall dictated the end of the field program for the year. This program explored the original Discovery Trench and two new trenches to the west of the original. Assay results were reported in November, 2009 that included hole RC 09-7 which returned **19.03 grams per tonne (g/t) gold over 6.1 meters**, including **1.5 meters of 50.26 g/t gold a**nd extended the known mineralized zone by 100 meters. Significant gold assays (over 2 g/t Au) returned from the drill program are listed below:

Hole	Angle	From (m)	To (m)	Width (m)	Gold g/t
RC 09-2	-60 degrees	0	3.0	3.0	3.52
Including		0	1.5	**1.5**	**6.67**
RC 09-5	vertical	0	3.0	3.0	3.55
Including		1.5	3.0	**1.5**	**6.40**
RC 09-6	-60 degrees	0	6.5	**6.5**	**6.34**
Including		1.5	3.0	**1.5**	**16.52**
RC 09-7	vertical	0	6.1	**6.1**	**19.03**
Including		0	1.5	**1.5**	**50.26**
Including		1.5	3.0	**1.5**	**23.60**
RC 09-9	vertical	0	1.5	1.5	2.49
RC 09-14	vertical	0	1.5	1.5	2.07
RC 09-16	vertical	0	3.0	**3.0**	**5.42**
Including		0	1.5	**1.5**	**6.65**
RC 09-21	-60 degrees	16.8	18.3	**1.5**	**3.42**
RC 09-25	vertical	0	3.0	3.0	2.51
Including		1.5	3.0	**1.5**	**3.14**

A further six drill holes returned values ranging from 0.5 g/t to 1.86 g/t Au over minimum 1.5 meter intervals. In addition, drill hole RC 09-21 (listed above) intersected a deeper zone grading 3.42 g/t Au further to the south that might indicate a new area for exploration.

An extensive exploration program was planned for 2010, with a drill permit application having been filed with the Ministry of Energy, Mines and Petroleum in late 2009 for a 56 hole drill program at Crowsnest that was under active discussion with Ministry staff as recently as the first week of February, 2010.

Unfortunately, on February 9, 2010 the Company was surprised to learn that the Province of British Columbia intended to halt all ongoing mineral exploration work and prohibit any future mine development in the Flathead Valley in Southeastern B.C. In his Throne Speech of February 9, 2010, which outlines the B.C. Government's legislative agenda for the upcoming session, B.C. Lieutenant-Governor Steven L. Point announced that the Province of B.C. intended to enter into a partnership with the State of Montana regarding the Flathead River Basin and, as a result, "Mining, oil and gas development and coal bed gas extraction will not be permitted in British Columbia's Flathead Valley". This action will effectively prevent any further exploration or development of the Company's Crowsnest and Howell gold projects, both of which are located in the Flathead Valley watershed.

On the afternoon of February 9, 2010 MAX was contacted by the Assistant Deputy Minister of Energy, Mines and Petroleum who initiated discussions with respect to compensation. In a recent letter from the Ministry of Natural Resource Operations, stakeholders in the Flathead were advised that the Ministry is "committed to addressing compensation issues in a timely fashion" and that they will be contacting the stakeholders in early 2011 to resolve any outstanding issues.

Majuba Hill copper/gold/silver Property, Nevada

On March 4, 2011 MAX entered into an Option Agreement to acquire up to a 75% interest in the historic Majuba Hill Copper/Gold/Silver property in Pershing County, Nevada from Claremont Nevada Mines LLC., Nevada. The Majuba Hill Project encompasses 2,568 acres consisting of patented and unpatented lode mining claims and private mineral rights.

The terms of the Option Agreement with Claremont allow MAX to earn an initial 60% interest in the property over six years by spending US$6.5 Million on exploration of the property. MAX can increase its interest in the property to 75%

by spending a further $3.5 Million on exploration over a subsequent two year period. The Majuba Hill property will be subject to a 3% NSR payable to the vendor, 1.5% of which may be purchased at any time for US$1.5 Million.

Majuba Hill is a large, highly prospective, multi-mineral, intrusive-type system within the Western Nevada Gold Belt and is located approximately halfway between the Florida Canyon Mine (Jipangju) and the Hycroft Mine (Allied Nevada Corporation). The project is 30 miles northwest of Coeur d'Alene's Rochester Mine (which has produced 127 million ounces of silver and 1.5 million ounces of gold since 1986), and is readily accessed via 23 miles of well-maintained by dirt roads leading from U.S. Interstate 80.

MAX believes that Majuba Hill is a newly defined copper/silver porphyry system that is highly prospective for the discovery of economic mineralization. We have developed a new exploration model designed to expand and define the current zones of copper/silver mineralization as well as explore new areas of the property where significant gold values have been reported but not been followed up. Initial exploration at Majuba Hill will include follow-up on rock chip samples reported by previous operators with values up to **10 g/t Au**, **981 g/t Ag** and **7.7% Cu** as well as soil anomalies with silver values up to **7.7 g/t Ag** and copper values up to **290 g/t Cu.** In addition, drill intercepts as high as **5.1 ounces per ton (opt) Ag** over **15 feet** were reported from reverse-circulation drilling conducted by Minterra Resource Corp. in 2007, as summarized in the following table:

MH Hole #	Total Depth (ft)	Interval	Copper %	Silver (opt)
MH-2	160-390	230 ft	0.37%	0.426 opt
Including	295-320	**25 ft**	**1.36%**	
Including	340-350	**10 ft**		**3.50 opt**
MH-3	220-355	135 ft		0.58 opt
Including	220-290	70 ft	0.59%	
MH-4	310-340	30 ft		1.12 opt
Including	335-340	5 ft		2.90 opt
MH-5	0-290	29 ft	0.28%	
Including	0-15	15 ft	1.18%	
Including	0-100	**100 ft**		**0.99 opt**
Including	5-20	**15 ft**		**4.00 opt**
MH-6	0-145	**145 ft**	**0.49%**	**1.85 opt**
Including	110-125	**15 ft**		**5.10 opt**
MH-7	85-400	315 ft	0.34%	0.70 opt
Including	225-245	20 ft		2.09 opt

Exploration and historic production data available on Majuba Hill outline excellent potential for the discovery of new economic zones of silver/copper and gold mineralization. Production reported from historic underground mines in the project area (see Nevada Bureau of Mines and Geology Bulletin 86) included:

- 184,000 ounces of silver
- 5,800 ounces of gold
- 2.8 million lbs of copper

Stuart Rogers, President of MAX states "We have reviewed the historic data available on Majuba Hill and are excited about the silver and gold exploration potential on this property, where previous exploration was focused on copper and the high silver values were of little interest due to low silver prices at the time. In fact, all but one of the silver drill intercepts listed above were even announced by Minterra when originally recovered in 2007. With silver today trading above US$48 per ounce, historic drill intercepts such as **145 ft of 1.85 opt Ag and 0.49% Cu** as well as unexplored soil anomalies with values up to 7.7 g/t Ag are extremely encouraging. We have already identified drill targets on patented land at Majuba Hill and plan to drill at least four core holes there as soon as a drill rig becomes available."

Initial Exploration Targets – Myler and Last Chance

Initial drilling at Majuba Hill will explore two areas, the **Myler Target Area** and the **Last Chance Mine.**

Since 1907, production and exploration at Majuba Hill has produced outstanding copper results with associated silver and gold. Published production data show that prior to 1947 Mason Valley Mines Co. and Greenan-Kerr produced 4,000 tons @ **12 % Cu** and slightly less than 23,000 tons @ **4% Cu** respectively in the **Myler Target Area.** During reverse-circulation drilling at the Myler Target area in 2007-2008, Minterra reported a number of high-grade drill intercepts, such as **145 ft @ 1.85 opt Ag and 0.49% Cu,** inclusive of **15 feet @ 5.01 opt Ag** (hole MH-6) and **100 ft @ 0.99 opt Ag,** inclusive of **15 feet @ 4.00 opt Ag** (hole MH-5).

The **Last Chance Mine** was developed along a fault with a trend similar to the Majuba Fault. Last Chance operated intermittently and produced silver (up to **40 opt Ag**), lead (up to 15%), and gold (up to **0.10 opt Au**) from an 830 foot tunnel and a 117 foot deep shaft. No drilling or exploration appears to have ever been completed down dip or along the strike of the fault at Last Chance.

Subsequent exploration at Majuba Hill will be expanded to include the **Line Drive Adit** and **Section 35** areas. Minefinders and Minterra conducted initial soil and rock sampling at both the Line Drive Adit and Section 35 that indicates that they are highly prospective for gold as well as copper and silver, with rock chip samples reported as high as **10 g/t Au and 981 g/t Ag.**

Private Placement for $564,691

On March 7, 2011 MAX announced that it had agreed to a non-brokered private placement of two million units at a price of 28 cents per unit for gross proceeds of $560,000. Each unit will be comprised of one common share and one warrant, with each warrant entitling the holder to purchase an additional share at an exercise price of $0.38 per share for a period of two years from the date of issue.

If the closing price of MAX's shares on the TSX Venture Exchange is at least $0.60 for 20 consecutive trading days at any time following four months and a day from the date of closing, the Company may reduce the remaining exercise period of the warrants to not less than 30 days from the date of providing notice of such reduced exercise period (the "Acceleration").

This private placement was completed in April 2011 for 2,016,755 units at a price of $0.28 per unit for gross proceeds of $564,691. Finders' fees of $35,412 were paid on a portion of this placement.

Results of Operations – Year ended December 31, 2010

During the year ended December 31, 2010, the Company incurred operating expenses of $566,064 as compared to operating expenses of $768,473 for the year ended December 31, 2009. The significant changes during the current period compared to the same period a year prior are as follows:

Consulting fees increased to $60,920 during the year ended December 31, 2010 from the $55,394 incurred during the prior year. This was due to increased expenditures on mineral project review during the current year.

During the year ended December 31, 2010, the Company incurred $65,114 of stock-based compensation, a non-cash expense, on the granting of 350,000 stock options. During the year ended December 31, 2009, the Company incurred $86,256 of stock-based compensation on the granting of 500,000 stock options.

Office expenses increased to $38,172 during the year ended December 31, 2010 from the $25,285 incurred during the prior year due to Company moving its head office during the current year as well as increased expenditures for communications and office supplies.

Transfer agent and filing fees and investor relations expenses decreased to $158,252 during the year ended December 31, 2010 from the $337,024 incurred during the year ended December 31, 2009. This was primarily due to decreased expenditures on investor relations consultants and advertising during the current fiscal year as compared to fiscal 2009.

Interest income decreased to $23,856 during the year ended December 31, 2010 from the $95,470 earned during the prior year due primarily to a lower cash balance during the current year.

During the year ended December 31, 2010, the Company recorded a gain of $39,893 on mineral property option payments received. This gain related to its Diamond Peak property in Nevada, where the Company received a property option payment from Kokanee Minerals in excess of what the Company had paid to March 31, 2010 for the property. There was no comparable gain during the prior year.

During the year ended December 31, 2009, the Company recognized a write-off of mineral properties totaling $3,987,802 due to the abandonment of the NUSTAR project, Gold Hill property and Indata property. The Company did not record any mineral property write-offs during the year ended December 31, 2010.

As a result of the foregoing, the loss for the year ended December 31, 2010 was $502,315 as compared to $4,660,805 for the year ended December 31, 2009.

Selected Annual Information

Year ended December 31	**2010**	**2009**	**2008**
Other Income	$63,749	$95,470	$273,890
Loss before Other Items	$566,064	$768,473	$1,202,346
Per Share	$0.03	$0.04	$0.05
Net Loss	$502,315	$4,660,805	$1,149,014
Per Share	$0.02	$0.22	$0.05
Total assets	$4,944,117	$5,325,003	$9,982,114
Long-Term Liabilities	Nil	Nil	Nil

The net loss for fiscal 2008 increased to $1,149,014 from the $1,093,554 incurred during fiscal 2007 primarily due to the write-down of the interest in the MacInnis Lake property by $484,306 as compared to a write down of $148,097 for the Target Claims in fiscal 2007. This increase was partially offset by an increase in interest income during fiscal 2008 of $51,600 and a future income tax recovery of $263,748 on the renunciation of flow-through shares during the period as a result of the issuance of 709,000 flow-through shares during the prior fiscal year.

The net loss for fiscal 2009 increased to $4,660,805 from $1,149,014 incurred during fiscal 2008 primarily due to the write-off of $3,987,802 on the Nustar, Gold Hill and Indata properties as compared to a write-down of $484,306 on the MacInnis Lake property in fiscal 2008. The increase in loss was also due to a decrease in interest income to $95,470 from $273,890 a year prior. These items were partially offset by a decrease in stock-based compensation, a non-cash expense which was $451,965 in fiscal 2008 as compared to $86,256 in the 2009 fiscal year.

The net loss for fiscal 2010 decreased to $502,315 from $4,660,805 incurred during fiscal 2009 primarily due to the elimination of write-offs totalling $3,987,802 that were incurred during fiscal 2009. The Company also reduced its investor relations and advertising during fiscal 2010 by $178,772. These reductions were partially offset by slight increases in both consulting and travel and promotion.

Summary of Quarterly Results

	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09
Other Items ($)	19,500	21,000	(19,894)	43,143	(3,109,475)	(492,269)	(329,562)	38,974
Loss ($)	(117,996)	(88,609)	(180,606)	(115,104)	(3,491,963)	(632,129)	(435,676)	(101,037)
Loss per Share($)	(0.01)	(0.00)	(0.01)	(0.00)	(0.17)	(0.03)	(0.01)	(0.01)

The loss for the first quarter of 2009 decreased to $101,037 from the loss of $641,924 incurred during the fourth quarter of fiscal 2008 as there was no write down of mineral properties or charges for stock-based compensation incurred during the current period, as well as reduced expenditures on investor relations activities.

The loss for the second quarter of 2009 increased to $435,676 from the loss of $101,037 incurred during the first quarter of 2009. The increase in loss was primarily due to the write-off of acquisition and deferred exploration costs for the Indata project.

The loss for the third quarter of 2009 increased to $632,129 from the loss of $435,676 incurred during the second quarter of 2009. The increase in loss was primarily due to the $503,437 write-off of acquisition and deferred exploration costs for the Nustar project, as discussed above.

The loss for the fourth quarter of 2009 increased to $3,491,963 from the loss of $632,129 incurred during the third quarter of 2009 primarily due to the $3,117,916 write-off of acquisition and deferred exploration costs for the Gold Hill property during the fourth quarter, as discussed above.

The loss for the first quarter of 2010 decreased to $115,104 from the loss of $3,491,963 incurred during the fourth quarter of fiscal 2009 as there was no write-down of mineral properties or charges for stock-based compensation incurred during the current period. The loss was also reduced as the Company experienced a gain due to additional mineral property option payments received during the quarter.

The loss for the second quarter of 2010 increased to $180,606 from the loss of $115,104 incurred during the first quarter of fiscal 2010. The increase in the loss was primarily due to stock-based compensation of $59,605, a non-cash expense on the granting of 300,000 incentive stock options.

The loss for the third quarter of 2010 decreased to $88,609 from the loss of $180,606 incurred during the second quarter of fiscal 2010. The decrease in the loss was primarily due to a reduction in stock-based compensation expense, a non-cash expense. During the second quarter of fiscal 2010, the Company incurred $59,605 of expense on the granting of 250,000 incentive stock options, while in the third quarter of fiscal 2010, the Company incurred only $5,509 of expense on the granting of 50,000 incentive stock options. The Company also recorded an unrealized gain of $21,000 during the third quarter due to an increase in the market value of its marketable securities.

The loss for the fourth quarter of 2010 increased to $117,996 from the loss of $88,609 incurred during the third quarter of fiscal 2010. The increase was due to an increase in professional fees of $29,344 due to an accrual for fiscal 2010 audit fees along with an increase in stock-based compensation, a non-cash expense, of $21,141 on the granting of 50,000 incentive stock options.

Liquidity and Solvency

At December 31, 2010, the Company had working capital of $2,257,858 and cash and cash equivalents on hand of $2,087,207. This compares to working capital of $3,093,457 at December 31 2009, inclusive of cash and cash equivalents of $3,118,960.

The decrease in cash of $1,031,753 during the year ended December 31, 2010 was due to net cash spent on mineral properties of $499,842, cash spent on a reclamation bond of $33,627 and cash used in operating activities of $498,284.

As of the date of this report, MAX has approximately $2.2 Million in cash and cash equivalents, which will provide sufficient working capital to fund exploration on its properties through fiscal 2011 as well as its general and administrative expenses through the same period. However, due to the current volatility in capital markets and depressed commodity prices, the management of MAX has taken steps to reduce its general and administrative costs, primarily through reductions in advertising and promotional expenses. These cost savings are not expected to continue, as management anticipates increasing its expenditures on advertising in 2011 commensurate with increased levels of exploration activity on its properties in Nevada and as dictated by market conditions. Management also plans to continue to be selective in incurring exploration expenditures during fiscal 2011.

On February 9, 2010, the Company was informed that the Province of British Columbia intended to halt all ongoing mineral exploration work and prohibit any future mine development in the Flathead Valley in Southeastern B.C where the Company's Crowsnest and Howell gold projects are located. MAX was contacted by the Assistant Deputy Minister of Energy, Mines and Petroleum, who initiated discussions with respect to the reimbursement of the Company's expenditures at Howell and Crowsnest, which totalled $733,160 as of December 31, 2010. Based on recent communication with representatives of the Ministry, the Company believes that this matter will be satisfactorily resolved during 2011.

During fiscal 2011, MAX intends to focus its efforts and cash resources on exploration for gold and silver at its four three precious metals projects in Nevada: Majuba Hill, Table Top, East Manhattan Wash and Diamond Peak.

MAX has no exposure to any asset-backed commercial paper ("ABCP") investments.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments will depend on the Company's ability to obtain financing through joint venturing of its projects, debt financing, equity financing or other means. There can be no assurance that the Company will be successful in obtaining any such financing.

New Accounting Pronouncements Not Yet Adopted

Business Combinations – Section 1582, Consolidated Financial Statements – Section 1601 and Non-Controlling Interests – Section 1602

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Section 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

IFRS Changeover Plan Disclosure

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ('PAEs"). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at January 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is still evaluating which option exemptions it should elect under IFRS 1.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

IFRS 2 – Share Based Payments;
IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. Starting Q1 2010, the Company is moving from 'straight line' to 'graded' vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the initial vesting periods compared to distributing the expense equally over all vesting period.

IAS 36 – Impairment of Assets;
Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis

<u>Related Party Transactions</u>

During the year ended December 31, 2010, the Company paid management fees of $120,000 (2009 - $120,000) to a private company controlled by Stuart Rogers, the CEO of the Company.

During the year ended December 31, 2010, the Company paid geologic consulting fees of US$120,000 (2009 - US$120,000) to a private company controlled by Clancy Wendt, the VP Exploration and a Director of the Company.

These transactions were measured at the exchange amount as agreed to by the related parties.

Subsequent Events

On March 4, 2011, the Company entered into an option agreement (“Agreement”) to acquire up to a 75% interest in the Majuba Hill Copper/Gold/Silver property in Pershing County, Nevada from Claremont Nevada Mines LLC., (“Claremont”) of Nevada. The terms of the Agreement with Claremont allow the Company to earn an initial 60% interest in the property over six years by spending US$6,500,000 on exploration of the property. The Company can increase its interest in the property to 75% by spending a further $3,500,000 on exploration over a subsequent two year period. The Majuba Hill property will be subject to a 3% NSR payable to the vendor, 1.5% of which may be purchased at any time for US$1,500,000.

On April 11, 2011 the Company completed a non-brokered private placement of 2,016,755 units at a price of $0.28 per unit for gross proceeds of $564,691. Each unit is comprised of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of $0.38 per share until April 4, 2013. Cash finder’s fees of $35,412 were paid with respect to a portion of this placement.

Capital Management

The capital structure of the Company consists of common shares and working capital. The Company’s objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

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

The Company’s policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. This strategy is unchanged from 2009.

The Company is not subject to externally imposed capital restrictions. There were no changes to its capital management approach in the year.

Risk, Uncertainties and Outlook

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company’s properties has a known commercial ore deposit. Other risks facing the Company include competition for mineral properties, environmental and insurance risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of additional financing.

Risk Management

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.

Management of Financial Risk
The Company’s financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings. The Company manages credit risk by placing cash with reputable Canadian financial institutions and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

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
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. There is moderate currency risk to the Company as some mineral property interests are located in the United States.

The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical. The Company does not engage in any form of derivative or hedging instruments to reduce its foreign currency risk.

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.

Financial Instruments

The Company's financial instruments consist of cash, cash equivalents, short term investments, receivables, and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of April 29, 2011.

Off Balance Sheet Arrangements

The Corporation has no off Balance Sheet arrangements.

Equity Securities Issued and Outstanding

The Company has 23,730,985 common shares issued and outstanding as of April 29, 2011. In addition, there are 2,016,755 warrants outstanding that are exercisable at $0.38 and 3,810,000 incentive stock options outstanding with exercise prices ranging between $0.17 and $0.40.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.