

NOTICE TO SHAREHOLDERS

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

Financial Statements

For the Three Months Ended March 31, 2010

Responsibility for Financial Statements

The accompanying financial statements for Metals Creek Resources Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2009 audited financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended March 31, 2010.

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

March 31, 2010

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METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

BALANCE SHEETS**(Prepared by Management)**

As at	March 31, 2010 \$ (Unaudited)	December 31, 2009 \$ (Audited)
ASSETS		
Current		
Cash – flow through funds (note 6)	73,249	67,580
Short term investments (note 4)	1,653,129	2,150,514
Staking security deposits (note 14)	7,950	4,700
G.S.T. and other receivables	34,057	105,930
Prepaid expenses	8,804	14,637
	1,777,189	2,343,361
Property and equipment (note 5)	29,119	24,911
Mineral properties and deferred exploration expenditures (note 7)	4,048,325	3,524,358
	5,854,633	5,892,630
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 10)	226,120	84,532
Future income taxes (note 13)	644,773	23,632
Shareholders' Equity		
Common shares (note 8)	4,747,641	5,420,219
Warrants (notes 8 and 9)	1,017,980	1,017,980
Contributed Surplus (note 8)	902,875	772,944
Deficit	(1,684,756)	(1,426,677)
	4,983,740	5,784,466
	5,854,633	5,892,630

Ability to continue as a going concern (note 1)

Approved by the Board:

“Alexander Stares” Director“Nick Tsimidis” Director

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

STATEMENT OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(Prepared by Management - Unaudited)

	Three Months Ended March 31, 2010 \$	Three Months Ended March 31, 2009 \$
EXPENSES		
Business development	36,673	41,090
Amortization	1,847	7,241
Office and general	48,921	24,424
Professional fees (note 10)	4,621	2,888
Salaries and wages	82,805	66,608
Part XII.6 tax	9,319	7,013
Stock-based compensation	129,931	17,500
	314,117	166,764
Loss before the following:	314,117	166,764
Administrative fees on mineral properties	(529)	(341)
Sale of resource property, net (note 10)	-	(22,520)
Write down of mineral properties	-	-
Interest income	(4,072)	-
Net loss before taxes	309,516	143,903
Provision for (recovery of) future income taxes (note 13)	(51,437)	179,869
Net loss and comprehensive loss for the period	258,079	323,772
Deficit - Beginning of Period	1,426,677	829,685
Deficit - End of Period	1,684,756	1,153,457
Net loss Per Share – basic and diluted	0.005	0.01
Weighted Average Shares Outstanding – basic and diluted	55,998,741	25,853,435

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

STATEMENTS OF CASH FLOWS**(Prepared by Management – Unaudited)**

	Three Months Ended March 31, 2010 \$	Three Months Ended March 31, 2009 \$
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	(258,079)	(323,772)
Amortization	1,847	7,241
Stock-based compensation	129,931	17,500
Provision for (recovery of) future income taxes	(51,437)	179,869
Decrease (increase) in G.S.T. and other receivables	71,873	141,574
Decrease (increase) in prepaid expenses	5,833	8,818
Increase (decrease) in accounts payable and accrued liabilities	141,588	(87,565)
Cash flows from (used in) operating activities	41,556	(56,335)
FINANCING ACTIVITIES		
Redemption (purchase) of short term investments	497,385	-
Cash flows from financing activities	497,385	-
INVESTING ACTIVITIES		
Cash – flow through funds	(5,669)	99,489
Decrease (increase) in staking security deposits	(3,250)	72,150
Expenditures on mineral properties	(523,967)	(114,548)
Acquisition of property and equipment	(6,055)	(756)
Cash flows from (used in) investing activities	(538,941)	56,335
Increase (decrease) in cash	-	-
Cash - beginning of period	-	-
Cash - end of period	-	-

Supplemental information (see note 16)

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010

(Prepared by Management – Unaudited)

1. HISTORY, NATURE OF OPERATIONS AND GOING CONCERN

Metals Creek Resources Corp. (formerly “The Endurance Fund Corporation”) (the “Company”) was incorporated on June 21, 2004 under the Business Corporations Act (Ontario). Prior to completion of the reverse takeover with North American Uranium Corp. (“NAUC”) on December 21, 2007, (the “Acquisition” or “Reverse Takeover”), the Company was classified as a capital pool company pursuant to the policies of the TSX Venture Exchange (“Exchange”). The Company was a non-operating public enterprise and did not meet the definition of a business under the CICA Handbook EIC -124; therefore, the Acquisition did not constitute a business combination under the provision of EIC-10. Accordingly, the Acquisition has been accounted for as a capital transaction rather than a business combination. The net assets acquired at fair value were \$587,647.

REVERSE TAKEOVER

On December 21, 2007, the Company completed its Qualifying Transaction, as defined under the policies of the Exchange, with NAUC pursuant to which the Company acquired all of the issued and outstanding common shares and common share purchase warrants of NAUC. Pursuant to the Acquisition, the Company issued 9,859,286 common shares at a deemed price of \$1 per share, and warrants to acquire 357,143 commons shares at an exercise price of \$0.50. The Exchange issued a Final Exchange Bulletin on January 25, 2008 approving the Acquisition.

The Company changed its name to Metals Creek Resources Corp. on February 20, 2008, and the Exchange issued an Exchange Bulletin on March 13, 2008.

GOING CONCERN

The Company is an exploration stage company, and is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The accompanying financial statements have been prepared on the basis of Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company’s investment in mineral properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has working capital in the amount of \$1,551,069 (December 31, 2009 - \$2,258,829) and has a deficit in the amount of \$1,684,756 (December 31, 2009 - \$1,426,677). The Company has not earned any revenues to date and is considered to be in the exploration stage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Mineral Properties and Deferred Exploration Expenditures**

Mineral property acquisition and deferred exploration and development expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written down if the properties are allowed to lapse or are abandoned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Costs include the cash consideration and the fair market value of the common shares or other consideration issued for the acquisition of mineral properties. The carrying value is reduced by option proceeds and government grants received until such time as the property cost and deferred exploration expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payments.

Land Reclamation Costs

During the course of acquiring and exploring potential mineral properties, the Company must comply with government regulated environment evaluation, updating and reclamation requirements. The costs of complying with these requirements are capitalized, as deferred costs as incurred, until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property all deferred costs relating to the property will be expensed in the year of such abandonment or sale. The cost and extent of future site cleanup, reclamation or remediation cannot be determined at this time, and no amount has been recorded in these financial statements.

Use of Estimates

The preparation of financial statements in accordance 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 related reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, resource property values, expected tax rates for future income tax recoveries and useful lives of amortization of long-lived assets. Actual results could differ from those reported. Management believes that the estimates used are reasonable.

Income Taxes

The Company follows the CICA Handbook Section 3465 in accounting for corporate income taxes which focuses on the amounts of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. The resulting future income tax asset or liability is recorded based on substantially enacted income tax rates. In the case of unused tax losses, income tax reductions and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of such benefits at the balance sheet date.

Flow-Through Financing

The Company raises equity through the issuance of flow-through shares. Under this arrangement, shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. Proceeds received on the issuance of these shares are credited to capital stock and the related exploration costs are charged to mineral properties and deferred exploration expenditures in the year in which they are incurred.

The entire amount of proceeds from the sale of flow-through shares received will be renounced to the investors under the provisions of the Income Tax Act (Canada). Accordingly, as the actual expenditures are incurred, they will carry no tax deductibility and will be recorded in the period in which the expenditures are incurred, and the result will be tax differences. Future income tax liabilities resulting from these tax differences are recorded in the period in which the expenditures are renounced as a reduction of capital stock, provided there is reasonable assurance that the expenditures will be made.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a maximum period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing.

The Company is not exposed to significant credit concentration risk or interest rate risk.

The Company's functional currency is the Canadian dollar. All current exploration occurs within Canada and there is no significant foreign exchange risk to the Company.

Property and Equipment

Purchased property and equipment are recorded at cost. Amortization is provided using the declining balance method using annual rates as follows:

Furniture and fixtures and general equipment	20%
Computer equipment	55%
Computer software	100%
Leasehold improvements	20%

Asset Retirement Obligation

The Company follows the CICA Handbook Section 3110, "Asset Retirement Obligations" which requires companies to record the fair value of an asset retirement obligations as a liability in the period in which it incurred a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount of timing of the underlying future cash flows. Capitalized asset retirement costs are depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations.

Impairment of Long-lived Assets

The Company periodically evaluates the future recoverability of its long-lived assets. Impairment losses or write-downs are measured as the difference between the carrying amount and the fair value of the asset and are recorded in the event the net book value of such assets are determined to be not recoverable based on the estimated undiscounted future cash flows attributes to these assets.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. To date the Company has not earned any revenue other than interest income earned on its short-term investments.

General and Administrative Expenses

The Company charges all general and administrative expenses not directly related to exploration activity to operations as incurred.

Financial Instruments

The carrying amount of cash – flow through funds, short term investments, G.S.T. and other receivables, staking security deposits, prepaid expenses, accounts payable and accrued liabilities is comparable to its fair value due to the approaching maturity of these financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment Testing of Mineral Exploration Properties

On March 27, 2009, the CICA approved EIC 174 "Mining Exploration Costs". This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Also, it clarified when exploration costs related to mining properties may be capitalized, in particular when the company has not established mineral reserves objectively. This standard was effective for the quarter ended March 31, 2009. The Company has evaluated this new standard and determined it did not have any impact on its audited financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2007 which were adopted by the Company in 2008:

- (i) Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" replaced Section 3861, "Financial Instruments – Disclosure and Presentation".
- (ii) Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives.

The additional disclosures, required as a result of the adoption of Sec 3862 and 3863, have been included in Note 12, Risk Management.

- (iii) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of Sec 1535, have been included in Note 11, Capital Disclosure.

The following accounting policies were adopted in 2009:

- (i) EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

- (ii) EIC-174, Mining Exploration Costs

In March 2009, the CICA issued EIC-174, which provides guidance on the accounting and the impairment review of exploration costs. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

3. CHANGES IN ACCOUNTING POLICIES

Accounting pronouncements applicable to future periods

(i) Sections 3064 and 1000 – Goodwill and Intangible Assets

In February 2008, the CICA issued new Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The Section also issued amendments to Section 1000, “Financial Statement Concepts”. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective January 1, 2009. The objectives of the changes are to reinforce a principles-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in Section 1000. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, preproduction and similar costs that do not meet the definition and recognition criteria of an asset. The Company has determined that adoption of the new standards will not have a significant effect on the Company’s financial statements.

(ii) Section 1582 - Business Combinations

In January 2009, the ACSB issued section 1582, Business Combinations which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011, with earlier adoption permitted. The Company is in the process of assessing the impact of this new section on its financial statements, but does not anticipate material changes to arise on the adoption of this standard.

(iii) Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

In January 2009, the ACSB issued sections 1601, consolidated Financial Statements, and 1602, Non-controlling Interests, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective for the first annual reporting beginning on or after January 1, 2011 with earlier adoption permitted. The Company is in the process of assessing the impact of this new section on its financial statements, but does not anticipate material changes to arise on the adoption of this standard.

(iv) International Financial Reporting Standards (“IFRS”)

In 2006, the ACSB published a new 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 accountable enterprises to use IFRS, replacing Canada's own-GAAP. The transition date is for interim and 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, and restatement of the opening balance sheet as at January 1, 2010. The Company is developing an IFRS conversion plan and has completed a preliminary assessment which prioritizes how each IFRS standard will impact the financial statements. The Company anticipates there will be changes in accounting policies and these changes may materially impact the financial statements but the impact cannot be reasonably estimated at this time.

4. TEMPORARY INVESTMENTS:

	March 31, 2010	December 31, 2009
Money Market Mutual funds	653,129	150,514
Guaranteed Investment Certificates	1,000,000	2,000,000
	<u>\$ 1,653,129</u>	<u>2,150,514</u>

These funds are available for exploration and other purposes upon the request of the Company. The mutual funds consist of fully liquid, managed money market fund units that yield regular monthly dividends at market rates. The guaranteed investment certificates are fully cashable and have a maturity date of October 25, 2010 and bears interest at 0.60% per annum.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Mar 31, 2010 Net
Computer equipment	\$ 11,577	\$ 7,697	\$ 3,880
Furniture and fixtures	13,467	4,256	9,211
Computer software	55,598	55,138	460
General equipment	19,929	4,361	15,568
Leasehold improvements	4,812	4,812	-
	<u>\$ 105,383</u>	<u>\$ 76,264</u>	<u>\$ 29,119</u>

	Cost	Accumulated Amortization	Dec 31, 2009 Net
Computer equipment	\$ 10,272	\$ 7,182	\$ 3,090
Furniture and fixtures	13,467	3,771	9,696
Computer software	55,598	54,985	613
General equipment	15,179	3,667	11,512
Leasehold improvements	4,812	4,812	-
	<u>\$ 99,328</u>	<u>\$ 74,417</u>	<u>\$ 24,911</u>

6. RESTRICTION ON THE USE OF CASH AND CASH EQUIVALENTS

The Company issued common shares that were designated as being flow through shares. One of the conditions of issuing flow through shares is that the Company is required to retain the gross proceeds for the exclusive purpose of paying for qualified exploration and development expenditures associated with its resource mineral properties.

	March 31, 2010	December 31, 2009
Future payments to be made, beginning of period	\$ 2,295,692	\$ 792,800
Gross proceeds received upon the issuance of flow through shares	-	2,690,110
Qualified exploration expenditures paid from these funds	(522,816)	(1,187,218)
Future payments to be made, end of period	<u>\$ 1,772,876</u>	<u>\$ 2,295,692</u>
Cash – flow-through funds, end of period	\$ 73,249	\$ 67,580
Short term investments	1,651,244	2,150,514
Cash and investments on hand	<u>\$ 1,724,493</u>	<u>\$ 2,218,094</u>
Deficiency of funds	<u>\$ 48,383</u>	<u>\$ 77,598</u>

The Company is obligated to fund this deficiency through working capital and to do so no later than December 31, 2010 for \$1,772,876 of the future payments to be made.

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Mineral properties and deferred exploration expenditures are comprised as follows:

Three months ended March 31, 2010:

	Opening	Additions	Abandonment Recoveries	Closing
Deferred Exploration expenditures	\$ 2,874,868	\$ 522,815	-	\$ 3,397,683
Acquisition costs and staking cost of properties	649,490	1,152	-	650,642
TOTAL	<u>\$ 3,524,358</u>	<u>\$ 523,967</u>	<u>\$ -</u>	<u>\$ 4,048,325</u>

Dog Paw Gold (a)	\$ 750,189	\$ 133,633	\$ -	\$ 883,822
Wicks Lake and Panama Lake (b)	48,259	-	-	48,259
Sheffield Lake (c)	42,430	-	-	42,430
Sops Arm (d)	5,502	-	-	5,502
Tilt Cove (e)	417,013	4,089	-	421,102
Gabbro Lake (f)	103,568	-	-	103,568
Currie Bowman/Tillex (g)	697,965	684	-	698,649
Staghorn (h)	611,646	59,136	-	670,782
Ogden (i)	681,641	303,824	-	985,465
Other Properties (j)	166,145	22,601	-	188,746
TOTAL	<u>\$ 3,524,358</u>	<u>\$ 523,967</u>	<u>\$ -</u>	<u>\$ 4,048,325</u>

Year ended December 31, 2009:

	Opening	Additions	Abandonment Recoveries	Closing
Deferred Exploration expenditures	\$ 1,823,150	\$ 1,198,554	\$ (146,836)	\$ 2,874,868
Acquisition costs and staking cost of properties	494,478	155,012	-	649,490
TOTAL	<u>\$ 2,317,628</u>	<u>\$ 1,353,566</u>	<u>\$ (146,836)</u>	<u>\$ 3,524,358</u>

Dog Paw Gold (a)	\$ 697,280	\$ 52,909	\$ -	\$ 750,189
Wicks Lake and Panama Lake (b)	31,112	17,147	-	48,259
Sheffield Lake (c)	41,577	853	-	42,430
Sops Arm (d)	-	5,502	-	5,502
Tilt Cove (e)	359,184	57,829	-	417,013
Gabbro Lake (f)	99,714	7,708	(3,854)	103,568
Currie Bowman/Tillex (g)	674,626	23,339	-	697,965
Staghorn (h)	168,436	443,210	-	611,646
Ogden (i)	74,516	607,125	-	681,641
Other Properties (j)	171,183	137,944	(142,982)	166,145
TOTAL	<u>\$ 2,317,628</u>	<u>\$ 1,353,566</u>	<u>\$ (146,836)</u>	<u>\$ 3,524,358</u>

7. MINERAL PROPERTIES AND DEFERRED EXPLORATIONS EXPENDITURES (CONT'D)

a. Dog Paw Gold Property

The Company acquired an option on the Dog Paw Gold project which is located approximately 40 km east of Kenora, Ontario and consists of 23 claims totaling 269 units. The Company entered into an option agreement with Endurance Gold Corp (an unrelated company) whereby under the Initial Option the Company can earn a 70% interest in the property by making share payments totaling 400,000 (completed in 2008) shares and completing work commitments of \$200,000 on the property. Provided the Initial Option is exercised, the Company may exercise a Second Option to earn a further 5% in the property by issuing a further 50,000 common shares (completed in 2008) and spending an additional \$250,000 on the property. After the Company has earned a 75% interest, a joint venture will be formed on a 75% (the Company) and 25% (Endurance Gold Corp.) basis (a joint venture was formed on January 4, 2010).

b. Wicks Lake and Panama Lake

The Panama Lake gold property is located in the southern portion of the Birch-Uchi Lake Greenstone belt in Northwestern Ontario and consists of 2 claims totaling 24 units. The Wicks Lake gold property is located in the Northwestern Ontario approximately 1.5 km south of the Dog Paw Gold property and consists of 1 claim totaling 11 units.

The properties were purchased from Stares Contracting Corp., (a company related by common directorship) subject to a 2% NSR royalty. Consideration for the acquisition was \$20,000 cash and 150,000 shares (issued in 2007).

c. Sheffield Lake

The Sheffield Lake project consists of 238 claims located approximately 30 km northeast of Deer Lake, Newfoundland. During 2008, the Company reduced the carrying cost of this project by \$188,236 as a result of the receipt of non-repayable government grants from the Province of Newfoundland and write-downs of capitalized property expenditures.

d. Sops Arm

The Sops Arm project consists of 424 claims located approximately 50 km northeast of Deer Lake, Newfoundland. During 2008, the Company reduced the carrying cost of this property by \$270,924 as a result of the receipt of non-repayable government grants from the Province of Newfoundland and write-downs of capitalized property expenditures.

e) Tilt Cove

During 2008, the Company acquired by staking and option agreement a land package totaling 56 claim units, in four separate blocks, covering portions of the Betts Cove Ophiolite Suite on the Baie Verte Peninsula, Newfoundland. Three of the blocks were recently staked by the Company, while rights to the fourth were obtained through the execution of an option agreement ("Option Agreement") with an arm's length prospector. Pursuant to the Option Agreement, the Company has the option to earn a 100% interest in the claims forming the fourth block by making staged cash payments totaling \$67,500 and issuing 220,000 shares to the optionor over three years. On production, the optioned claim block is subject to a 2% net smelter return in favor of the optionor, subject in turn to a 1% buyback right in favor of the Company at the cost of \$1,250,000.

The Company issued 40,000 common shares to the optionor, on June 11, 2008, upon signing of the Option Agreement. During the year ended December 31, 2009, the Company issued 60,000 common shares to the optionor pursuant to the first anniversary of the agreement.

7. MINERAL PROPERTIES AND DEFERRED EXPLORATIONS EXPENDITURES (CONT'D)

f) Gabbro Lake

The Gabbro Lake project consists of 313 claims located approximately 120 km Northeast of Labrador City, Labrador.

During 2008, the Company entered into a formal joint venture agreement with Golden Dory Resources for the Gabbro Lake Project. Under the terms of the agreement the Company and Golden Dory Resources formed the joint venture on a 50:50 basis with the Company being the primary operator. During 2008, the Company reduced the carrying cost of this property by \$96,199 as a result of cost recoveries from Golden Dory under the JV agreement.

g) Currie Bowman/Tillex

On March 6th, 2008, the Company entered into an option agreement with Kinross Gold Corporation ("Kinross") on the Currie Bowman Property, located 54 kilometers east of Timmins, Ontario, whereby the Company can acquire 100% of the 60% participating interest currently held by Kinross: the remaining 40% interest is held by Selkirk Metals Holdings Corp.. The option requires expenditures totaling \$250,000 over 2 years, with the first \$100,000 to be expended during the first year of the agreement (requirement met) and staged share payments totaling 750,000 shares (300,000 shares issued to date). Kinross retains a 1% NSR, 50% (or 0.5%) of which can be purchased the Company for \$500,000. The property consists of 134 units in 30 claims.

h) Staghorn

During the previous period, the Company entered into an agreement with a group of prospectors to earn a 100% interest in a group of 76 claim units spread over 1,216 hectares in the Wood Lake area in west central Newfoundland. Terms of the option agreement include making a series of staged option payments totaling \$95,000 and issuing 250,000 shares to the optionors over three years. During 2008, the Company issued 50,000 common shares and during 2009, the Company issued 70,000 common shares. Subsequent to March 31, 2010 the Company issued 50,000 common shares to the optionors. The optionors will retain a 2% Net Smelter Royalty, 50% of which can be purchased for \$1,000,000

i) Ogden

During the 2008 fiscal year, the Company entered into an agreement with Goldcorp Canada Ltd. ("Goldcorp") to jointly explore Goldcorp's mining claims located in Ogden and Deloro Townships, located six kilometres south of Timmins, Ontario. The package consists of 84 patented and unpatented claims totaling approximately 1,184 hectares (the "Property"). The agreement allows for the Company to earn 50% of Goldcorp's interest in the Property by funding total expenditures on the Property of \$3,100,000 over four years as follows: (i) \$400,000 in year one, (ii) \$700,000 in year two and (iii) \$1,000,000 in each of years three and four. The Company will also make cash and share payments to Goldcorp as follows: (i) \$40,000 cash and \$25,000 worth of common shares on signing (completed in 2008 and based on an average of the previous 20 trading days), (ii) \$35,000 cash and \$25,000 worth of common shares on the first anniversary (completed in 2009 and based on an average of the previous 20 trading days), (iii) \$35,000 cash and \$50,000 worth of common shares (based on an average of the previous 20 trading days) on the second anniversary, (iv) \$100,000 worth of common shares on the third anniversary (based on an average of the previous 20 trading days), and (v) \$150,000 worth of common shares on the fourth anniversary (based on an average of the previous 20 trading days). Within six months of the Company's vesting at 50% interest in the Property, Goldcorp has the option to buy back a 20% interest from the Company for a cash payment of up to \$310,000, expending \$4,100,000 on the Property within two years, and completing a feasibility study within three years.

The Company will be the operator of the Property during the earn-in period and afterwards, provided it holds a 50% or greater interest in the Property. If either party becomes diluted to a 10% interest, that interest will be converted into a 2% Net Smelter Return Royalty.

7. MINERAL PROPERTIES AND DEFERRED EXPLORATIONS EXPENDITURES (CONT'D)

j) Other Properties

Included in Other Properties (both Ontario and Newfoundland) are the Newfoundland Dog Pond Property; Bolton Bay Property; Junction Property; Betts Cove; Long Pond; Donnes Brook; SW Voisey's; Chrome Hill; Nipper's Harbour; Mary March; and Genex. During 2008, the Company issued 110,000 common shares pursuant to agreements for Bolton, Betts Cove and Black Ridge. During 2009 the Company issued 80,000 common shares pursuant to agreements for Betts Cove and Long Pond. During 2008, the Company wrote-down the carrying cost of the Genex, Mundiregina, Creelman and Black Ridge properties as a result of no further work being planned. During 2009, the Company wrote-down the carrying cost of Genex, Bolton Bay, Taylor North, Donnes Brook and SW Voisey's as a result of no further work being planned.

8. CAPITAL STOCK

i. **Share Capital**

Authorized: Unlimited common shares

Details of share capital transactions for the three months ended March 31, 2010 and the year ended December 31, 2009:

	Number of <u>Shares</u>	<u>Amount</u>
Balance, December 31, 2008	25,807,324	\$ 2,611,457
Issued pursuant to private placements (note 8(g))	29,392,846	4,084,210
Less: share issue costs	-	(326,989)
Less: value of warrants issued with common shares	-	(684,659)
Less: value of broker warrants issued	-	(120,643)
Less: valuation adjustment arising from tax effect of flow-through common share renunciation	-	(258,013)
Issued upon exercise of share purchase warrants	60,000	6,000
Reclassified from exercise of warrants	-	3,228
Issued upon exercise of stock options	150,000	22,500
Common shares issued to acquire properties	<u>588,571</u>	<u>83,128</u>
Balance, December 31, 2009	55,998,741	\$ 5,420,219
Less: valuation adjustment arising from tax effect of flow-through common share renunciation	<u>-</u>	<u>(672,528)</u>
Balance, March 31, 2010	<u>-</u>	<u>\$ 4,747,691</u>

8. CAPITAL STOCK (CONT'D)

ii. Share Purchase Warrants

Details of share purchase warrant transactions for the period are as follows:

	<u># of Warrants</u>	<u>Amount</u>	<u>Weighted Average Exercise Price</u>	<u>Expiry</u>
Balance December 31, 2008	7,864,633	\$ 712,403		
Issued during 2009				
-Pursuant to private placements (note 8(vii)(i))	7,939,409	\$ 342,395	\$0.15-0.20	Oct-Dec 2010
-Broker warrants pursuant to above	329,375	16,537	\$0.10	Oct/Dec 2010
-Broker warrants pursuant to above	318,182	13,895	\$0.11	Oct 2010
-Broker warrants pursuant to above	97,400	4,893	\$0.25	Mar 2010
-Broker warrants pursuant to above	312,500	25,499	\$0.25	Apr 2010
-Pursuant to private placements (note 8(vii)(ii))	6,330,000	342,263	\$0.30	Oct 2011
-Broker warrants pursuant to above	1,106,340	59,820	\$0.30	Oct 2011
-Expired in 2009	(1,975,250)	(496,497)	\$1.23	
-Exercised during the period	<u>(60,000)</u>	<u>(3,228)</u>	\$0.10	
Balance December 31, 2009 and March 31, 2010	<u>22,262,589</u>	<u>\$1,017,980</u>		

iii. Stock Options

Details of stock option transactions for the three months ended March 31, 2010 and the year ended December 31, 2009 are as follows:

	<u># of options</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2008	1,799,500	\$ 0.22
Granted during the period	1,765,000	0.15
Exercised	(150,000)	0.15
Cancelled	(150,000)	0.22
Expired	<u>(489,500)</u>	<u>0.15</u>
Balance, December 31, 2009	2,775,000	\$ 0.19
Granted during the period	<u>1,305,000</u>	<u>0.16</u>
Balance, March 31, 2010	<u>4,080,000</u>	<u>\$ 0.18</u>

8. CAPITAL STOCK – iii. Stock Options (CONT'D)

The following table summarizes information about the options outstanding at March 31, 2010 and December 31, 2009:

Expiry Dates	Exercise Price	March 31, 2010 # of Options	December 31, 2009 # of Options
April 2011	\$0.25	810,000	810,000
June 2011	\$0.35	200,000	200,000
December 2011	\$0.17	175,000	175,000
December 2012	\$0.17	110,000	110,000
August 2014	\$0.15	1,480,000	1,480,000
February 2015	\$0.16	1,305,000	-
		<u>4,080,000</u>	<u>2,775,000</u>

As of March 31, 2010 a total of 2,996,657 options have vested net of cancellations and expiries (December 31, 2009 – 2,068,324).

iv. Share Issuance – Option Agreements

The Company has issued the following shares in acquiring options on mineral properties at March 31, 2010 and December 31, 2009

	Number	Amount
<i>Issued in 2010</i>	nil	nil
<i>Issued in 2009</i>		
Betts Cove Property – January 28, 2009/August 13, 2009	80,000	\$ 8,900
Currie Bowman Property – March 24, 2009	150,000	15,000
Tilt Cove Property – April 1, 2009	60,000	6,600
Staghorn – August 13, 2009	70,000	11,200
Long Pond – August 14, 2009	50,000	7,500
Ogden – December 2, 1009	<u>178,571</u>	<u>33,928</u>
Balance, December 31, 2009	<u>588,571</u>	<u>83,128</u>

v. Shares held in escrow

Pursuant to the requirements of the Exchange on closing of the Acquisition, 5,542,965 common shares remain subject to escrow of which 3,228,626 are subject to a value escrow agreement and 2,314,339 are subject to a surplus escrow agreement.

vi. Contributed Surplus

	<u>Amount</u>
Balance, December 31, 2008	\$ 143,543
Stock based compensation	132,904
Reclassify from expiration of warrants	<u>496,497</u>
Balance, December 31, 2009	\$ 772,944
Stock based compensation	<u>129,931</u>
Balance, March 31, 2010	<u>\$ 902,875</u>

8. CAPITAL STOCK (CONT'D)

vii. Private Placements

During 2009, the Company completed the following private placements:

- (i) The Company completed a private placement in five separate tranches of 4,763,750 non flow-through units at a subscription price of \$0.08 per unit, and 5,557,500 flow-through units at a subscription price of \$0.11 per unit. Each non-flow through unit issued in the private placement consists of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one common share at an exercise price of \$0.15 for a period of 18 months following the issuance date. Each flow-through unit issued in the private placement consists of one common share and one half of one common share purchase warrant, each whole warrant entitling the holder to acquire one common share at an exercise price of \$0.20 for a period of 18 months following the issuance date.

The fair value of the 7,939,409 common share purchase warrants received by investors have been estimated at \$342,392 using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate ranging from 0.25% to 0.8972% and an expected life of 18 months.

Arm's length parties assisting in the private placement received cash commission of \$49,565 equal to 8% of gross proceeds raised and 329,375 and 318,182 broker warrants (each broker warrant entitling the holder to acquire one common share of the Corporation for \$0.10 and \$0.11, respectively) for a period of 18 months following the issuance date of the unit. The warrants issued were valued at \$30,432.

- (ii) The Company completed a private placement offering (the "Offering") with Dundee Securities ("Dundee") for aggregate gross proceeds of \$3,115,560 consisting of 12,741,528 flow through common shares at a price of \$0.17 per common share and 6,330,000 units at a price of \$0.15 per unit, each unit consisting of one common share and one common share purchase warrant, each warrant entitling the holder to acquire an additional common share for \$0.30 for a period of 24 months following the closing of the Offering.

The fair value of the 6,330,000 common share purchase warrants received by investors have been estimated at \$342,263 using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.25% and an expected life of 2 years.

Pursuant to the Offering, Dundee was paid a cash commission equal to 6% of the gross proceeds raised and broker warrants totaling 6% of the securities issued in the offering, each broker warrant entitling Dundee to purchase a common share of the Company for \$0.30 for a period of 24 months following the closing of the Offering. The warrants were valued at \$59,820.

9. WARRANTS

Balance, December 31, 2008	\$ 712,403
Fair value of warrants issued in 2009 (Note 8(b))	805,302
Expired during the period	(496,497)
Reclassified to share capital from exercise of warrants	<u>(3,228)</u>
Balance, December 31, 2009 and March 31, 2010	<u>\$ 1,017,980</u>

10. RELATED PARTY TRANSACTIONS

During 2009, the Company sold its interest in the Cheeseman Lake property claims to Benton Resources Corp. ("Benton") (a related party as a result of the common directorship of Michael Stares) for net proceeds of \$22,520. The Company previously had a joint venture agreement with Benton on the property and now will hold a 1% NSR on the project.

The Company paid or accrued the following amounts to related parties during the three months ended March 31, 2010 and March 31, 2009:

Payee	Description of Relationship	Nature of Transaction	2010 Amount (\$)	2009 Amount (\$)
Stares Prospecting Ltd.	Company controlled by Alexander Stares, Director and Officer	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures	57,041	35,182
Eastrock Exploration/ Wayne Reid	Company controlled by Wayne Reid, Director and Officer	Payments for geological consulting services, and reimbursement of expenses capitalized in deferred development expenditures	10,440	22,281
Nick Tsimidis	Director and Officer	Payments for consulting fees and reimbursement of expenses	-	25,000

The purchases from/fees charged by related parties are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities at March 31, 2010 is:

- \$12,169 payable to Stares Prospecting Ltd., (2009: \$7,882);
- \$3,103 payable to Eastrock Exploration Inc., (2009: \$11,078)

11. CAPITAL DISCLOSURES

CICA Handbook Section 1535 requires disclosure of an entity's objectives, policies and process for managing capital, qualitative data about what an entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance.

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures;

The Company manages its capital structure and makes adjustment to it, based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the period.

In order to maintain or adjust the capital structure, the Company considers the following:

- i) incremental investment and acquisition opportunities;
- ii) equity and debt capital available from capital markets;
- iii) equity and debt credit that may be obtainable from the marketplace as a result of growth in mineral reserves;
- iv) availability of other sources of debt with different characteristics than the existing bank debt;
- v) the sale of assets;
- vi) limiting the size of the investment program; and
- vii) new share issuances if available on favorable terms.

Except as otherwise disclosed, the Company is not subject to any external financial covenants at March 31, 2010.

12. RISK MANAGEMENT

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk and liquidity risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, short term investments, G.S.T. and other receivables and staking security deposits. The Company's cash and short term investments is held through large Canadian Financial Institutions. A large part of other receivables pertains to GST refunds with the Canada Revenue Agency. Staking security deposits are held by the Government of Newfoundland. The Company has no significant concentration of credit risk arising from operations. Management believes the risk of loss to be remote.

(b) 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. While management feels the risk of capital loss on its short term investments is remote given its investment in only highly rated, investment grade fixed income securities with reputable Canadian financial institutions, the income derived from these securities can fluctuate as a result of changes in interest rates upon reinvestment of matured funds. The Company's short term investments are purchased at fixed interest rates and are either fully liquid or bear short staggered maturity dates to mitigate the risk of fluctuating interest rates.

12. RISK MANAGEMENT (CONT)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash is always available to settle financial liabilities. At March 31, 2010, the Company had \$1,551,069 (December 31, 2009 - \$2,258,829) in working capital. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All of the Company's operations are in Canada; therefore, management believes the foreign exchange risk derived from any currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(e) 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 and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

13. INCOME TAXES

a. Income tax recovery

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 31% (March 31, 2009 – 33.5%).

	March 31, 2010
Loss before taxes	\$(<u>309,516</u>)
Expected income tax expense (recovery) calculated using statutory rates	(95,950)
Non-deductible expenses and other	41,646
Share issue costs	(8,905)
Recognized benefit of future tax assets	(573)
Change in effective tax rates	<u>12,345</u>
Income tax expense (recovery)	\$ (<u>51,437</u>)

b. Future Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities at the combined Canadian federal and provincial statutory tax rates are as follows:

Non-capital losses	\$ 495,321
Deferred exploration expenditures	(1,223,805)
Share issue costs	86,723
Property and equipment	19,255
Valuation allowance	<u>(22,267)</u>
	\$ <u>(644,773)</u>

13. INCOME TAXES (CONT)

c. Income Tax Information

The Company has non-capital losses which will expire, if unused, as follows:

Year of Expiry	Amount
2014	\$ 21,566
2015	67,503
2026	50,507
2027	426,007
2028	571,977
2029	639,724
2030	<u>204,000</u>
TOTAL	\$ <u>1,981,284</u>

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is reflected in current income.

14. STAKING SECURITY DEPOSITS

Staking security deposits of \$7,950 (December 31, 2009 – \$4,700) represents security amounts paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These staking security deposits are refundable to the company upon submission by the company of a report covering the first year work requirements which meets the requirements of the Government of Newfoundland and Labrador.

15. STOCK-BASED COMPENSATION AND COSTS

The Company applies the fair value method of accounting for stock-based compensation awards using the Black-Scholes option pricing model.

Stock options granted to directors, officers and employees vested during the three month ended March 31, 2010 are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
August 17, 2009	433,333	\$0.15	August 17, 2014
February 22, 2010	<u>405,000</u>	\$0.16	February 22, 2015
	<u>838,333</u>		

The Company has calculated \$117,640 as compensation expense and under capital stock as contributed surplus for the 838,333 options vesting to directors, officers and employees during the period:

- For the options granted on August 17, 2009, the fair value of each option is \$0.128 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.25% and an expected life of approximately 5 years.
- For the options granted on February 22, 2010, the fair value of each option is \$0.153 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 180%, a risk-free interest rate of 2.30% and an expected life of approximately 5 years.

15. STOCK-BASED COMPENSATION AND COSTS (CONT'D)

Stock options granted to non-employees vested during the three months ended March 31, 2010 are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
August 17, 2009	60,000	\$0.15	August 17, 2014
February 22, 2010	30,000	\$0.16	February 22, 2015
	<u>90,000</u>		

The Company has calculated \$12,291 as compensation expense and under capital stock as contributed surplus for the 90,000 options vesting to non-employees during the period:

- For the options granted August 17, 2009, the fair value of each option is \$0.128 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.25% and an expected life of approximately 5 years.
- For the options granted on February 22, 2010, the fair value of each option is \$0.153 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 180%, a risk-free interest rate of 2.30% and an expected life of approximately 5 years.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2010	March 31, 2009
Shares issued for option on mineral properties	\$ -	\$ 20,000

17. LOSS PER SHARE

Basic loss per share figures are calculated using the weighted average number of common shares outstanding during the period.

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations and therefore fully-diluted loss per share is not presented.

18. COMMITMENTS

The Company leases automobiles under various operating leases, which have expiry dates ranging from June 2011 to August 2012. The future minimum annual fiscal lease payments over the term of the leases is as follows:

2010	\$ 10,670
2011	10,503
2012	<u>4,520</u>
	<u>\$ 25,693</u>

The company also has commitments as described in note 7 related to mineral properties and deferred development expenditures.