



AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009  
AND  
MANAGEMENT'S DISCUSSION & ANALYSIS

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## **REPORT TO SHAREHOLDERS**

March 24, 2011

Dear Shareholders:

In conjunction with the release of the Company's audited annual financial statements for the year ended November 30, 2010 and the related Management's Discussion & Analysis, I am pleased to provide you with an update on the Company. Our primary objective during 2010 was to re-establish the Company as an active Canadian precious metal explorer following the optioning of two Ontario gold properties earlier in the year. Both properties, Nixon Bartleman (Timmins) and Santa Maria (Dryden) are located in excellent geological settings for gold mineralization, they host large structural features and have known gold mineralization. Detailed descriptions of the properties can be found on the Company's website at [www.unitedreef.com](http://www.unitedreef.com). Management is continuing its efforts to evaluate additional gold projects for acquisition by the Company.

During November and December 2010, the Company closed three non-brokered private placements for gross proceeds of \$157,000 which was earmarked to fund an initial drilling program on the Nixon Bartleman property in the West Timmins area. The Company completed a shallow closely-spaced drilling program on the Nixon-Bartleman property during February 2011 which was designed to test two distinct types of gold mineralization on the property. A total of 7 holes totalling 597 metres were completed and sampled. Assay results are pending at the time of writing and are expected shortly.

### **Nixon Bartleman Property**

Most of the known gold deposits in the Timmins camp are spatially related to the Porcupine-Destor Deformation Zone, the major regional fault structure. The deposits occur in Archean aged meta-volcanic rocks although they are typically accompanied by metasedimentary rocks, quartz-feldspar porphyritic and ultramafic intrusive rocks. Almost all known deposits of this type are hosted within shear zones and are accompanied by quartz-carbonate alteration. The West Timmins area has not been well explored to date.

The Nixon Bartleman property covers an area of favourable geology lying to the southwest of Lake Shore Gold Corp.'s project area in the West Timmins gold camp. The main gold occurrences on the property are centered approximately 22 km southwest of Lake Shore's new West Timmins Mine. The Porcupine Destor Fault ("PDF") strikes through the centre of the property from northeast to southwest and the property is also believed to host splays from the PDF and one or more cross-cutting faults. These structures are often favourable hosts for gold mineralization in this type of geological environment.

There are at least five historic gold occurrences which have been identified on the property and the most explored of these is a prospect referred to as 'the Nixon-Bartleman showing'. Historic exploration on this prospect has included stripping, channel sampling and a limited amount of diamond drilling. Channel sampling has identified a 60 metre long zone between 1 and 6 metres wide with grades averaging 4.4 g/t Au and 14 g/t Ag with individual 1.0 metre long channel samples ranging from 0.83 to 18.69 g/t Au and 0.37 to 47.6 g/t Ag. The best intersection from the 6 known historic drill holes that have tested this zone was reported as 13.5 g/t Au and 137 g/t Ag over 3.0 m at a depth of 100 metres below surface. The Company's recently completed drilling program included six new holes to test this prospect area above the historic drill hole intersection referred to above.

The gold mineralization on the Nixon-Bartleman prospect is associated with quartz veins localized within a sheared, altered mafic unit. The veining is folded in both horizontal and vertical orientation and is believed to have resulted in the development of mineralized lenses that plunge either shallowly or in a near vertical direction. Management believes that establishing an understanding of this trend will aid the planning of a drilling program consisting of deeper holes with a higher probability of success.

Previous drilling on the property has also intersected a quartz porphyry intrusion with indications of considerable size potential located beneath overburden cover in the north-central part of the property. The silicified margins of the intrusion were found to contain elevated gold mineralization (values up to 0.39 g/t Au). This type of structure has potential to host large tonnage, low-grade gold mineralization. One drill hole in the February program was targeted to test this structure along strike to the northeast of the known intrusion where it is projected to intersect favourable complex folded stratigraphy.

#### Nickel Offsets Property

We are pleased to report that URSA Major Minerals Incorporated is continuing to advance its option to earn a 70% interest in our Nickel Offsets property near Sudbury. URSA Major completed an initial 1,800 metre drilling and borehole EM program on the property in the fall of 2009 which identified new massive sulphide targets in close proximity to the existing workings of the Nickel Offsets No.1 mine. URSA Major carried out a follow up drilling and borehole EM program in the fall of 2010 and advised that they had made cumulative expenditures of \$500,000 on the property by October 28, 2010. Highlights from this program included an intersection of 2.89 metres of nickel rich massive sulphides and 2 metres of platinum group metals mineralization.

URSA Major's programs are designed to test nickel-copper-precious metal mineralization at the past producing property with the objective of demonstrating a mineable, high grade, mineralized environment to justify a larger scale drill program and/or underground development. They are planning to mobilize a further drilling program on the property during 2011.

#### Directors and Officers

During December 2010, the Company welcomed a new director to the board, Mr. Harry Hodge, P. Eng. and appointed a new Chief Financial Officer, Mr. George Supol, CA-IT. We believe these appointments have strengthened the Company's Board and Management.

We would also like to express our sincere thanks for the contributions made to the Company by Mr. John Loewen who resigned as a director in December and to Ms. Marilyn Turner for her many years of service to the Company in her capacities as Corporate Secretary and CFO.

## General Matters

During March 2011, AXMIN Inc. filed an updated feasibility study for their Passendro Gold Project in Central African Republic and disclosed that they were continuing to advance discussions to finance the project. The Company continues to hold a net smelter returns royalty on the Passendro property and we are pleased to see the project moving forward again.

Management is investigating new financing opportunities for the Company to enable an initial exploration program to be executed on our Santa Maria project in the Dryden area in the near term and to allow the generation and investigation of new project opportunities. The Company is continuing to advance its strategy as a Canadian focused gold explorer as we plan for an active year ahead of exploration on our gold projects. We look forward to reporting to you as the year progresses.

In closing I would like to thank our shareholders for your continuing support and patience as we move the Company forward.

Yours truly,

UNITED REEF LIMITED

“Signed”

Michael D. Coulter  
President

## **UNITED REEF LIMITED**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **A) Introduction**

The following should be read in conjunction with the audited financial statements of United Reef Limited ("United Reef" or "the Company") for the year ended November 30, 2010, with comparative figures for the year ended November 30, 2009. The audited financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Additional information about United Reef is available on the SEDAR website at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.unitedreef.com](http://www.unitedreef.com).

#### **B) Overview**

United Reef is a natural resource exploration company, founded in 1948 with interests in several projects located in Ontario, which are more particularly described below. The Company's projects do not presently contain any known reserves or resources. The Company's common shares are listed on the TSX Venture Exchange (TSX-V) under the symbol URP.

In 2009, management initiated steps to refocus the Company as a precious metals explorer in Canada and continued to advance this initiative during 2010. To date, this has resulted in the generation of two Ontario gold exploration projects, Nixon-Bartleman (Timmins) and Santa Maria (Dryden area). Management is continuing to evaluate additional gold projects for the Company. In December 2010 the Company strengthened its Board and Management with the appointment of Mr. Harry Hodge, P. Eng., as a director and the appointment of Mr. George Supol, CA-IT, as Chief Financial Officer.

The Company closed three non-brokered private placements during the year – November 12, 2010 (\$122,000), November 22, 2010 (\$10,000) and December 30, 2010 (\$25,000) – for total gross proceeds of \$157,000. Management is continuing its efforts to raise additional working capital in the immediate future to allow the Company to advance its exploration projects and to fund its operating expenses. For the foreseeable future, the Company will remain dependent on raising new equity financing through the capital markets to fund its operations and planned exploration programs. See the "Continuance of Operations" discussion under section "O) Significant Accounting Policies" below.

#### *Recent Developments*

On January 24, 2011, the Company announced it was mobilizing for an initial, shallow-spaced drilling program on the Nixon-Bartleman gold property. The program, which was designed to test two distinct types of gold mineralization on the property, was completed on March 2, 2011 with the drilling of 7 holes totalling 597 metres. Assay results are pending and upon receipt and review, the Company anticipates planning for further exploration and drilling programs on the property in 2011.

#### **C) Forward Looking Statements**

This management's discussion and analysis may contain certain forward looking statements relating, but not limited to, the Company's operations, exploration plans, anticipated equity financing, business prospects and strategies. Forward looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors as identified under "Risks and Uncertainties" below, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such factors include financial market conditions and economic, competitive, regulatory and business conditions. The Company cannot update its assumptions and forward-looking statements until future dates to reflect outcomes not presently known and as such, readers should not place undue reliance on forward-looking statements.

## **UNITED REEF LIMITED**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **D) Trends**

Mineral, oil and gas exploration are speculative ventures. There is no certainty that money spent on exploration and development of projects will result in discoveries of commercial quantities of minerals or hydrocarbons. The long-term profitability of the Company's operations will in part be related to the success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

The exploration industry is intensely competitive in all its phases. The Company competes with many other exploration companies who have greater financial resources and experience. The market price of precious metals, other minerals, oil and gas is volatile and cannot be controlled.

#### **E) Risks and Uncertainties**

The Company's business is subject to risks inherent in mineral exploration and the future development of operations on its projects. The Company has identified certain risks pertinent to its business including: exploration and reserve risks, drilling and operating risks, costs and availability of materials and services, access to capital markets and the requirement for additional capital, loss of or changes to joint venture or related agreements, development of cooperative relationships with First Nation communities, economic and sovereign risks, the possible effects of less developed legal systems, reliance on strategic relationships, market risk, volatility of future metals prices and foreign currency risk. Management attempts to monitor, assess and mitigate certain of these risks by retaining experienced professionals and using modern exploration technology.

**UNITED REEF LIMITED**
**Management's Discussion and Analysis of Financial Condition and Results of Operations**
**F) Exploration Properties**

Details of the changes in the Company's investment in exploration properties for 2010, and the composition of carrying value of each property as at November 30, 2010, are as follows:

Details of Changes for Year	<u>Nickel Offsets, Sudbury, ON</u>	<u>Santa Maria Project, ON</u>	<u>Nixon- Bartleman, Timmins, ON</u>	<u>McFauld's Lake, ON</u>	<u>Oil &amp; Gas Project, Central African Republic</u>	<u>Other</u>	<u>Totals</u>
<b>2010 Summary</b>							
Opening balance – December 1, 2009	\$ 113,274	\$ 26,661	\$ -	\$ 1	\$ 1	\$ 2	\$ 139,939
Expenditures	2,100	-	14,965	-	-	-	17,065
Option payments made - cash	-	-	10,000	-	-	-	10,000
Option payments made - shares	-	12,500	46,500	-	-	-	59,000
Option payments rec'd - cash	(25,000)	-	-	-	-	-	(25,000)
Option payments rec'd - shares	(10,000)	-	-	-	-	-	(10,000)
Other recoveries/write-downs	(2,202)	(21)	-	-	(1)	-	(2,224)
Net change during the period	(35,102)	12,479	71,465	-	(1)	-	48,841
Closing balance – November 30, 2010	\$ 78,172	\$ 39,140	\$ 71,465	\$ 1	\$ -	\$ 2	\$ 188,780
<b>2009 Summary</b>							
Opening balance – December 1, 2008	\$ 136,717	\$ -	\$ -	\$ 1	\$ 1	\$ 143,376	\$ 280,095
Expenditures	2,437	18,661	-	-	-	2,011	23,109
Option payments made - cash	-	5,000	-	-	-	-	5,000
Option payments made - shares	-	3,000	-	-	-	-	3,000
Option payments rec'd - cash	(25,000)	-	-	-	-	-	(25,000)
Other recoveries/write-downs	(880)	-	-	-	(145,385)	-	(146,265)
Net change during the period	(23,443)	26,661	-	-	-	(143,374)	(140,156)
Closing balance – November 30, 2009	\$ 113,274	\$ 26,661	\$ -	\$ 1	\$ 1	\$ 2	\$ 139,939
<b>Composition of Carrying Value of Each Property As at November 30, 2010</b>							
	<u>Nickel Offsets, Sudbury, ON</u>	<u>Santa Maria Project, ON</u>	<u>Nixon- Bartleman, Timmins, ON</u>	<u>McFauld's Lake, ON</u>	<u>Oil &amp; Gas Project, Central African Republic</u>	<u>Other</u>	<u>Totals</u>
<b>Currently Active Properties</b>							
Acquisition, including option payments made	\$ 20,001	\$ 20,500	\$ 56,500	\$ -	\$ -	\$ -	\$ 97,001
Assaying	9,324	490	-	-	-	-	9,814
Consulting	119,644	9,846	14,965	-	-	-	144,455
Drilling	198,224	-	-	-	-	-	198,224
Geology	175,102	-	-	-	-	-	175,102
Geophysical surveys	53,053	-	-	-	-	-	53,053
Management fees	5,000	-	-	-	-	-	5,000
Staking costs	3,434	8,304	-	-	-	-	11,738
Miscellaneous	42,227	-	-	-	-	-	42,227
Write-downs	(41,430)	-	-	-	-	-	(41,430)
Exploration recoveries, including option payments received	(506,407)	-	-	-	-	-	(506,407)
Sub-totals	78,172	39,140	71,465	-	-	-	188,777
<b>Currently Inactive Properties</b>							
Nominal carrying value	-	-	-	1	-	2	3
Closing balance – November 30, 2010	\$ 78,172	\$ 39,140	\$ 71,465	\$ 1	\$ -	\$ 2	\$ 188,780

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### F) Exploration Properties (Continued)

The Company's investments in each exploration property is discussed below:

##### *Nickel Offsets Project, Sudbury Area*

The Company holds a 100% interest in 12 patented and 5 unpatented mining claims located in Foy Township, Sudbury Mining Division, Ontario. The Company entered into an option and joint venture agreement on May 13, 2008, as amended, with URSA Major whereby the Company granted it an option to earn a 70% interest in the Nickel Offsets property by making total exploration expenditures on the property of \$1.25 million over a period of four years from the effective date of the agreement (March 28, 2008), and also making four annual cash payments of \$25,000 to the Company. URSA Major was required to make a minimum exploration expenditure of \$250,000 during the first year of the option.

Effective February 27, 2009 the Company and URSA Major amended the option agreement extending the time for URSA Major to complete the initial \$250,000 exploration program on the property from March 28, 2009 until October 28, 2009. Upon signing the amending agreement, URSA Major advanced to the Company \$12,500 representing 50% of the annual cash option payment and the balance of \$12,500 was paid in March 2009. URSA Major completed an exploration and drilling program on the property in the fall of 2009 and met its initial work commitment.

Effective March 15, 2010 the Company and URSA Major further amended the option agreement extending the time for URSA Major to make cumulative expenditures of \$500,000 on the property until October 28, 2010 and to extend the time for URSA Major to make total cumulative expenditures on the property of \$1,250,000 until March 28, 2012.

In consideration for the 2010 amendment to the agreement, URSA Major advanced a payment of \$25,000 on March 5, 2010 and agreed to make a further payment of \$25,000 to the Company on March 28, 2011. URSA Major also issued 100,000 of its common shares to the Company on April 26, 2010 as additional consideration.

Upon URSA Major incurring \$1.25 million in exploration expenditures and making payments totalling \$100,000, the parties will form a joint venture for the further exploration and development of the property with URSA Major having a 70% interest and becoming the operator and the Company having a 30% interest. Thereafter, the parties will fund their respective pro rata interest in the joint venture for approved programs and expenditures.

Once a joint venture is formed, the Company may elect to fund its 30% interest in the joint venture or convert its interest to a 2% net smelter royalty ("NSR") and allow URSA Major to vest a 100% interest in the property. Should the Company elect to convert its interest to an NSR, URSA Major will have the right thereafter to purchase 1% of the NSR from the Company for consideration of \$1 million at any time. In the event that URSA Major fails to make the cash payments and incur \$1.25 million of expenditures on or before the fourth anniversary of the agreement, its option will terminate and the property will revert to the Company.

## **UNITED REEF LIMITED**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **F) Exploration Properties**

##### ***Nickel Offsets Project, Sudbury (Continued)***

###### *Exploration by URSA Major*

URSA Major completed an initial drilling and borehole EM program on the property in the fall of 2009. This work identified new massive sulphide targets in close proximity to the existing mine workings. They mobilized a follow up drilling and borehole EM program in the fall of 2010 and advised that they had made cumulative expenditures of \$500,000 on the property by October 28, 2010. Highlights from this program include an intersection of 2.89 metres of nickel rich massive sulphides and 2 metres of platinum group metals mineralization. URSA Major has also disclosed their intention to mobilize a follow-up drilling program on the property during 2011.

###### *Property Geology*

The Nickel Offsets property, which hosts the past-producing Nickel Offsets Mine (1943-1957), covers a 2.5 km strike length of the Foy Offset Dike and to a projected depth of approximately 2,000 m. The Foy Offset Dike is the largest of all known radial offset dikes emanating from the Sublayer of the Sudbury Igneous Complex ("SIC") and has been traced for approximately 28 km from the North Range of the SIC into the surrounding Archean granitic footwall. Striking west-northwest, the Foy Offset Dike is reasonably well exposed through Howell and Foy townships as far as the Nickel Offsets Mine. Northwest of the mine, the extension of the dike is a matter of interpretation but it is generally accepted that the dike extends a short distance into Tyrone Township after being laterally displaced northwards by the Sandcherry Creek Fault. Dip is steep, averaging 75-80° to the north. The down-dip extent and continuity of the dike appears to be good with diamond drilling intersecting the dike at depths of at least 750 metres in the area of the Nickel Offsets Mine.

##### ***Santa Maria Project, Ontario***

Effective October 29, 2009 the Company entered into an option agreement to acquire a 100% interest in five mining claims, consisting of 11 claim units (the "Santa Maria Claims") in the Kenora Mining Division, northwestern Ontario. The Santa Maria Claims are presently owned by Robert J. Fairservice (the "Optionor") and are located approximately 45 km southeast of Dryden, Ontario.

The Optionor granted the Company the right and option to acquire a 100% interest in the Santa Maria Claims whereby the Company agreed to make cumulative exploration expenditures on the property of \$150,000 over a three-year period (during the first, second and third years of the option, \$25,000, \$50,000 and \$75,000, respectively), make cash payments totaling \$30,000 (\$5,000 upon regulatory approval, \$10,000 on October 29, 2010 and \$15,000 on October 29, 2011) and issue 450,000 common shares of the Company (100,000 upon regulatory approval, 150,000 on October 29, 2010 and 200,000 on October 29, 2011) to the Optionor over the three-year term of the option.

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### F) Exploration Properties

##### *Santa Maria Project, Ontario (Continued)*

The Company made the initial cash payment of \$5,000 and issued 100,000 common shares of the Company valued at \$3,000 to the Optionor upon receipt of regulatory approval in November 2009. The \$8,000 acquisition cost was capitalized to the exploration property in 2009. The Optionor has retained a 2% NSR on the Santa Maria Claims and the Company has the right to purchase 1% of the NSR for payment of \$500,000.

Effective October 2, 2010, the Company entered into an amending agreement with the Optionor of the Santa Maria property. The amendment provided that the cash option payment of \$10,000 due to the Optionor on October 29, 2010 would be settled by the issuance of 200,000 common shares of the Company. The Company issued these shares on October 15, 2010 and recorded this option payment at the \$8,000 fair value based on the closing price of the Company's shares on that date. In addition, the Company's obligation for exploration expenditures on the property during the first year was extended so that the Company must now complete a total of \$75,000 of expenditures on the property by October 29, 2011.

The Company issued 150,000 common shares to the Optionor on October 18, 2010 in satisfaction of shares due to the Optionor on October 29, 2010. The Company recorded this option payment at the \$4,500 fair value based on the closing price of the Company's shares on that date.

The Company staked fourteen mining claims in November 2009, consisting of 76 claim units contiguous to the Santa Maria claims, and granted the Optionor a 1% NSR on these claims.

The Company is planning an exploration program for the project during 2011 of sufficient size to meet the exploration and assessment work commitments coming due in 2011.

##### *Property Geology*

The Santa Maria Property lies within the Eagle-Wabigoon-Manitou Lakes Greenstone Belt which is one of a series of six interconnected greenstone belts that make up the western part of the Wabigoon Subprovince in Northwestern Ontario. Numerous elliptical shaped granitic batholiths thought to be derived from the same parent magmas as the volcanic rocks are enclosed within the greenstone belts. The Revell Lake Granite batholith is located approximately 5 km to the east of the Santa Maria Property. The greenstone belts are made up of 60 – 80% untramafic to felsic volcanic rocks of various types and 20 – 40% clastic and chemical metasediments. All of these rocks have been extensively deformed and intruded locally by syntectonic and post tectonic plutons, dykes and small bodies of ultramafic to felsic composition.

The Santa Maria Property is underlain by calc-alkaline metavolcanics of the Archean aged Kawashegamuk Lake Group. These rocks, a lower mafic sequence and an upper felsic to intermediate sequence, have been folded around the eastwest trending axis of the Tabor Lake anticline. All of these rocks have been intruded by dykes and small bodies of hypabyssal felsic rocks, most of which are elongated, also along an east-west trending axis. A very strong northwest trending fault/shear structure passes along the southwest boundary of the claim group. The axis of this structure follows Kawashegamuk Lake (also referred to as Long Lake) and several gabbroic intrusive bodies are located along or proximal to the Kawashegamuk Lake structure. This structure is also coincident with the axis of a zone of intense carbonate alteration that affects the mafic intrusive and volcanic rocks, as well as younger quartz and quartz-feldspar porphyry bodies in the area.

## **UNITED REEF LIMITED**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **F) Exploration Properties (Continued)**

##### ***Nixon-Bartleman Project, Ontario***

Effective January 21, 2010 the Company entered into an option agreement, as amended, with Casey Enterprises Inc. ("Casey"), a private Ontario company, to acquire a 70% interest in nineteen contiguous mining claims (4 patented and 15 unpatented claims) known as the Nixon-Bartleman property. The claims are located in Keefer and Hillary Townships, southwest of Timmins, Ontario.

The Company has the right to exercise the option by making cumulative exploration expenditures on the property of \$150,000 over a period of three years (\$50,000 by April 7th each year), by making cash payments totaling \$50,000 (\$10,000 every six months commencing from April 7, 2010) and issuing 2,300,000 common shares of the Company to Casey over the three year term of the option (1,100,000 upon regulatory approval and 600,000 on each of April 7, 2011 and April 7, 2012). Upon the Company vesting a 70% interest in the property, the parties will form a joint venture for the continuing exploration and development of the property with the Company having a 70% interest and acting as the operator and Casey having a 30% interest. The property is subject to a 2% NSR held by a former property owner.

The Company made an initial cash payment of \$10,000 on April 20, 2010 and issued 1,100,000 common shares to Casey on April 16, 2010. The Company recorded the common share portion of the option payment at the \$38,500 fair value based on the closing price of the Company's shares on that date.

Effective October 2, 2010, the Company entered into an amending agreement with Casey which provided that the cash option payment of \$10,000 due to Casey on October 7, 2010 would be settled by the issuance of 200,000 common shares of the Company. The Company issued these shares on October 15, 2010 and recorded the option payment at the \$8,000 fair value based on the closing price of the Company's shares on that date.

##### ***Drilling Program – February 2011***

The Company carried out an initial, shallow-spaced drilling program on the Nixon-Bartleman gold property during February 2011. The program was designed to test two distinct types of gold mineralization on the property and was completed on March 2, 2011 with the drilling of 7 holes totalling 597 metres. Assay results are pending and upon receipt and review, the Company anticipates planning for further exploration and drilling programs on the property in 2011. Estimated costs of the February program are in the order of \$90,000.

##### ***Property Geology***

Regionally Keefer and Hillary Townships and area lie within the 2.75 - 2.67 GA (billion year) aged Abitibi Sub-province of the Superior Province of the Canadian Shield. The Abitibi Sub-province is a volcanic - sedimentary / plutonic domain extending for >800 km from the shore of Lake Superior past Chibougamau, Quebec with a maximum width of ~250 km. In Ontario, the Abitibi Sub-province contains four supracrustal dominated domains (greenstone belts) of which the Abitibi greenstone belt is the largest. Granitoid plutonic and/or gneiss dominated domains within the Abitibi Sub-province consist of discrete batholiths within the greenstone belts and large areas of plutonic and gneissic rocks between greenstone belts.

## **UNITED REEF LIMITED**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **F) Exploration Properties**

##### ***Nixon-Bartleman Project, Ontario (Continued)***

Outcrop exposure in Keefer and Hillary Townships is poor to fair and area mapping indicates the bedrock units underlying the property area to be mainly ENE trending, intermediate volcanic flows, autoclastic breccia and tuff bounded to the north and south by a tonalite intrusive, and cut by north striking diabase dykes. Six volcanic units and two intrusive units have been identified through detailed geological mapping at the Nixon - Bartleman occurrence. The volcanic units are intermediate to mafic in composition, display amphibolite grade metamorphism, are variably altered, strike north-eastward and are folded into a tight isoclinal anticline. The axis of the anticline is centred upon an autoclastic breccia, mafic volcanic unit that varies from 5 to 15 m wide. It is medium to coarse grained, has a "knobby" appearance due to the presence of diopside clusters, and displays intense carbonate (calcite plus ankerite) alteration. Discontinuous or boudinaged quartz veins up to 1 m wide occur within the unit or along its contacts. Eight east-west faults with only minor displacement interrupt the volcanic stratigraphy. Several thin, late stage, felsic sills intrude the stratigraphy. A NNW striking diabase unit cuts the stratigraphy at the northern end of the stripped area in the vicinity of the Nixon - Bartleman shaft.

Most of the known gold deposits in the Timmins camp are spatially related to the major regional fault structure referred to as the Porcupine-Destor Deformation Zone. They occur in Archean aged meta-volcanic rocks although they are typically accompanied by metasedimentary rocks, quartz-feldspar porphyritic and ultramafic intrusive rocks. Almost all known deposits of this type are hosted within shear zones and are accompanied by quartz-carbonate alteration.

##### ***McFauld's Lake Project, Northwestern Ontario***

The Company holds a 45% joint venture interest in five unpatented mining claims, consisting of 70 claim units in the McFauld's Lake area, in the James Bay Lowlands of northwestern Ontario. Canstar Resources Inc. holds the remaining 55% and is the operator of the joint venture. In 2008, the Company wrote down the property interest to a nominal value following discouraging exploration results from the initial drilling program. Management is continuing to monitor exploration activity in the property area.

##### ***Oil and Gas Project, CAR***

The Company had the right to earn a 25% interest in RSM Production Corporation's ("RSM") oil and gas exploration permit area and RSM's related operating agreement with the Central African Republic ("CAR"). RSM declared force majeure under their agreement with CAR in 2003 and submitted an application to the International Centre for Settlement of Investment Disputes ("ICSID") requesting arbitration in 2006 to resolve a dispute between RSM and CAR over CAR's failure to acknowledge suspension of RSM's agreement due to force majeure. In January 2007, ICSID formally registered RSM's request to arbitrate its dispute with CAR and a case number was assigned to the request; and in May 2008 ICSID reported that a three-member arbitration tribunal had been constituted to review the arbitration request. RSM submitted its formal complaint to the tribunal in December 2008. The arbitration tribunal formally heard the matter in late February 2010 in Paris and rendered a decision in December 2010.

Management believes that based on the decision of the tribunal, it remains unlikely that the Company will have an opportunity to participate in the exploration of the project and therefore it has written off the remaining carrying value of the project.

**UNITED REEF LIMITED****Management's Discussion and Analysis of Financial Condition and Results of Operations****G) Financial Position**

The following table shows selected financial information with respect to United Reef's financial results and financial position, prepared in accordance with Canadian GAAP:

<b><u>Years Ended November 30</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Financial Results</b>			
Acquisition of properties	\$ 69,000	\$ 8,000	\$ 400,000
Exploration expenditures	17,065	23,109	192,422
Recoveries from properties	(37,223)	(25,880)	(26,323)
Write-down of properties	(1)	(145,385)	(508,266)
Net increase (decrease) in investment in exploration properties	48,841	(140,156)	57,833
Stock-based compensation expense	10,801	11,170	56,807
Net loss and comprehensive loss	(143,944)	(354,748)	(790,551)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)
Dividends paid	-	-	-
<b>Financial Position</b>			
Working capital	\$ 57,278	\$ 23,297	\$ 26,075
Investment in exploration properties	188,780	139,939	280,095
Total assets	336,984	230,788	528,822
Long-term debt due to related party	121,000	72,000	36,000
Share capital, warrants & contributed surplus	21,320,875	21,120,484	20,997,834
Deficit	(21,165,541)	(21,021,597)	(20,666,849)

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### H) Quarterly Results

Summarized quarterly results for United Reef for the past eight quarters, prepared in accordance with Canadian GAAP are as follows:

<u>Quarter Ended</u>	<u>November 30,</u> <u>2010 (Q4)</u>	<u>August 31,</u> <u>2010 (Q3)</u>	<u>May 31,</u> <u>2010 (Q2)</u>	<u>February 28,</u> <u>2010 (Q1)</u>
Additions to (recoveries of) investments in exploration properties, net *	\$ 27,612	\$ (400)	\$ 17,262	\$ 4,367
Net loss	(53,683)	(11,738)	(26,802)	(51,721)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

<u>Quarter Ended</u>	<u>November 30,</u> <u>2009 (Q4)</u>	<u>August 31,</u> <u>2009 (Q3)</u>	<u>May 31,</u> <u>2009 (Q2)</u>	<u>February 28,</u> <u>2009 (Q1)</u>
Additions to (recoveries of) investments in exploration properties, net *	\$ 26,961	\$ 420	\$ (24,461)	\$ 2,309
Net loss	(66,326)	(192,814)	(50,042)	(45,566)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

\* Excluding write-downs of properties

The Company is in the exploration stage and generates no operating revenues.

The fluctuations in the quarterly net income (loss) are mainly due to the normal timing of expenditures. Certain accruals are typically adjusted in the 4<sup>th</sup> quarter including management and administrative fees and professional fees.

As noted in the Q3-2010 quarterly reports, the management and administrative fees had been temporarily suspended effective April 1, 2010 due to the Company's limited cash resources. A catch-up accrual adjustment for these fees was made in the 4<sup>th</sup> quarter of 2010 in the amount of \$37,000, once cash resources had been replenished by private placements including subscriptions from the Company's senior management. See also the MD&A sections, J) Liquidity and Capital Resources and M) Related Party Transactions, for additional information on the Company's transactions with related parties.

In addition, the quarterly results are affected by the timing of stock option grants since the associated cost is recognized at the time of vesting. Stock-based compensation, a non-cash expense, was recorded in the following quarterly periods: Q4-2010 - \$6,600, Q1-2010 - \$4,201, Q4-2009 - \$2,400, Q3-2009 - \$2,808, Q2-2009 - \$2,650 and Q1-2009 - \$3,312.

The quarterly results are also affected by fair value adjustments of held-for-trading marketable securities as well as write-downs/off of investments in exploration properties, both non-cash items. A write-up of a marketable security was recorded in Q4-2010 of \$3,000. Write-offs of investments in exploration properties were recorded in Q4-2010 and Q3-2009 of \$1 and \$145,385, respectively.

The quarterly results are also affected by income tax provisions, which currently all relate to non-cash future income tax adjustments due to the Company's current non-taxable position. The only income tax provision recorded in the last eight quarters was a recovery of \$24,375 recorded in Q4-2010.

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### D) Results of Operations for the Year Ended November 30, 2010

##### *Net Loss and Loss Before Income Taxes*

The Net loss of \$143,944 in 2010 is 59% lower than the 2009 Net loss of \$354,748. The Net loss in 2010 is net of a future income tax recovery of \$24,375, which did not apply in 2009.

The Loss before income taxes of \$168,319 is 53% lower than the 2009 Loss before income taxes of \$354,748. The decrease of \$186,429 is primarily due to reduced administrative expenses and other items in 2010, as further explained below.

##### *Administrative Expenses*

Total administrative expense of \$177,276 in 2010 is 16% lower than the 2009 expense of \$209,886. The decrease of \$32,610 is primarily due to reduced administration and stock-based compensation as further explained below.

##### *Administration*

Administration of \$54,635 in 2010 is 34% lower than the Q3-2009 expense of \$83,342. The decrease of \$28,707 is primarily due to a \$27,000 reduction in administrative fees paid to a related party and a \$1,707 net reduction in other expenses incurred, as outlined in the table below. See also the MD&A section M) Related Party Transactions.

Breakdown of administration expenses by year:

	<u>2010</u>	<u>2009</u>
Administrative fees – related party	\$ 21,000	\$ 48,000
Accounting fees	6,738	-
Office and general	7,119	6,533
Rent	15,815	20,400
Communications	1,933	2,490
Travel and accommodation	1,789	5,691
Bank charges	241	228
	<u>\$ 54,635</u>	<u>\$ 83,342</u>

##### *Stock-Based Compensation*

Stock-based compensation of \$10,801 in 2010 is 3% lower than the 2009 expense of \$11,170. The decrease of \$369 is not significant. No new options were granted in fiscal 2010, though new options were granted after the year-end – see also the MD&A section L) Share Data.

##### *Other items*

In 2010, a recovery of exploration costs for a property previously written off is recorded in the amount of \$5,443. In addition, an unrealized gain on marketable security of \$3,000 is included in other income in 2010. These items did not apply in 2009.

In 2010, the Company recorded a write-off of the \$1 balance in the CAR oil and gas project. In 2009, the Company recorded a \$145,385 write-off of its Hants County, Nova Scotia exploration project.

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### J) Liquidity and Capital Resources

##### *Liquidity*

At November 30, 2010, the Company had a working capital surplus of \$57,278 (defined as the difference between current assets and current liabilities) compared with a surplus of \$23,297 at November 30, 2009, an increase of \$33,981 or 146%. At November 30, 2009, the Company had a working capital surplus of \$23,297 (defined as the difference between current assets and current liabilities) compared with a surplus of \$26,075 at November 30, 2008, a decrease of \$2,778 or -11%.

At November 30, 2010, the Company had cash resources of \$92,214 compared to \$79,328 at November 30, 2009, an increase of \$12,886 or 16%. At November 30, 2009, the Company had cash resources of \$79,328 compared to \$174,294 at November 30, 2008, a decrease of \$94,966 or -54%.

For the years ended November 30, 2010 and 2009, the net changes in working capital and cash resources were attributable to:

	<u>2010</u>	<u>2009</u>
Increase in amount due to related party, long-term	\$ 49,000	\$ 36,000
Acquisition of mineral property interest	(10,000)	(5,000)
Recoveries from exploration properties - cash	27,223	25,880
Recoveries from exploration properties - shares	10,000	-
Exploration expenditures	(17,065)	(23,109)
Proceeds from private placements (see below)	132,000	160,980
Issue costs	(1,410)	(1,750)
Net loss for the year	(143,944)	(354,748)
Items in net loss not affecting working capital		
Write-down of property	1	145,385
Other, net	(11,824)	13,583
Net increase (decrease) in working capital	33,981	(2,779)
Changes in working capital items		
Increase in marketable security	(13,000)	-
Increase (decrease) in sundry receivables/prepays	(8,844)	9,747
Decrease in accounts payable and accruals	(4,683)	(101,934)
Increase (decrease) in due to related party, current	5,432	-
Net increase (decrease) in cash resources	<u>\$ 12,886</u>	<u>\$ (94,966)</u>

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### J) Liquidity and Capital Resources (Continued)

##### *Capital Resources*

During the year, the Company raised \$132,000 (2009 - \$160,980) through non-brokered private placements, to finance exploration activities and to provide working capital. The private placements were for units comprised of flow-through and/or non-flow-through common shares, and warrants to acquire non-flow-through common shares. A summary of the 2010 private placements follows:

<u>Issue Date</u>	<u># of Units/Shares Issued</u>	<u>Unit Price</u>	<u>Gross Proceeds</u>	<u>Proceeds Attributed to Warrants</u>	<u># of Warrants Issued</u>	<u>Exercise Price of Warrants</u>
<u>Flow-through</u>						
November 12, 2010	1,250,000	\$0.05	\$ 62,500	\$ 25,000	1,250,000	\$ 0.10
November 22, 2010	200,000	\$0.05	10,000	4,000	200,000	\$ 0.10
	<u>1,450,000</u>		<u>72,500</u>	<u>29,000</u>	<u>1,450,000</u>	
<u>Non-flow-through</u>						
November 12, 2010	<u>1,190,000</u>	\$ 0.05	<u>59,500</u>	<u>23,000</u>	<u>1,190,000</u>	<u>\$ 0.10</u>
	<u>2,640,000</u>		<u>\$ 132,000</u>	<u>\$ 52,000</u>	<u>2,640,000</u>	

Of the 2,640,000 units issued in 2010, 950,000 units were acquired by officers and directors of the Company for gross proceeds of \$47,500. By comparison, of the 8,049,000 units issued in 2009, 800,000 units were acquired by officers and directors of the Company for gross proceeds of \$16,000. The 2009 units were all issued on a non-flow-through basis.

##### *Financing After Fiscal 2010*

On December 30, 2010, the Company issued 500,000 units to investors at a price of \$0.05 per unit for gross proceeds of \$25,000, with each unit being comprised of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.10 each for a period of 24 months following the closing of the offering. The common shares and warrants comprising the units are subject to a 4-month restricted sale period. The December 30, 2010 private placement included 100,000 units purchased by an officer of the Company, on the same basis as other investors. Of the \$25,000 gross proceeds, 100% was attributable to the issuance of flow-through shares. The Company renounced this amount to investors on December 31, 2010 and it has pledged to incur an equal amount of qualifying exploration expenditures prior to January 1, 2012.

##### *Future Funding Sources and Requirements*

The Company's main sources of funding are equity markets and the exercise of outstanding warrants and options. Additional funding is potentially available from receipt of option payments due to the Company, sale of marketable securities and sale of non-core assets. As at November 30, 2010, the Company had cash resources of \$92,214 and will require additional funds to meet its planned exploration, working capital and administrative expenses during fiscal 2011. Management believes that the Company has the ability to generate sufficient funds in the short term to maintain the Company's capacity and advance its exploration plans and to develop and fund new projects for future growth. The Company's ability to raise these funds could be impacted by the market, economic and other conditions described in the discussion under section "E) Risks and Uncertainties" above.

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### J) Liquidity and Capital Resources

##### *Future Funding Sources and Requirements (Continued)*

The Company's presently estimated minimum cash requirement during fiscal 2011 is in the order of \$280,000 and consists of the following:

- general and administrative expenses for the year (excluding management fees) \$100,000 to \$120,000.
- cash payments coming due to maintain property option agreements \$35,000.
- planned exploration expenditures (minimum to maintain properties in good standing) \$125,000.

#### K) Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. There are no off-balance sheet arrangements. The principal financial instrument affecting the Company's financial condition and results of operations is currently its cash and short-term money market investments. The Company also has a marketable security, which it has classified as a "held-for-trading" financial asset. As at November 30, 2010, the fair value of the marketable security was \$13,000.

#### L) Share Data

The following table sets out the number of shares, warrants and options outstanding at the dates indicated.

	<u>November 30,</u> <u>2010</u>	<u>Subsequently</u> <u>Issued/Granted</u>	<u>March 24,</u> <u>2011</u>
Common shares outstanding	88,409,980	* 500,000	88,909,980
Potential issuance of common shares			
Warrants	10,689,000	* 500,000	11,189,000
Stock options granted to directors, officers and employees/consultants	2,125,000	** 2,000,000	4,125,000
Fully diluted # of common shares outstanding	<u>101,223,980</u>	<u>3,000,000</u>	<u>104,223,980</u>

\* See Section J, *Liquidity and Capital Resources: Financing After Fiscal 2010*

##### *\*\* Granting of Stock Options After the Year-End*

On December 24, 2010, the Company's Board of Directors approved as compensation, the grant of an aggregate 2,000,000 options to four directors, one officer/director and one officer to acquire up to 2,000,000 common shares of the Company. These options, which vest as to 25% at the grant date and 25% on each of the next three (3) six-month anniversary dates of the grant date, are exercisable at \$0.10 each over a three-year period.

##### *Outstanding Warrants (11,189,000)*

- 5,799,000 warrants outstanding, each exercisable into one common share at \$0.10 until June 22, 2011
- 2,250,000 warrants outstanding, each exercisable into one common share at \$0.10 until July 2, 2011
- 2,440,000 warrants outstanding, each exercisable into one common share at \$0.10 until November 11, 2012
- 200,000 warrants outstanding, each exercisable into one common share at \$0.10 until November 21, 2012
- 500,000 warrants outstanding, each exercisable into one common share at \$0.10 until December 29, 2012

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### L) Share Data (Continued)

##### *Outstanding Options (4,125,000)*

- 1,325,000 options outstanding, each exercisable into one common share at \$0.10 until April 1, 2011
- 400,000 options outstanding (300,000 presently exercisable), each exercisable at \$0.10 until August 6, 2012
- 400,000 options outstanding (300,000 presently exercisable), each exercisable at \$0.10 until October 7, 2012
- 2,000,000 options outstanding (500,000 presently exercisable), each exercisable at \$0.10 until December 23, 2013

##### *Potentially Issuable Shares for Property Option Payments*

The Company has agreed to issue a total of 1,400,000 additional common shares from treasury for future property option payments, on the following basis (see section "F) Exploration Properties"):

- 200,000 shares on October 29, 2011 (Santa Maria Project)
- 600,000 shares on April 7, 2011 (Nixon-Bartleman Project)
- 600,000 shares on April 7, 2012 (Nixon-Bartleman Project)

If these potentially issuable shares were included in the share data table above, the fully diluted number of common shares outstanding would be increased by 1,400,000 to 105,623,980.

#### M) Related Party Transactions

The Company's President (Michael D. Coulter) and former Secretary (Marilyn Turner) provide their respective management and administrative services through a corporation owned by them (M.D. Coulter & Associates Inc.), pursuant to a fee-for-services agreement. The agreement, which provides for standard monthly fees as agreed upon by the parties from time to time, may be terminated by either party upon ninety (90) days written notice to the other party or upon seven (7) days notice for unremedied cause.

During the year, the Company was charged management fees of \$48,000 (2009 - \$48,000) and administrative fees of \$21,000 (2009 - \$48,000) by the related party. As at November 30, 2010, the Company was indebted to this corporation for a total of \$131,950 (2009 - \$77,518) in respect of these services. The related party has agreed to defer payment of \$121,000 of the total amount owed (which has no fixed terms of payment, is unsecured and non-interest bearing) until after November 30, 2011. The \$121,000 deferred balance relates to the following fiscal periods: 2008 - \$36,000; 2009 - \$36,000; and 2010 - \$49,000.

During the year, the Company was charged Nil (2009 - \$517) for professional services by a law firm of which a Director of the Company is a partner. The balance owing to this law firm of \$20,000 (2009 - \$20,000) is included in accounts payable as at year-end. This amount is unsecured, non-interest-bearing and is due on demand.

Management believes the above transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **UNITED REEF LIMITED**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **N) Commitments and Contingencies**

##### *Environmental Contingencies*

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

##### *Flow-through Expenditures*

As at November 30, 2010, the Company is committed to incur, on a best efforts basis \$72,500 in qualifying Canadian exploration expenditures pursuant to private placements for which flow-through proceeds had been received prior to November 30, 2010 and renounced to the investors effective as at December 31, 2010. As at November 30, 2010, the Company had incurred qualifying expenditures of approximately \$7,000. The Company must incur the \$65,500 balance of qualifying expenditures prior to January 1, 2012. See also the MD&A section J) Liquidity and Capital Resources for additional information concerning the Company's flow-through share issuances.

#### **O) Significant Accounting Policies**

The Company's significant accounting policies, as presented in Note 2 to its annual financial statements for the years ended November 30, 2010 and 2009, include the following policies, which are critical for a proper understanding of the Company's financial position and the results of its operations:

##### *Continuance of Operations*

The Company operates in the natural resource exploration business and as is common with companies in this sector, the Company's ability to continue on-going exploration activities and continue operations as a going concern, is dependent upon obtaining necessary financing from time to time. Should the Company be unable to continue as a going concern, amounts realized from the disposal of its assets on a liquidation basis may be significantly less than their carrying values. The Company's projects and investments outside of Canada are subject to additional realization risk.

## **UNITED REEF LIMITED**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **O) Significant Accounting Policies (Continued)**

##### *Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events 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 amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors, including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes option-pricing model. However, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its exploration properties and associated exploration expenses is based on current market conditions for metals and oil and gas, underlying exploration potential associated with the properties and future costs that may be required for ultimate realization through operations or by sale. The Company operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

##### *Flow-through Financing*

The Company periodically finances a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and warrants and the related exploration costs have been charged to interest in mineral properties. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation reduce capital stock and warrants.

The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

#### **P) New Accounting Changes**

The Company did not choose to early adopt any accounting standards changes that are effective in future periods.

## UNITED REEF LIMITED

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Q) Future Accounting Changes

##### *International Financial Reporting Standards*

On February 13, 2008 the Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the mandatory changeover date to International Financial Reporting Standards ("IFRS") for all Canadian publicly accountable enterprises. Specifically, the Company will prepare IFRS financial statements for its interim periods and fiscal year ends commencing on and after December 1, 2011 with comparative information for fiscal 2011 restated under IFRS. The Company is continuing to assess and develop its plans for adoption of IFRS and is monitoring the progress of early adopters within its industry.

The Company's IFRS implementation project consists of three phases:

- Phase I – the preparation of a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS.
- Phase II – the selection of IFRS accounting policies by management and review by the audit committee; the quantification of the impact of changes on our existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
- Phase III – the implementation of the required changes to information systems and business policies and procedures. This will enable the Company to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

Management has completed Phase I and is now involved in Phase II work. To date, it has identified the following key areas where changes are likely to occur in the Company's financial reporting under IFRS, as compared to Canadian GAAP:

<u>Area of Change</u>	<u>Nature of Change</u>
Financial statement formats	- Renaming of statements and modified formats
Exploration property interests	- Presentation of exploration and evaluation expenditures; new impairment tests
Flow-through shares	- Recognition and timing of future income taxes relating to flow-through renunciations to investors
Warrants	- Valuation of warrants and related equity disclosures
Share-based compensation	- Recording of share-based compensation credit; graded vesting provisions
Income taxes	- Measurement of income taxes and related disclosures
Note disclosures	- General enhancement of note disclosures to provide readers with more information about accounting policies used and individual financial statement items

Based on findings from Phase I (the diagnostic phase), management does not expect that adoption of IFRS will have a significant impact on the Company's present systems and processes. It plans to implement minor changes to the Company's general ledger account descriptions and may also modify some calculation methodologies currently in use for specific financial statement items. As final IFRS accounting policies are selected, appropriate changes will be made to ensure the integrity of internal control over financial reporting including disclosure controls and procedures.

**UNITED REEF LIMITED**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Q) Future Accounting Changes (Continued)**

*Other CICA Standards*

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 are effective for fiscal years beginning on or after January 1, 2011. Management believes that these new standards, if adopted, would not have a material impact on the Company's Canadian GAAP financial statements. The Company will not be required to adopt these new CICA accounting standards prior to its changeover to IFRS.

March 24, 2011  
Toronto, Ontario

Financial Statements of

**UNITED REEF LIMITED**  
**(A Development Stage Company)**

November 30, 2010 and 2009

UNITED REEF LIMITED  
(A Development Stage Company)

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**AUDITORS' REPORT**

To the Shareholders of  
**UNITED REEF LIMITED**  
**(A Development Stage Company)**

We have audited the balance sheets of United Reef Limited as at November 30, 2010 and 2009, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**McGOVERN, HURLEY, CUNNINGHAM, LLP**

A handwritten signature in cursive script that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants**  
**Licensed Public Accountants**

TORONTO, Canada  
March 14, 2011

**UNITED REEF LIMITED**

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(A Development Stage Company)

**BALANCE SHEETS**

AS AT NOVEMBER 30

	2010	2009
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 92,214	\$ 79,328
Marketable security (Note 3)	13,000	-
Sundry receivables and prepaid expenses	12,714	3,870
	<u>117,928</u>	<u>83,198</u>
<b>EQUIPMENT</b> (Note 4)	5,901	7,651
<b>INVESTMENT IN EXPLORATION PROPERTIES</b> (Note 5)	188,780	139,939
<b>FUTURE INCOME TAXES</b> (Note 7a))	24,375	-
	<u>\$ 336,984</u>	<u>\$ 230,788</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 49,700	\$ 54,383
Due to related party (Note 8)	10,950	5,518
	<u>60,650</u>	<u>59,901</u>
<b>LONG-TERM</b>		
Due to related party (Note 8)	121,000	72,000
	<u>181,650</u>	<u>131,901</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Notes 6a) and b))	20,508,526	20,370,381
Warrants (Note 6d))	122,404	168,424
Contributed surplus (Note 6f))	689,945	581,679
Deficit	(21,165,541)	(21,021,597)
	<u>155,334</u>	<u>98,887</u>
	<u>\$ 336,984</u>	<u>\$ 230,788</u>

Continuance of Operations (Note 1)

Commitments and Contingencies (Note 12)

**APPROVED ON BEHALF OF THE BOARD:**

Signed "MICHAEL D. COULTER" , Director

Signed "WILLIAM W. OLLERHEAD" , Director

See accompanying notes to the financial statements.

**UNITED REEF LIMITED**

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(A Development Stage Company)

**STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT  
FOR THE YEARS ENDED NOVEMBER 30**

	2010	2009
<b>EXPENSES</b>		
Management fees (Note 8)	\$ 48,000	\$ 48,000
Administration (Note 8)	54,635	83,342
Stock-based compensation (Note 6e))	10,801	11,170
Insurance	6,480	7,332
Shareholders' information and filing fees	18,584	15,808
Transfer agent fees	9,937	13,731
Professional fees	25,314	25,917
Promotion	1,712	1,992
Amortization	1,750	2,413
Foreign exchange loss	63	181
	<u>177,276</u>	<u>209,886</u>
<b>LOSS BEFORE THE FOLLOWING</b>	(177,276)	(209,886)
Interest and other income	515	523
Unrealized gain on marketable security (Note 3)	3,000	-
Recovery of exploration costs for property previously written-off	5,443	-
Write-down of exploration property (Note 5)	(1)	(145,385)
	<u>(168,319)</u>	<u>(354,748)</u>
<b>LOSS BEFORE INCOME TAXES</b>	(168,319)	(354,748)
Future income tax recovery (Note 7b))	24,375	-
	<u>(143,944)</u>	<u>(354,748)</u>
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	(143,944)	(354,748)
<b>DEFICIT, BEGINNING OF YEAR</b>	(21,021,597)	(20,666,849)
<b>DEFICIT, END OF YEAR</b>	<u>\$ (21,165,541)</u>	<u>\$ (21,021,597)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted-average number of common shares - basic and diluted (Note 6g))</b>	<u>85,006,062</u>	<u>79,456,292</u>

See accompanying notes to the financial statements.

# UNITED REEF LIMITED

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(A Development Stage Company)

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30

	2010	2009
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (143,944)	\$ (354,748)
Items not involving cash		
Stock-based compensation	10,801	11,170
Amortization	1,750	2,413
Unrealized gain on marketable security	(3,000)	-
Write-down of exploration property	1	145,385
Future income tax recovery	(24,375)	-
	<u>(158,767)</u>	<u>(195,780)</u>
Changes in non-cash working capital		
(Increase) decrease in sundry receivables and prepaid expenses	(8,844)	9,747
(Decrease) in accounts payable and accrued liabilities (iii)	(4,683)	(17,555)
Increase in due to related party	54,432	36,000
	<u>(117,862)</u>	<u>(167,588)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and warrants, net of issue costs of \$1,410 (2009 – \$1,750) (ii)	<u>130,590</u>	<u>159,230</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of mineral property interest (ii)	(10,000)	(5,000)
Recoveries from exploration properties (i)	27,223	25,880
Expenditures on exploration properties (iii)	(17,065)	(107,488)
	<u>158</u>	<u>(86,608)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	12,886	(94,966)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>79,328</u>	<u>174,294</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 92,214</u>	<u>\$ 79,328</u>
<b>COMPRISED OF</b>		
Cash	\$ 92,214	\$ 29,328
GIC bearing interest at 0.9%, cashable at any time without penalty	-	50,000
	<u>\$ 92,214</u>	<u>\$ 79,328</u>
Supplementary cash flow information:		
(i) Property option payment received in shares of Optionee	\$ 10,000	\$ -
(ii) Issuance of shares for exploration property interest	59,000	3,000
(iii) Change in accrued exploration property expenditures	-	(84,379)

See accompanying notes to the financial statements.

## **1. CONTINUANCE OF OPERATIONS**

United Reef Limited (the "Company") is a Canadian natural resource exploration company with interests in several projects located in Ontario and which are further described in Note 5. There has been no determination whether the Company's properties contain mineral reserves that are economically recoverable. The Company has not earned significant revenue and is considered to be a development stage entity, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern. The Company has sustained material losses in recent years and management anticipates that the Company will incur a further loss in the coming year, which creates uncertainty about the Company's ability to continue as a going concern. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Management is taking steps to raise new capital, however, as of the date of completion of these financial statements, management is unable to determine the outcome of these efforts. The Company's ability to realize its assets, discharge its liabilities and continue its operations depends upon its ability to raise additional working capital in the immediate future. These financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

The business of producing and exploring for minerals and oil and gas involves a high degree of risk and there can be no assurance that current or future exploration programs will result in profitable operations. The recoverability of the carrying value of interests in the Company's projects and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-down of the carrying values. The Company's assets that are located outside of Canada are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Basis of Presentation**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a basis consistent with that of the previous year, except where disclosed below. The functional and reporting currency of the Company is the Canadian dollar.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b) Use of Estimates

The preparation of financial statements 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. Significant financial statement items that involve the use of estimates include the valuation of exploration properties, stock-based compensation and warrants, asset retirement obligations and future income tax asset valuation allowances. Actual results may differ from those estimates.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and other highly liquid investments with an original maturity date of less than three months or guaranteed investment certificates that are cashable at anytime without penalty. All deposits are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

d) Financial Instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale", "held-to-maturity", and "loans and receivables" financial assets, or "held-for-trading" and "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net loss for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income (loss) until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net loss for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income (loss).

e) Marketable Securities

Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the balance sheet date or the closing price on the last day the security traded, if there were no trades at the balance sheet date. The Company has classified its marketable security (see Note 3) as a held-for-trading financial asset.

f) Equipment

Equipment is recorded at cost. Amortization of equipment is provided on a declining-balance basis over the estimated useful lives at the following annual rates: computer equipment - 45%; office furniture and equipment - 20%. In the year of acquisition, one-half of the annual amortization is recorded.

The Company recognizes an impairment loss on equipment when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as the excess of the carrying value of the asset over its estimated fair value.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Investment in Exploration Properties

Exploration expenses relating to non-producing properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale. Costs include the cash consideration and the fair market value of shares issued for the acquisition of properties. 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 payment. Proceeds on sale of partial working interests in the property are charged against the costs until such time as the property costs and deferred expenditures are reduced to nominal amounts and then recorded in operations.

The Company reviews capitalized costs on its exploration properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the property's estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. Management has determined that as at November 30, 2010, the investment in exploration properties is not impaired. Refer to Note 5 for a discussion of impairment of properties.

The amount shown for non-producing resource properties does not necessarily reflect present or future values.

### h) Asset Retirement Obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of a fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimated undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. As at November 30, 2010 and 2009, management has determined that there are no asset retirement obligations.

### i) Flow-through Financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been capitalized to investment in exploration properties. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce capital stock and warrants.

The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

In accordance with the Canadian Accounting Standards Board ("AcSB") Accounting Abstract EIC-146, Flow-through Shares, the Company records the flow-through renunciation on the date on which it files its renouncement documents, which is generally in the calendar year after the related flow-through financings have occurred.

Continued...

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

j) Stock-based Compensation

The Company has a stock-based compensation plan, which is used to compensate directors, officers and employees of the Company and consultants to the Company (see Note 6e)). The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock. No compensation cost is recognized for options that optionees forfeit if they fail to satisfy the service requirement for vesting.

k) Warrants

The Company issues share purchase warrants from time to time. These warrants are measured and recorded at fair value using the Black-Scholes option-pricing model, net of issue costs. When warrants are exercised, the proceeds received, together with the warrant value are credited to share capital.

l) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Using this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

m) Loss Per Share

Basic loss per share is calculated using the weighted-average number of common shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. The warrants described in Note 6d) and options described in Note 6e) have not been included in the diluted loss per share calculation as they are anti-dilutive.

n) Changes in Accounting Policies and New Accounting Pronouncements

The Company did not choose to early adopt in 2010 any new accounting standards changes that are effective in future periods.

On February 13, 2008 the Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the mandatory changeover date to International Financial Reporting Standards ("IFRS") for all Canadian publicly accountable enterprises. Specifically, the Company will prepare IFRS financial statements for its interim periods and fiscal year ends commencing on December 1, 2011 with comparative information for 2010 restated under IFRS. The Company is continuing to assess and develop its plans for adoption of IFRS; accordingly, the financial reporting impact of the Company's transition to IFRS cannot be reasonably estimated at this time.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 are effective for fiscal years beginning on or after January 1, 2011. Management believes that these new standards, if adopted, would not have a material impact on the Company's Canadian GAAP financial statements. The Company will not be required to adopt these new CICA accounting standards prior to its changeover to IFRS.

**3. MARKETABLE SECURITY**

	<u>2010</u>	<u>2009</u>
URSA Major Minerals Incorporated - 100,000 common shares	<u>\$ 13,000</u>	<u>\$ -</u>

URSA Major Minerals Incorporated ("URSA Major") is a publicly traded company listed on the Toronto Stock Exchange (TSX:UMJ).

The 100,000 shares were received on April 26, 2010 pursuant to an option amending agreement with URSA Major. The shares were initially valued at the \$0.10 per share closing price on the date of receipt. An offsetting credit of \$10,000 was recorded on the Company's books as a reduction of the carrying value of the related exploration property (see Note 5). As at November 30, 2010, the value of the shares increased to \$13,000; accordingly, a \$3,000 unrealized gain is recorded in net loss for the year.

**4. EQUIPMENT**

<u>As at November 30, 2010</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 7,941	\$ 7,457	\$ 484
Office furniture and equipment	14,726	9,309	5,417
	<u>\$ 22,667</u>	<u>\$ 16,766</u>	<u>\$ 5,901</u>
<u>As at November 30, 2009</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 7,941	\$ 7,061	\$ 880
Office furniture and equipment	14,726	7,955	6,771
	<u>\$ 22,667</u>	<u>\$ 15,016</u>	<u>\$ 7,651</u>

5. INVESTMENT IN EXPLORATION PROPERTIES

Details of the changes in the Company's investment in exploration properties for 2010 and 2009, and the composition of carrying value as at November 30, 2010, are as follows:

Details of Changes for Year	<u>Nickel</u>	<u>Santa</u>	<u>Nixon-</u>	<u>McFauld's</u>	<u>Oil &amp; Gas</u>	<u>Other</u>	<u>Totals</u>
	<u>Offsets,</u> <u>Sudbury,</u> <u>ON</u>	<u>Maria</u> <u>Project,</u> <u>ON</u>	<u>Bartleman,</u> <u>Timmins,</u> <u>ON</u>	<u>Lake,</u> <u>ON</u>	<u>Project,</u> <u>Central</u> <u>African</u> <u>Republic</u> <u>ON</u>		
	(Note 5a))	(Note 5b))	(Note 5c))	(Note 5d))	(Note 5e))		
<b>2010 Summary</b>							
Opening balance –							
December 1, 2009	\$ 113,274	\$ 26,661	\$ -	\$ 1	\$ 1	\$ 2	\$ 139,939
Expenditures	2,100	-	14,965	-	-	-	17,065
Option payments made - cash	-	-	10,000	-	-	-	10,000
Option payments made - shares	-	12,500	46,500	-	-	-	59,000
Option payments rec'd - cash	(25,000)	-	-	-	-	-	(25,000)
Option payments rec'd - shares	(10,000)	-	-	-	-	-	(10,000)
Other recoveries/write-downs	(2,202)	(21)	-	-	(1)	-	(2,224)
Net change during the period	(35,102)	12,479	71,465	-	(1)	-	48,841
Closing balance –							
November 30, 2010	\$ 78,172	\$ 39,140	\$ 71,465	\$ 1	\$ -	\$ 2	\$ 188,780
<b>2009 Summary</b>							
Opening balance –							
December 1, 2008	\$ 136,717	\$ -	\$ -	\$ 1	\$ 1	\$ 143,376	\$ 280,095
Expenditures	2,437	18,661	-	-	-	2,011	23,109
Option payments made - cash	-	5,000	-	-	-	-	5,000
Option payments made - shares	-	3,000	-	-	-	-	3,000
Option payments rec'd - cash	(25,000)	-	-	-	-	-	(25,000)
Other recoveries/write-downs	(880)	-	-	-	-	(145,385)	(146,265)
Net change during the period	(23,443)	26,661	-	-	-	(143,374)	(140,156)
Closing balance –							
November 30, 2009	\$ 113,274	\$ 26,661	\$ -	\$ 1	\$ 1	\$ 2	\$ 139,939
<b>Composition of Carrying Value of Each Property As at November 30, 2010</b>							
	<u>Nickel</u>	<u>Santa</u>	<u>Nixon-</u>	<u>McFauld's</u>	<u>Oil &amp; Gas</u>		
	<u>Offsets,</u> <u>Sudbury,</u> <u>ON</u>	<u>Maria</u> <u>Project,</u> <u>ON</u>	<u>Bartleman,</u> <u>Timmins,</u> <u>ON</u>	<u>Lake,</u> <u>ON</u>	<u>Project,</u> <u>Central</u> <u>African</u> <u>Republic</u> <u>ON</u>	<u>Other</u>	<u>Totals</u>
	(Note 5a))	(Note 5b))	(Note 5c))	(Note 5d))	(Note 5e))		
<b>Currently Active Properties</b>							
Acquisition, including option payments made	\$ 20,001	\$ 20,500	\$ 56,500	\$ -	\$ -	\$ -	\$ 97,001
Assaying	9,324	490	-	-	-	-	9,814
Consulting	119,644	9,846	14,965	-	-	-	144,455
Drilling	198,224	-	-	-	-	-	198,224
Geology	175,102	-	-	-	-	-	175,102
Geophysical surveys	53,053	-	-	-	-	-	53,053
Management fees	5,000	-	-	-	-	-	5,000
Staking costs	3,434	8,304	-	-	-	-	11,738
Miscellaneous	42,227	-	-	-	-	-	42,227
Write-downs	(41,430)	-	-	-	-	-	(41,430)
Exploration recoveries, including option payments received	(506,407)	-	-	-	-	-	(506,407)
Sub-totals	78,172	39,140	71,465	-	-	-	188,777
<b>Currently Inactive Properties</b>							
Nominal carrying value	-	-	-	1	-	2	3
Closing balance –							
November 30, 2010	\$ 78,172	\$ 39,140	\$ 71,465	\$ 1	\$ -	\$ 2	\$ 188,780

Continued...

**5. INVESTMENT IN EXPLORATION PROPERTIES (Continued)**

Information explaining the nature of each project follows.

a) Nickel Offsets, Sudbury area, Ontario

The Company holds a 100% interest in 12 patented and 5 unpatented mining claims located in Foy Township, Sudbury Mining Division, Ontario. The Company entered into an option and joint venture agreement on May 13, 2008, as amended, with URSA Major (see Note 3) whereby the Company granted it an option to earn a 70% interest in the Nickel Offsets property by making total exploration expenditures on the property of \$1.25 million over a period of four years from the effective date of the agreement (March 28, 2008), and also making four annual cash payments of \$25,000 to the Company. URSA Major was required to make a minimum exploration expenditure of \$250,000 during the first year of the option.

Effective February 27, 2009 the Company and URSA Major amended the option agreement extending the time for URSA Major to complete the initial \$250,000 exploration program on the property from March 28, 2009 until October 28, 2009. Upon signing the amending agreement, URSA Major advanced to the Company \$12,500 representing 50% of the annual cash option payment and the balance of \$12,500 was paid in March 2009. URSA Major completed an exploration and drilling program on the property in the fall of 2009 and met its initial work commitment.

Effective March 15, 2010 the Company and URSA Major further amended the option agreement extending the time for URSA Major to make cumulative expenditures of \$500,000 on the property until October 28, 2010 and to extend the time for URSA Major to make total cumulative expenditures on the property of \$1,250,000 until March 28, 2012.

In consideration for the 2010 amendment to the agreement, URSA Major advanced a payment of \$25,000 on March 5, 2010 and agreed to make a further payment of \$25,000 to the Company on March 28, 2011. URSA Major also issued 100,000 of its common shares to the Company on April 26, 2010 as additional consideration (see Note 3).

Upon URSA Major incurring \$1.25 million in exploration expenditures and making payments totalling \$100,000, the parties will form a joint venture for the further exploration and development of the property with URSA Major having a 70% interest and becoming the operator and the Company having a 30% interest. Thereafter, the parties will fund their respective pro rata interest in the joint venture for approved programs and expenditures.

Once a joint venture is formed, the Company may elect to fund its 30% interest in the joint venture or convert its interest to a 2% net smelter royalty ("NSR") and allow URSA Major to vest a 100% interest in the property. Should the Company elect to convert its interest to an NSR, URSA Major will have the right thereafter to purchase 1% of the NSR from the Company for consideration of \$1 million at any time. In the event that URSA Major fails to make the cash payments and incur \$1.25 million of expenditures on or before the fourth anniversary of the agreement, its option will terminate and the property will revert to the Company.

**5. INVESTMENT IN EXPLORATION PROPERTIES (Continued)**

b) Santa Maria Project, Ontario

Effective October 29, 2009 the Company entered into an option agreement to acquire a 100% interest in five mining claims, consisting of 11 claim units (the "Santa Maria Claims") in the Kenora Mining Division, northwestern Ontario. The Santa Maria Claims are presently owned by Robert J. Fairservice (the "Optionor") and are located approximately 45 km southeast of Dryden, Ontario.

The Optionor granted the Company the right and option to acquire a 100% interest in the Santa Maria Claims whereby the Company agreed to make cumulative exploration expenditures on the property of \$150,000 over a three-year period (during the first, second and third years of the option, \$25,000, \$50,000 and \$75,000, respectively), make cash payments totaling \$30,000 (\$5,000 upon regulatory approval, \$10,000 on October 29, 2010 and \$15,000 on October 29, 2011) and issue 450,000 common shares of the Company (100,000 upon regulatory approval, 150,000 on October 29, 2010 and 200,000 on October 29, 2011) to the Optionor over the three-year term of the option.

The Company made the initial cash payment of \$5,000 and issued 100,000 common shares of the Company valued at \$3,000 to the Optionor upon receipt of regulatory approval in November 2009. The \$8,000 acquisition cost was capitalized to the exploration property in 2009. The Optionor has retained a 2% NSR on the Santa Maria Claims and the Company has the right to purchase 1% of the NSR for payment of \$500,000.

Effective October 2, 2010, the Company entered into an amending agreement with the Optionor of the Santa Maria property. The amendment provided that the cash option payment of \$10,000 due to the Optionor on October 29, 2010 would be settled by the issuance of 200,000 common shares of the Company. The Company issued these shares on October 15, 2010 and recorded this option payment at the \$8,000 fair value based on the closing price of the Company's shares on that date (see Note 6b)). In addition, the Company's obligation for exploration expenditures on the property during the first year was extended so that the Company must now complete a total of \$75,000 of expenditures on the property by October 29, 2011.

The Company issued 150,000 common shares to the Optionor on October 18, 2010 in satisfaction of shares due to the Optionor on October 29, 2010. The Company recorded this option payment at the \$4,500 fair value based on the closing price of the Company's shares on that date (see Note 6b)).

The Company staked fourteen mining claims in November 2009, consisting of 76 claim units contiguous to the Santa Maria claims, and granted the Optionor a 1% NSR on these claims.

**5. INVESTMENT IN EXPLORATION PROPERTIES (Continued)**

c) Nixon-Bartleman Property

Effective January 21, 2010 the Company entered into an option agreement, as amended, with Casey Enterprises Inc. ("Casey"), a private Ontario company, to acquire a 70% interest in nineteen contiguous mining claims (4 patented and 15 unpatented claims) known as the Nixon-Bartleman property. The claims are located in Keefer and Hillary Townships, southwest of Timmins, Ontario.

The Company has the right to exercise the option by making cumulative exploration expenditures on the property of \$150,000 over a period of three years (\$50,000 by April 7<sup>th</sup> each year), by making cash payments totaling \$50,000 (\$10,000 every six months commencing from April 7, 2010) and issuing 2,300,000 common shares of the Company to Casey over the three year term of the option (1,100,000 upon regulatory approval and 600,000 on each of April 7, 2011 and April 7, 2012). Upon the Company vesting a 70% interest in the property, the parties will form a joint venture for the continuing exploration and development of the property with the Company having a 70% interest and acting as the operator and Casey having a 30% interest. The property is subject to a 2% NSR held by a former property owner.

The Company made an initial cash payment of \$10,000 on April 20, 2010 and issued 1,100,000 common shares to Casey on April 16, 2010. The Company recorded the common share portion of the option payment at the \$38,500 fair value based on the closing price of the Company's shares on that date (see Note 6b)).

Effective October 2, 2010, the Company entered into an amending agreement with Casey which provided that the cash option payment of \$10,000 due to Casey on October 7, 2010 would be settled by the issuance of 200,000 common shares of the Company. The Company issued these shares on October 15, 2010 and recorded the option payment at the \$8,000 fair value based on the closing price of the Company's shares on that date (see Note 6b)).

d) McFauld's Lake Project, Northwestern Ontario

The Company holds a 45% joint venture interest in five unpatented mining claims, consisting of 70 claim units in the McFauld's Lake area, in the James Bay Lowlands of northwestern Ontario. Canstar Resources Inc. holds the remaining 55% and is the operator of the joint venture. In 2008, the Company wrote down the property interest to a nominal value following discouraging exploration results from the initial drilling program. Management is continuing to monitor exploration activity in the property area.

e) Oil and Gas Project, Central African Republic

The Company had the right to earn a 25% interest in RSM Production Corporation's ("RSM") oil and gas exploration permit area and RSM's related operating agreement with the Central African Republic ("CAR"). RSM declared force majeure under their agreement with CAR in 2003 and submitted an application to the International Centre for Settlement of Investment Disputes ("ICSID") requesting arbitration in 2006 to resolve a dispute between RSM and CAR over CAR's failure to acknowledge suspension of RSM's agreement due to force majeure. In January 2007, ICSID formally registered RSM's request to arbitrate its dispute with CAR and a case number was assigned to the request; and in May 2008 ICSID reported that a three-member arbitration tribunal had been constituted to review the arbitration request. RSM submitted its formal complaint to the tribunal in December 2008. The arbitration tribunal formally heard the matter in late February 2010 in Paris and rendered a decision in December 2010.

Management believes that based on the decision of the tribunal, it remains unlikely that the Company will have an opportunity to participate in the exploration of the project and therefore it has written off the remaining carrying value of the project.

**6. CAPITAL STOCK**

- a) Authorized share capital – an unlimited number of common shares without par value.
- b) The Company's issued and outstanding share capital and changes therein, is as follows:

<u>Common Shares</u>	<u>Note</u>	<u># of Shares</u>	<u>Value Assigned</u>
Balance, November 30, 2008		75,970,980	\$ 20,322,750
Issued pursuant to non-flow-through private placements	6c)	8,049,000	160,980
Value of warrants issued in private placements	6c)	-	(70,960)
Share issue costs	6c)	-	(979)
Flow-through renunciations		-	(44,410)
Issued to acquire property option	5b)	100,000	3,000
Balance, November 30, 2009		84,119,980	20,370,381
Issued pursuant to flow-through private placements	6c)	1,450,000	72,500
Issued pursuant to non-flow-through private placements	6c)	1,190,000	59,500
Value of warrants issued in private placements	6c)	-	(52,000)
Share issue costs	6c)	-	(855)
Issued to acquire property options	5b), 5c)	1,650,000	59,000
Balance, November 30, 2010		88,409,980	\$ 20,508,526

- c) Non-Brokered Private Placements  
Information about non-brokered private placements in 2009 and 2010 follows.

2009 Private Placements

<u>Issue Date</u>	<u># of Units/Shares Issued</u>	<u>Unit Price</u>	<u>Gross Proceeds</u>	<u>Proceeds Attributed to Warrants</u>	<u># of Warrants Issued</u>	<u>Exercise Price of Warrants (Year 1/Year 2)</u>
<u>Non-flow-through</u>						
June 23, 2009	5,799,000	\$0.02	\$ 115,980	\$ 51,124	5,799,000	\$0.05/\$0.10
July 3, 2009	2,250,000	\$0.02	45,000	19,836	2,250,000	\$0.05/\$0.10
	<u>8,049,000</u>		<u>\$ 160,980</u>	<u>\$ 70,960</u>	<u>8,049,000</u>	

Total issue costs of \$1,750 for 2009, were allocated \$979 to common shares and \$771 to warrants.

Of the 8,049,000 units issued in 2009, 800,000 units were acquired by officers and directors of the Company for gross proceeds of \$16,000. The warrants issued pursuant to the 2009 private placements expire two years after their respective issue dates.

Units issued pursuant to private placements for both 2009 and 2010 are subject to a 4-month restricted sale period.

**6. CAPITAL STOCK (Continued)**

c) Non-Brokered Private Placements (Continued)  
2010 Private Placements

<u>Issue Date</u>	<u># of Units/Shares Issued</u>	<u>Unit Price</u>	<u>Gross Proceeds</u>	<u>Proceeds Attributed to Warrants</u>	<u># of Warrants Issued</u>	<u>Exercise Price of Warrants</u>
<u>Flow-through</u>						
November 12, 2010	1,250,000	\$0.05	\$ 62,500	\$ 25,000	1,250,000	\$ 0.10
November 22, 2010	200,000	\$0.05	10,000	4,000	200,000	\$ 0.10
	<u>1,450,000</u>		<u>72,500</u>	<u>29,000</u>	<u>1,450,000</u>	
<u>Non-flow-through</u>						
November 12, 2010	<u>1,190,000</u>	\$ 0.05	<u>59,500</u>	<u>23,000</u>	<u>1,190,000</u>	\$ 0.10
	<u>2,640,000</u>		<u>\$ 132,000</u>	<u>\$ 52,000</u>	<u>2,640,000</u>	

Total issue costs of \$1,410 for 2010, were allocated \$855 to shares and \$555 to warrants.

Of the 2,640,000 units issued in 2010, 950,000 units were acquired by officers and directors of the Company for gross proceeds of \$47,500. The warrants issued pursuant to the 2010 private placements expire two years after their respective issue dates.

See Note 12b) concerning the Company's related \$72,500 flow-through expenditure commitment. Common shares issued after the year-end are disclosed in Note 13b).

d) Common Share Purchase Warrants

The Company values warrants issued using the Black-Scholes option-pricing model. The assumptions used for the valuation of warrants granted pursuant to the private placements (see Note 6c)) were, on a weighted-average basis, as follows:

	<u>2010</u>	<u>2009</u>
Expected dividend yield	0%	0%
Expected volatility	181%	192%
Risk-free interest rate	1.55%	1.23%
Expected life	2.0 years	2.0 years

In 2010, the weighted-average, issue-date fair value was \$0.02 (2009 – \$0.01) per warrant. The balance of the Company's outstanding warrants, and changes therein, is as follows:

	<u>Note</u>	<u># of Warrants Outstanding</u>	<u>Value Assigned</u>	<u>Weighted- average Exercise Price</u>
Balance, November 30, 2008		5,554,550	\$ 104,575	\$ 0.12
Issued for cash	6c)	8,049,000	70,960	0.05
Issue costs	6c)	-	(771)	-
Flow-through renunciations		-	(6,340)	-
Balance, November 30, 2009		<u>13,603,550</u>	<u>168,424</u>	<u>0.07</u>
Issued for cash	6c)	2,640,000	52,000	0.10
Issue costs	6c)	-	(555)	-
Expired, unexercised	6f)	<u>(5,554,550)</u>	<u>(97,465)</u>	<u>(0.12)</u>
Balance, November 30, 2010		<u>10,689,000</u>	<u>\$ 122,404</u>	<u>\$ 0.10</u>

Continued...

**6. CAPITAL STOCK (Continued)**

d) Common Share Purchase Warrants (Continued)  
As at November 30, 2010, the following warrants are outstanding:

<u>Issue Date</u>	<u># of Warrants Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
June 23, 2009	5,799,000	\$ 0.10	June 22, 2011
July 3, 2009	2,250,000	0.10	July 2, 2011
November 12, 2010	2,440,000	0.10	November 11, 2012
November 22, 2010	200,000	0.10	November 21, 2012
	<u>10,689,000</u>		

The 10,689,000 (2009 – 13,603,550) warrants outstanding and exercisable as at November 30, 2010 have a weighted-average remaining contractual life of 0.9 years (2009 – 1.1 years).

Warrants issued after the year-end are disclosed in Note 13b).

e) Common Share Purchase Options

The Company has an incentive stock option plan which governs the granting and exercise of options issued to directors, officers, employees and consultants of the Company. A total of 7,500,000 common shares of the Company are reserved for grant under the plan. No single Optionee may hold options entitling them to purchase more than 5% of the issued and outstanding common shares of the Company, or be granted in any 12-month period options to purchase more than 5% of the outstanding common shares (2% in the case of consultants or investor relations providers) of the Company. The exercise price of the options may not be less than the Company's closing market price on the day prior to the grant of the options. Common share purchase options vest 25% at the grant date and 25% on each of the next three (3) six-month anniversary dates of the grant date thereafter. The maximum exercise period is five years.

The balance of the Company's outstanding stock options, and changes therein, is as follows:

	<u># of Options Outstanding</u>	<u>Weighted-average Exercise Price</u>
Balance, November 30, 2008	4,037,500	\$ 0.12
Granted	800,000	0.10
Expired	<u>(400,000)</u>	(0.15)
Balance, November 30, 2009	4,437,500	0.12
Expired	<u>(2,312,500)</u>	(0.14)
Balance, November 30, 2010	<u>2,125,000</u>	\$ 0.10

On August 6, 2009, the Company granted 400,000 stock options to a director at an exercise price of \$0.10 per share. On October 7, 2009, the Company granted 400,000 stock options to a director at an exercise price of \$0.10 per share. These options expire on August 6, 2012 and October 7, 2012, respectively.

No stock options were granted in 2010. Stock options granted after the year-end are disclosed in Note 13a).

Continued...

**6. CAPITAL STOCK (Continued)**

e) Common Share Purchase Options (Continued)

The weighted-average grant date fair value of \$0.018 per option was estimated in 2009 using the Black-Scholes option-pricing model with the following assumptions:

	<u>2009</u>
Expected dividend yield	0%
Expected volatility	168%
Risk-free interest rate	1.83%
Expected life	3.0 years

During the year, the Company recorded a stock-based compensation expense of \$4,201 (2009 - \$11,170) in operations. This was attributable to employees - \$4,201 (2009 - \$10,114) and consultants - Nil (2009 - \$1,056). The offsetting credit was recorded in contributed surplus (see Note 6f)).

As at November 30, 2010, the following stock options are outstanding and exercisable:

<u>Grant Date</u>	<u># of Options Outstanding</u>	<u># of Options Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
April 2, 2008	1,325,000	1,325,000	\$ 0.10	April 1, 2011
August 7, 2009	400,000	300,000	0.10	August 6, 2012
October 8, 2009	400,000	300,000	0.10	October 7, 2012
	<u>2,125,000</u>	<u>1,925,000</u>	\$ 0.10	

The 2,125,000 (2009 – 4,437,500) options outstanding as at November 30, 2010 have a weighted average remaining contractual life of 0.7 years (2009 - 0.9 years), and represent 2.4% (2009 - 5.2%) of the Company's outstanding common shares.

f) Contributed Surplus

The balance of the Company's contributed surplus, and changes therein, is as follows:

	<u>2010</u>	<u>2009</u>
Balance - beginning of year	\$ 581,679	\$ 570,509
Warrants expired, unexercised (Note 6d))	97,465	-
Stock-based compensation expense (Note 6e))	10,801	11,170
	<u>\$ 689,945</u>	<u>\$ 581,679</u>
Balance - end of year	\$ 689,945	\$ 581,679

g) Loss Per Share

Loss per share is calculated using the basic and diluted weighted-average number of common shares outstanding during the year, which was 85,006,062 (2009 – 79,456,292). The determination of the weighted-average number of shares outstanding for the calculation of loss per share does not include the potential effect of 10,689,000 (2009 – 13,603,550) outstanding warrants and 2,125,000 (2009 - 4,437,500) outstanding options, as they are anti-dilutive.

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**7. INCOME TAXES**

a) Future Income Tax Balances

The major components of the future tax assets and liabilities classified by the source of temporary differences that give rise to a benefit are as follows.

	<u>2010</u>		<u>2009</u>
Non capital losses	\$ 508,500	\$	513,100
Net capital losses	577,200		577,200
Share issue costs	2,300		3,000
Investment in General Reef Corporation	64,600		64,600
Equipment	2,300		1,900
Exploration properties			
Canadian exploration and development expenses	464,300		428,400
Foreign exploration and development expenses	291,500		291,500
	<u>1,910,700</u>		<u>1,879,700</u>
Valuation allowance	<u>(1,886,325)</u>		<u>(1,879,700)</u>
Future income tax asset	<u>\$ 24,375</u>	\$	<u>-</u>

In assessing the realizability of the future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets and liabilities is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income tax planning strategies in making this assessment. As at November 30, 2010, based upon the level of historical taxable income and projections for future taxable income over the periods which the future tax assets are deductible, to the extent that management believes it is more likely than not that the Company will not realize the benefits of these deductible differences, a valuation allowance is not required.

b) Provision for Income Taxes

A reconciliation of the expected provision for income taxes at statutory rates to the actual provision for income taxes, is as follows:

	<u>2010</u>		<u>2009</u>
Statutory income tax rate	31.0%		33.0%
Loss before income taxes	<u>\$ (168,319)</u>	\$	<u>(354,748)</u>
Expected future income tax recovery, at statutory rates	\$ (52,100)	\$	(117,600)
Decrease (increase) in tax recovery resulting from:			
Stock-based compensation	3,300		3,700
Share issue costs	(400)		(580)
Expiry of losses	-		29,300
Non-deductible expense and other	18,200		(35,470)
Change in expected tax rates	-		325,100
Change in valuation allowance	6,625		(204,450)
Future income tax recovery	<u>\$ (24,375)</u>	\$	<u>-</u>

Continued...

**7. INCOME TAXES (Continued)**

c) Income Tax Carry-forward Balances

As at November 30, 2010, the Company has the following unclaimed income tax carry-forward balances, which are available to reduce future income taxes:

Non-capital losses	\$ 2,035,000
Capital losses	4,618,000
Share issue costs	9,000
Canadian exploration expenditures	1,645,000
Canadian development expenses	400,000
Foreign exploration expenses	1,166,000

The non-capital losses expire as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 229,000
2014	352,000
2015	475,000
2026	441,000
2027	402,000
2028	75,000
2029	58,000
2030	3,000
	<u>\$ 2,035,000</u>

**8. RELATED PARTY TRANSACTIONS**

The Company's President and former Secretary provide(d) their respective management and administrative services through a corporation owned by them, pursuant to a fee-for-services agreement. The agreement, which provides for standard monthly fees as agreed upon by the parties from time to time, may be terminated by either party upon ninety (90) days written notice to the other party or upon seven (7) days notice for unremedied cause.

During the year, the Company was charged management fees of \$48,000 (2009 - \$48,000) and administrative fees of \$21,000 (2009 - \$48,000) by the related party. As at November 30, 2010, the Company was indebted to this corporation for a total of \$131,950 (2009 - \$77,518) in respect of these services. The related party has agreed to defer payment of \$121,000 of the total amount owed (which has no fixed terms of payment, is unsecured and non-interest bearing) until after November 30, 2011. The \$121,000 deferred balance relates to the following fiscal periods: 2008 - \$36,000; 2009 - \$36,000; and 2010 - \$49,000.

During the year, the Company was charged Nil (2009 - \$517) for professional services by a law firm of which a Director of the Company is a partner. The balance owing to this law firm of \$20,000 (2009 - \$20,000) is included in accounts payable as at year-end. This amount is unsecured, non-interest-bearing and is due on demand.

Management believes the above transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. See also Note 6c) regarding units issued in 2010 and 2009 private placements, and acquired by related parties.

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## **9. FINANCIAL RISK FACTORS**

There have been no changes in the risks, objectives, policies and procedures of the Company from the previous period. The Company's risk exposures and the impact on its financial instruments are summarized below:

### **Credit risk**

The Company's credit risk is primarily attributable to guaranteed investment certificates and receivables included in current assets. The Company has no significant concentration of credit risk arising from operations.

### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2010, the Company had a cash balance of \$92,214 (2009 – \$79,328) and a held-for-trading marketable security with a fair value of \$13,000 (2009 – Nil) to settle current liabilities of \$60,650 (2009 – \$59,901). With the exception of certain deferred amounts due to related parties included in long-term liabilities (see Note 8), all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is also committed to spending an additional \$65,500 on qualifying exploration expenditures prior to January 1, 2012 (see Note 12b)). If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill all flow-through commitments within the given time constraints.

### **Market risk**

#### **i) Interest rate risk**

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

#### **ii) Foreign currency risk**

The Company's functional currency is the Canadian dollar and all purchases are transacted in Canadian dollars. The Company has no foreign operations and thus has no foreign exchange risk derived from either currency conversions or from holding foreign currencies. The Company does not speculate in the foreign currency market nor does it have any need to acquire foreign currency hedges.

#### **iii) Price risk**

The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

### **Financial Instruments**

The Company has designated its cash equivalents and marketable security as held-for-trading assets, which are measured at fair value. Cash and financial instruments included in sundry receivables and prepaid expenses, are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and amounts due to related party, are classified as other financial liabilities, which are measured at amortized cost.

As at November 30, 2010, the carrying and fair value amounts of the Company's short-term financial instruments are approximately the same. In addition, the Company's financial instrument that is carried at fair value consists of a marketable security which is classified as "Level 1" within the fair value hierarchy.

**9. FINANCIAL RISK FACTORS (Continued)**

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

- the Company has no cash equivalents as at November 30, 2010; although in future months it may choose to invest surplus funds in interest-bearing cash equivalents, changes in interest rates will not have any significant impact on the Company;
- the Company does not hold significant balances in foreign currencies that give rise to exposure to foreign exchange risk; and
- price risk is remote since the Company is not a producing entity.

**10. CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

**11. SEGMENTED INFORMATION**

The Company's operations include the acquisition, exploration, development and production of mineral properties. All of the Company's operating expenses for the years ended November 30, 2010 and 2009 were incurred with respect to the acquisition, exploration, and development of the Company's mineral property interests and substantially all of the Company's assets as at November 30, 2010 and 2009 were located in Canada.

## **12. COMMITMENTS AND CONTINGENCIES**

### a) Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

### b) Flow-through Expenditures

As at November 30, 2010, the Company is committed to incur, on a best efforts basis \$72,500 (see Note 6c)) in qualifying Canadian exploration expenditures pursuant to private placements for which flow-through proceeds had been received prior to November 30, 2010 and renounced to the investors effective December 31, 2010. As at November 30, 2010, the Company had incurred qualifying expenditures of approximately \$7,000. The Company must incur the \$65,500 balance of qualifying expenditures prior to January 1, 2012. See also Note 13b), Subsequent Events, for additional information concerning the Company's flow-through commitments.

## **13. SUBSEQUENT EVENTS**

### a) Granting of Stock Options

On December 24, 2010, the Company's Board of Directors approved as compensation, the grant of an aggregate 2,000,000 options to four directors, one officer/director and one officer to acquire up to 2,000,000 common shares of the Company. These options, which vest as explained in Note 6e), are exercisable at \$0.10 each over a three-year period.

### b) Non-Brokered Private Placement

On December 30, 2010, the Company issued 500,000 units at a price of \$0.05 per unit for gross proceeds of \$25,000, with each unit being comprised of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.10 each for a period of 24 months following the closing of the offering. The common shares and warrants comprising the units are subject to a 4-month restricted sale period. The December 30, 2010 private placement included 100,000 units purchased by an officer of the Company, on the same basis as other investors.

Of the \$25,000 gross proceeds, 100% was attributable to the issuance of flow-through shares. The Company renounced this amount to investors, with an effective date of December 31, 2010, and it has pledged to incur an equal amount of qualifying exploration expenditures prior to January 1, 2012.