Athabasca
MINERALS INC.

FINANCIAL STATEMENTS

Years Ended November 30, 2010 and November 30, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements have been prepared by and are the responsibility of the management of the Corporation.

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada, using management's best estimates and judgements based on currently available information.

The Corporation maintains an appropriate system of internal controls to provide reasonable assurance that financial information is accurate and reliable and that the Corporation's assets are appropriately safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, comprised of independent directors. The Audit Committee reviews the Corporation's annual financial statements and recommends their approval to the Board of Directors. The Corporation's auditors have full access to the Audit Committee, with and without management being present.

The financial statements have been audited by Stout & Company LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the financial statements.

"Udomdej Kriangkum"
Udomdej Kriangkum
Chief Executive Officer
Edmonton, Alberta
March 1, 2011

"Don Hruba"
Don Hruba
Chief Financial Officer
Edmonton, Alberta
March 1, 2011

AUDITORS' REPORT

To the Shareholders of **Athabasca Minerals Inc.**

We have audited the balance sheets of **Athabasca Minerals Inc.** as at November 30, 2010 and 2009 and the statements of net income, comprehensive income and retained earnings (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.

Stout & Company LLP

Chartered Accountants

Edmonton, Canada
February 24, 2011

ATHABASCA MINERALS INC.

Balance Sheets

As at November 30,	2010	2009
ASSETS		
CURRENT		
Cash	$ 1,296,812	$ 2,077,716
Accounts receivable	3,210,246	1,769,709
Prepaid expenses	502,546	171,861
Prepaid stripping costs	-	339,602
Short-term investment (Note 5)	603,000	603,000
	5,612,604	4,961,888
LONG-TERM DEPOSIT (Note 6)	25,050	-
PROPERTY AND EQUIPMENT (Note 7)	858,911	828,881
RESOURCE PROPERTIES (Note 8)	3,445,276	2,999,617
INTANGIBLE ASSETS (Note 9)	6,201,442	7,139,013
GOODWILL (Note 10)	2,537,701	2,537,701
	$ 18,680,984	$ 18,467,100
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 871,279	$ 1,073,593
Income tax payable	700,910	41,757
Callable debt due within one year (Note 11)	1,840,250	1,809,250
Current portion of long-term debt (Note 13)	-	60,000
	3,412,439	2,984,600
Callable debt (Note 11)	3,883,479	5,573,896
ASSET RETIREMENT OBLIGATION (Note 14)	231,436	213,169
FUTURE INCOME TAX (Note 15)	2,357,456	2,505,772
	9,884,810	11,277,437
COMMITMENTS AND CONTINGENCIES (Notes 8,11,14 and 21)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Common shares (Note 16 b)	6,585,761	6,610,693
Warrants (Note 16 e)	-	176,164
	6,585,761	6,786,857
CONTRIBUTED SURPLUS (Note 17)	736,643	598,763
RETAINED EARNINGS (DEFICIT)	1,473,770	(195,957)
	8,796,174	7,189,663
	$ 18,680,984	$ 18,467,100

Approved by the Board of Directors

"Douglas Stuve", Director

Douglas M. Stuve

"Theodore Rousseau", Director

Theodore Rousseau

The accompanying notes are part of these financial statements.

ATHABASCA MINERALS INC.

Statements of Net Income, Comprehensive Income and Retained Earnings (Deficit)

Year Ended November 30,	2010	2009
AGGREGATE MANAGEMENT FEE REVENUE	$ 11,120,433	$ 9,710,008
ROYALTIES	3,275,652	3,139,513
	7,844,781	6,570,495
Stripping and clearing expenses	1,170,912	527,839
Other aggregate management operating expenses	1,293,349	1,295,917
AGGREGATE MANAGEMENT OPERATING EXPENSES	2,464,261	1,823,756
	5,380,520	4,746,739
EXPENSES		
Accretion (Note 14)	18,267	16,824
Amortization of property and equipment	162,727	184,537
Amortization of intangible assets	937,571	937,572
General and administrative	1,362,289	1,260,543
Interest on long-term debt	-	28,292
Interest on callable debt	287,778	343,211
Stock based compensation (Note 17)	137,880	62,084
	2,906,512	2,833,063
INCOME BEFORE OTHER ITEMS	2,474,008	1,913,676
OTHER INCOME (LOSS)		
Interest income	25,504	37,680
Miscellaneous income	23,981	-
Write down of resource properties and exploration costs	(82,165)	-
Loss on disposal of property and equipment	(731)	(1,270)
	(33,411)	36,410
INCOME BEFORE INCOME TAXES	2,440,597	1,950,086
INCOME TAXES		
Current income tax (Note 15)	907,105	90,176
Future income tax expense (benefit) (Note 15)	(148,316)	526,587
	758,789	616,763
NET INCOME AND COMPREHENSIVE INCOME	**$ 1,681,808**	**$ 1,333,323**
DEFICIT, BEGINNING OF YEAR	(195,957)	(1,529,280)
PREMIUM ON REPURCHASED SHARES	(12,081)	-
RETAINED EARNINGS (DEFICIT), END OF YEAR	**$ 1,473,770**	**$ (195,957)**
BASIC AND DILUTED INCOME PER COMMON SHARE (Note 16 f)	**$ .06**	**$ .05**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**27,843,594**	**27,978,165**

The accompanying notes are part of these financial statements.

ATHABASCA MINERALS INC.

Statements of Cash Flows

Year Ended November 30,	2010	2009
OPERATING ACTIVITIES		
Net income	$ 1,681,808	$ 1,333,323
Adjustments for non-cash items:		
Amortization and accretion	1,118,565	1,138,933
Future income tax expense (benefit) (Note 15)	(148,316)	526,587
Stock based compensation (Note 17)	137,880	62,084
Write down of resource properties and exploration costs	82,165	-
Loss on disposal of property and equipment	731	1,270
	2,872,833	3,062,197
Net changes in non-cash working capital balances		
Accounts payable and accrued liabilities	(202,314)	(2,200,247)
Accounts receivable	(1,440,537)	3,371,502
Income tax payable	659,153	41,757
Prepaid expenses	(330,685)	(98,935)
Prepaid stripping costs	339,602	(339,602)
	1,898,052	3,836,672
INVESTING ACTIVITIES		
Long-term deposits	(25,050)	-
Proceeds on disposal of equipment	-	1,906
Purchase of property and equipment	(193,488)	(92,003)
Resource properties	(527,824)	(488,216)
	(746,362)	(578,313)
FINANCING ACTIVITIES		
Advances from related parties (Note 12)	-	100,000
Repurchase of share capital	(213,177)	-
Proceeds from callable debt	155,000	37,000
Repayment of advances from related parties (Note 12)	-	(350,000)
Repayment of callable debt	(1,814,417)	(1,653,854)
Repayment of long-term debt	(60,000)	(540,000)
	(1,932,594)	(2,406,854)
NET INCREASE (DECREASE) IN CASH	(780,904)	851,505
CASH, BEGINNING OF YEAR	2,077,716	1,226,211
CASH, END OF YEAR	$ 1,296,812	$ 2,077,716

Supplemental cash flow information (Note 20)

The accompanying notes are part of these financial statements.

Note 1 - Incorporation and Nature of Business

Athabasca Minerals Inc. (the "Corporation") manages two aggregate (sand and gravel) pits on behalf of the Province of Alberta for which management fees are earned. Significantly all of the Corporation's revenue is derived from these contracts. In addition to these management contracts, the Corporation explores and develops land for the purposes of establishing Company owned gravel pits producing aggregate for a variety of purposes. The Corporation also acquires, explores and develops mineral claims in the Fort McMurray area for the purpose of extracting salt, silica sand and other minerals.

Note 2 - Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and in management's opinion have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Significant areas where management's judgement is applied include: estimated lives of property and equipment, future income tax balances and rates, asset retirement obligation, collectibility of accounts receivable, warrant valuation assumptions, stock based compensation valuation assumptions and asset impairments related to property and equipment, resource properties, intangible assets and goodwill.

Revenue Recognition

The Corporation derives it revenues through the management of aggregate pits where a management fee is earned based on the volume extracted from the pits. The Corporation recognizes revenue at the point that the aggregate material leaves the pit.

Stripping Costs

Stripping costs are expensed as incurred except when an area within the pit is stripped before that area has been opened for extraction, these costs are recorded as prepaid stripping costs until extraction commences in this area. Once extraction commences in the area stripped, all stripping costs related to that area are expensed.

Long-lived Assets and Intangible Assets

Long-lived assets include long-term deposits, property and equipment, resource properties and intangible assets with finite useful lives. The Corporation reviews and evaluates the recoverability of its long-lived assets on a periodic basis and when events and circumstances indicate that an impairment event may have occurred. An impairment loss is recognized when the carrying amount of the long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition, and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value.

Note 2 - Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. The Corporation provides for amortization on its property and equipment using the following methods and rates:

	Method	Rate
Onsite buildings and fences	Straight line	10 years
Office complex	Straight line	15 years
Scale and scale houses	Straight line	10 years
Equipment		
Mobile home	Straight line	10 years
Computer software	Straight line	1-3 years
Computer hardware and office equipment	Straight line	3 years
Large equipment	Declining balance	20%
Vehicles	Declining balance	30%

Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized.

Goodwill

Goodwill represents the difference between the purchase price, including acquisition costs, of businesses acquired and the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. If the carrying value of a reporting unit, including the allocated goodwill, exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit.

Income Per Common Share

Income per common share is calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year. Diluted income per common share is calculated using the treasury stock method which, for purposes of determining the weighted average number of shares outstanding, assumes that the proceeds to be received on the exercise of the stock options and warrants are applied to repurchase common shares at the average market price for the year.

Asset retirement obligation

The Corporation recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property and equipment and management agreements. The Corporation records the fair value of any asset retirement obligations as a long-term liability in the period in which the related environmental disturbance occurs, based on the net present value of the estimated future costs. The liability is accreted over time through periodic charges to operations and it is reduced by actual costs of decommissioning and reclamation. The fair value of the liability is added to the carrying amount of the asset. This capitalized amount is amortized over the estimated useful life of the asset. The obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation.

Note 2 - Significant Accounting Policies (continued)

Stock Based Compensation

The fair value of stock option grants to employees is recorded as an expense and credited to contributed surplus as the options vest and is subsequently transferred to share capital on exercise of the related option. Stock based compensation relating to options granted to non-employees is recorded as an expense and the credit recorded to contributed surplus at the earlier of completion of performance or upon vesting of the options granted, using a fair value based method. For options issued to agents in connection with share offerings, the stock based compensation is recorded as share issuance costs with a credit recorded to contributed surplus, using a fair value based method. The Corporation has not incorporated an estimated forfeiture rate in determining fair value but rather forfeitures are accounted for as they occur.

Future Income Taxes

Future income tax assets and liabilities are calculated using the asset and liability method of accounting for all temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Future income tax assets attributable to temporary differences and unused tax losses are recognized only to the extent that it is more likely than not that the asset will be realized. Future income tax assets and liabilities are measured using the substantively enacted rates and laws that are expected to apply when these assets and liabilities will be either realized or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which they occur.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in bank and highly liquid short-term investments that have maturity of three months or less.

Financial Instruments

The Corporation has designated its financial assets and liabilities as follows:

Financial statement item	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Short-term investments	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Callable loans	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Loans and receivables, held to maturity and other financial liabilities are accounted for on the initial recognition at fair value and subsequent to initial recognition at amortized cost using the effective interest method. Transaction costs incurred to acquire financial instruments other than those classified as held for trading are added to the initial carrying amount. Normal course purchases and sales of financial assets are accounted for on the trade date.

Note 2 - Significant Accounting Policies (continued)

Resource Properties and Related Expenditures

Direct mineral exploration, evaluation and development costs are capitalized until such time as a resource is defined or the project is abandoned. The estimated fair value of any related asset retirement obligations are capitalized on an individual project basis. Costs for properties that are abandoned are written off. The capitalized costs will be amortized on the basis of units produced in relation to the proven and probable reserve available on the related property following commencement of production.

The capitalized costs do not necessarily reflect the current or future values since the recoverability of the amounts capitalized for undeveloped mineral properties is dependent upon the determination of an economically recoverable resource, confirmation of the Corporation's interest in the underlying mineral properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristic of many mineral properties. The Corporation has investigated title to all of its mineral properties and, to the best of its knowledge; all of its properties are in good standing.

Note 3 - Changes in Accounting Policies

Effective December 1, 2008 the Corporation adopted the Canadian Institute Chartered Accountants ("CICA") amended Section 3862, "Financial Instruments – Disclosures". The amendments included additional disclosures about fair value measurements of financial instruments and enhanced liquidity risk disclosure. The new disclosure requirements are presented in note 18.

The CICA amended Section 1400 "General Standards of Financial Presentation" to include requirements to assess and disclose an entity's ability to continue as a going concern. The Corporation has adopted the amendments to this standard beginning December 1, 2008.

The CICA issued EIC-174, replacing CICA Emerging Issues Committee Abstract No. 126, "Accounting by Mining Exploration Enterprises for Exploration Costs", to provide additional guidance for mining exploration enterprises on when an impairment test is required. The Corporation adopted the new standard beginning December 1, 2008.

The CICA issued a new accounting standard, Section 3064 "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. Section 1000 "Financial Statement Concepts" was also amended to provide consistency with this new standard. The Corporation has adopted the new standards beginning December 1, 2008.

The adoption of these standards had no material impact on the Corporation's financial statements.

Note 4 - Future Changes in Accounting Policies

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that outlined the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that publicly-listed companies will be required to follow IFRS starting for fiscal years beginning on or after January 1, 2011. The transition to IFRS will be applied retroactively and, accordingly, will require the restatement of the amounts reported by the Corporation for the year ended November 30, 2011. While the Corporation has begun a preliminary assessment of the effect of the adoption of IFRS on the financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations

In January, 2009 the CICA issued Section 1582 "Business Combinations". This section applies prospectively to business combinations for which the acquisition date is on or at the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. This section will become effective for the Corporation in fiscal 2012. This section replaces Section 1581 "Business Combinations" and harmonizes the Canadian standards with IFRS. The Corporation does not expect that the adoption of this new section will have an impact on its financial statements.

Consolidated Financial Statements and Non-controlling Interests

In January, 2009 the CICA issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". These sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted at the beginning of a fiscal year. Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements". These sections are to be implemented concurrently with section 1582. The Corporation does not expect that the adoption of this new section will have an impact on its financial statements.

Note 5 - Short-Term Investment

	2010	2009
Term deposit bearing interest at 1.25% per annum, maturing on November 22, 2011.	$ 603,000	$ 603,000

The Corporation has a letter of commercial credit outstanding of $603,000 to the benefit of the Province of Alberta for reclamation of the Susan Lake pit. The letter of commercial credit is secured by the term deposit in the amount of $603,000.

Note 6 - Long-Term Deposit

	2010	2009
Security deposit on gravel lease	$ 25,050	$ -

The Corporation provided a security deposit of $25,050 paid to the Province of Alberta having been approved to operate the Logan River sand and gravel surface material lease (25.05 acres situated S ½ 16-73-12W4M). The security deposit is refundable February 9, 2020 at the expiry of the lease term.

Note 7 – Property and Equipment

	Cost	Accumulated Amortization	2010 Net Book Value
Equipment	$ 703,762	$ 303,712	$ 400,050
Onsite buildings and fences	95,760	17,799	77,961
Office complex	165,016	1,375	163,641
Scales and scale houses	273,051	55,792	217,259
	$ 1,237,589	$ 378,678	$ 858,911

	Cost	Accumulated Amortization	2009 Net Book Value
Equipment	$ 685,267	$ 178,484	$ 506,783
Onsite buildings and fences	86,562	9,028	77,534
Scales and scale houses	273,051	28,487	244,564
	$ 1,044,880	$ 215,999	$ 828,881

Amortization provided for in the current year totalled $162,727; (2009 - $184,537).

Note 8 – Resource Properties

	2010	2009
Land	$ 157,100	$ 157,100
Mineral permits	40,000	69,575
Exploration costs	3,248,176	2,772,942
	$ 3,445,276	$2,999,617

The land is located near Peace River, Alberta and was purchased as a potential gravel resource property.

The mineral permits are for use in the Fort McMurray area. They have a term of 14 years covering seven assessment periods of two years each. The spending commitment to retain the existing permits is $5 per hectare for the first two year period, $10 per hectare for the second two year period, $10 per hectare for the third two year period, $15 per hectare for the fourth two year period, $15 per hectare for the fifth two year period, $15 per hectare for the sixth two year period and $15 per hectare for the seventh two year period.

The Corporation holds mineral permits covering 504,584 hectares. Mineral permits covering 327,545 hectares are in the first, two year assessment period which has a spending commitment of approximately $1,637,725 due in fiscal 2012. Further mineral permits covering 63,728 hectares are in their second, two year assessment period which have spending commitments of approximately $369,000 due in fiscal 2011 and approximately $269,000 due in fiscal 2012. In total, the Corporation has spending commitments of $843,000 in fiscal 2011 and $2,091,000 in fiscal 2012 to retain the Corporation's mineral permits held at November 30, 2010. In managing the exploration permits, the Corporation relinquishes mineral permits in areas that the exploration activities indicate have a low potential of discovering mineral reserves. As the permits are relinquished, the spending commitment is reduced.

The following provides the land area covered by the Corporation's mineral permits:

	2010 (hectares)	2009 (hectares)
Balance at beginning of year	504,280	491,727
Mineral permits acquired during the year	327,545	121,743
Mineral permits relinquished during the year	(327,241)	(109,190)
Balance end of the year	504,584	504,280

Subsequent to November 30, 2010, the Corporation relinquished mineral permits covering 18,432 hectares and acquired permits covering 7,920 hectares.

Note 8 – Resource Properties (continued)

The exploration costs were incurred primarily in the Fort McMurray area and are comprised of:

	2010	2009
Balance at beginning of year	$ 2,772,942	$ 2,290,976
Additions:		
Consulting fees	186,300	133,943
Drilling costs	-	77,833
Equipment rentals, including aircraft	62,714	13,616
Geophysical survey	8,758	12,367
Other	63,659	38,264
Salaries and employee benefits	131,393	175,290
Travel	38,012	30,653
	490,836	481,966
Write-off abandoned project costs	(15,602)	-
Balance at end of year	$ 3,248,176	$ 2,772,942

Note 9 – Intangible Assets

	2010	2009
Management contracts	$ 7,905,000	$ 7,905,000
Reclamation costs	196,345	196,345
Total	8,101,345	8,101,345
Accumulated amortization	1,899,903	962,332
Net book value	$ 6,201,442	$ 7,139,013

Intangible assets consist of two management contracts with the Province of Alberta relating to the management of aggregate pits at Poplar Creek, Alberta and Susan Lake, Alberta. The management contracts are amortized on a straight-line basis over the lives of the respective contract. As at November 30, 2010 the remaining terms of the contracts are 27 and 84 months.

The terms of the contracts give the Province of Alberta the right to terminate the contracts without cause upon three months written notice. The contracts provide that the Province of Alberta may at any time during the term of the agreement require the Corporation to operate the tender location in cooperation with oil sand lease development. The Province of Alberta also has the right to withdraw any portion of the lands from the contracts and those lands withdrawn shall cease to be the responsibility of the Corporation with respect to reclamation. As at November 30, 2010 the contracts are in effect, and no portions of the lands have been withdrawn for oil sand lease development (see note 18c).

Amortization provided for in the current year totalled $937,571; (2009 - $937,572).

Note 10 - Goodwill

	2010	2009
Goodwill	$ 2,537,701	$ 2,537,701

The goodwill arose as a result of the acquisition of Aggregates Management Inc. that closed on November 20, 2008. The acquired company held the management contracts to operate, on behalf of the Province of Alberta, two aggregate pits in the Fort McMurray area of Alberta. No events have occurred or circumstances changed that would suggest there could be impairment. Impairment of goodwill was tested at November 30, 2010, with a conclusion reached that no impairment has occurred.

Note 11 – Callable Debt

	2010	2009
Bank loan, repayable in monthly instalments of $150,000 plus interest at the bank's prime lending rate plus 1.875%, due December 31, 2013.	$5,550,000	$7,350,000
Bank loan, repayable in monthly instalments of $771 plus interest at the bank's prime lending rate plus 2%, due June 30, 2013.	23,896	33,146
Bank loan, repayable in monthly instalments of $2,583 plus interest at the bank's prime lending rate plus 2%, due September 30, 2015.	149,833	-
	5,723,729	7,383,146
Less amount due within one year	1,840,250	1,809,250
	$ 3,883,479	$ 5,573,896

The bank loans have been classified as current liability since the lender has the right to demand repayment at any time. The principal repayment requirements unless demanded for the subsequent five years are expected to be as follows:

2011	$ 1,840,250
2012	1,840,250
2013	1,836,396
2014	181,000
2015	25,833
	$ 5,723,729

The following security is provided for the callable debt and the following additional credit facilities:

- general security agreement
- mortgage over half of a section of land located near Peace River, Alberta (see Note 8)
- 36x60 triple wide modular office complex
- withhold of management compensation
- assignment of investment at a minimum of $600,000

Note 11 - Callable Debt (continued)

The Corporation has a letter of commercial credit for $603,000 to the benefit of the Province of Alberta for reclamation at the Susan Lake pit. A cost of 1.75% per annum is charged for the letter of commercial credit.

The Corporation has access to a letter of commercial credit, for which the maximum of $250,000 is available at a cost of 1.75% per annum relating to reclamation. As at November 30, 2010, a letter of commercial credit of $248,760 has been issued to the benefit of the Province of Alberta in relation to a miscellaneous lease for a storage yard located at the Poplar Creek site.

The Corporation has access to a letter of commercial credit, for which the maximum of $500,000 is available at a cost of 1.75% per annum relating to reclamation. As at November 30, 2010, a letter of commercial credit of $500,000 has been issued to the benefit of the Province of Alberta for reclamation at the Poplar Creek pit.

The Corporation has access to a corporate credit card facility, up to a maximum of $50,000.

The Corporation has access to an operating loan, for which the maximum of $250,000 is available at the bank's prime lending rate plus 1.5%. The facility has not been drawn on as at November 30, 2010. There is no lending margin associated with the facility.

As at November 30, 2010, the Corporation is in compliance with the lender's financial covenants.

Note 12 - Related Party Transactions

During the year ended November 30, 2010 the Corporation incurred expenses of $603,148 (2009 - $726,119) for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation.

These fees are recorded in the financial statements as follows:

	2010	2009
Directors and officers:		
Directors fees and expenses	$ 42,272	$ 74,892
Travel and miscellaneous	30,352	17,060
Exploration costs	2,812	5,371
Interest	-	1,952
	75,436	99,275
Companies controlled by directors and officers:		
Consulting fees for services rendered	406,633	459,777
Travel and miscellaneous	6,105	9,199
Exploration costs	37,345	55,782
Interest	296	34,086
Letter of credit fees	13,333	20,000
Rent	64,000	48,000
	527,712	626,844
	$ 603,148	$ 726,119

Note 12 - Related Party Transactions (continued)

There is $54,411 related to these expenses recorded in accounts payable and accrued liabilities at November 30, 2010 (2009 - $48,289).

During the year ended November 30, 2010 there was a $4,000 promissory note (2009- $36,000) repayment to directors and officers and $44,000 promissory notes repayment (2009- $396,000) to companies controlled by directors and officers. As at November 30, 2010 $nil (2009 - $4,000) of promissory notes are due to directors and officers and $nil (2009 - $44,000) of promissory notes are due to companies controlled by directors and officers.

During the year ended November 30, 2010, the Corporation received $nil (2009 - $100,000) in advances and repaid $nil (2009 - $350,000) in advances from a company controlled by a director. The advances were unsecured, bearing interest at 7.5% and payable upon demand.

The Corporation has entered into consulting agreements for services rendered with companies controlled by directors and officers and an employment agreement with a director and officer of the Corporation (see Note 21).

All related party transactions were 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.

Note 13 - Long-Term Debt

	2010	2009
Promissory notes are unsecured and bear interest at 7.5% calculated monthly. Interest is paid monthly with the repayment of the notes due December 31, 2009.	$ -	$ 60,000

During the year ended November 30, 2010, the Corporation made promissory note repayments of $60,000.

Note 14 - Asset Retirement Obligation

The Corporation has recognized an asset retirement obligation in connection with the Poplar Creek management agreement and related surface material lease acquired November 20, 2008.

	2010	2009
Obligation - beginning of year	$ 213,169	$ 196,345
Accretion	18,267	16,824
Obligation - end of year	$ 231,436	$ 213,169

A determination of the fair value of the liability assumes undiscounted estimated future cash flows needed to settle the liability incurred to November 30, 2010 of approximately $278,465 which is expected to be expended at the termination of the management agreement in 2013 (see Note 9). These estimated future cash flows have been discounted at a credit-adjusted risk-free rate of 8.25%. The Corporation has provided a $500,000 letter of credit to the benefit of the Province of Alberta on behalf of the Corporation for reclamation in relation to the Poplar Creek management agreement and related surface material lease.

Note 14 - Asset Retirement Obligation (continued)

No asset retirement obligation has been provided for the Susan Lake management agreement as either third parties will assume the retirement costs or the specific area of the pit has not been environmentally disturbed. Included in the short term investments is a $603,000 term deposit backing a letter of commercial credit in the same amount to the benefit of the Province of Alberta for reclamation in relation to the Susan Lake management agreement and related surface material lease (Note 11).

During 2009 the Corporation obtained a miscellaneous lease from the Province of Alberta to develop a storage yard within the Poplar Creek pit. Pursuant to the lease the Corporation was required to provide a letter of commercial credit in the amount of $248,760 to the benefit of the Province of Alberta for reclamation at the termination of the lease (Note 11). No asset retirement obligation has been recorded as no environmental disturbance has occurred on the miscellaneous lease.

During 2010 the Corporation obtained a surface materials lease from the Province of Alberta allowing the removal of sand and gravel from an area near Logan River, Alberta. The Corporation provided a security deposit of $25,050 paid to the Province of Alberta, which is refundable February 9, 2020 at the expiry of the lease term. No asset retirement obligation has been recorded as no environmental disturbance has occurred on the surface materials lease.

On July 28, 2010 the Corporation signed a letter of intent pursuant to which the Corporation agreed to transfer a 42 acre parcel of land within its miscellaneous lease at Poplar Creek to another company ("the other party"). The Corporation and the other party are preparing a formal and binding agreement pursuant to which in exchange for various services rendered by the Corporation, the other party will pay a fee at specified monthly rates over the term of the agreement. An incremental daily user fee per man day in aggregate not to exceed $300,000 shall also be paid to the Corporation, and maintained in a restricted cash account to be first applied toward any costs for reclamation of the Poplar Creek site.

In view of uncertainties concerning asset retirement obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of future asset retirement liabilities is subject to change based on amendments to applicable laws and legislation. Future changes in asset retirement liabilities, if any, could have a significant impact and would be reflected prospectively, as a change in accounting estimate.

Note 15 - Income Taxes

The estimation of the Corporation's future tax assets and liabilities involves significant judgment around a number of assumptions. Judgment must be used to determine the Corporation's future earning potential, and the expected timing of the reversal of future tax assets and liabilities. Further uncertainties are the result of interpretation of tax legislation which might differ from the ultimate assessment of the tax authorities. These differences may affect the final amount or the timing of the payment of taxes.

Notes to Financial Statements
Years Ended November 30, 2010 and November 30, 2009

Note 15 - Income Taxes (continued)

Future income taxes reflects the tax effects of non-capital losses carried forward and the effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts recognized for income tax purposes.

The tax effects of temporary differences that give rise to significant portions of the net future income tax liability are:

	2010	2009
Future income tax assets:		
Asset retirement obligation	$ 31,873	$ -
Cumulative eligible capital	26,756	28,993
Share issue costs	13,990	13,990
	72,619	42,983
Future income tax liabilities:		
Property and equipment	59,465	50,859
Resource properties	832,476	710,629
Intangible assets	1,538,134	1,787,267
	2,430,075	2,548,755
Future income tax liability	$ 2,357,456	$ 2,505,772

Income tax expense varies from the amount that would result from applying the combined federal and provincial income tax rates to income before income taxes. These variances are presented in the following table.

	2010	2009
Income before income taxes	$2,440,597	$ 1,950,086
Statutory Canadian combined corporate tax rate	28%	29%
Expected tax expense	683,367	565,525
Increase (reduction) in income taxes resulting from:		
Non-deductible expenses	42,155	18,004
Change in temporary differences	43,299	515,162
Change in income tax rates	(10,032)	(35,596)
Utilization of non-capital losses carried forward	-	(446,332)
	$ 758,789	$ 616,763

The provision (benefit) for income taxes is comprised of:

	2010	2009
Provision for current income taxes	$ 907,105	$ 90,176
Provision (benefit) for future income taxes	(148,316)	526,587
	$ 758,789	$ 616,763

Note 16 - Share Capital

a) Authorized:
An unlimited number of
Common voting shares
Preferred shares, issuable in series

b) The Corporation has issued common voting shares of its share capital as follows:

	2010 Number of Shares	2010 Amount	2009 Number of Shares	2009 Amount
Balance at beginning of year	27,978,165	$ 6,610,693	27,978,165	$ 6,331,823
Warrants expired (Note 16e)	-	176,164	-	278,870
Repurchased shares (Note 16c)	(829,000)	(201,096)	-	-
	27,149,165	$ 6,585,761	27,978,165	$ 6,610,693

c) Repurchased common shares:

During the year ended November 30, 2010 the Corporation had in place a normal course issuer bid. The issuer bid commenced on July 5, 2010 and will terminate on July 5, 2011. During the year ended November 30, 2010, the aggregate cost of the common shares purchased and cancelled was $213,177 of which $201,096 was recorded as a charge against share capital for the average carrying value of the common shares of approximately $0.24 per share with $12,081 charged to retained earnings. Subsequent to year end 205,000 additional common shares were repurchased.

d) Stock options:

The Corporation has issued options to directors, officers, employees and consultants of the Corporation as incentives.

The continuity of the Corporation's outstanding stock options is as follows:

	2010 Number of Options	2010 Weighted Average Exercise Price	2009 Number of Options	2009 Weighted Average Exercise Price
Options outstanding, beginning of year	2,537,435	$ 0.35	1,937,435	$ 0.40
Issued	890,000	$ 0.28	900,000	$ 0.27
Expired	(781,668)	$ 0.37	(300,000)	$ 0.40
Options outstanding, end of year	2,645,767	$ 0.32	2,537,435	$ 0.35

1,609,934 options were exercisable at November 30, 2010 at a weighted average exercise price of $0.36.

Note 16 - Share Capital (continued)

d) Stock options: (continued)

The weighted average remaining contractual life of the options is 2.95 years.

The Corporation's stock option plan provides that the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares. The stock option plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. Options under the stock option plan are not transferable or assignable. Pursuant to the stock option plan, options must be exercised within a reasonable period following termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the Board of Directors, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option may be exercised within one year, subject to the expiry date.

The following is a summary of the outstanding options:

Expiry Date	Exercise Price	Number of Options Outstanding 2010	Number of Options Outstanding 2009
January 1, 2010	$ .40	-	200,000
January 8, 2012	$ .40	955,767	1,022,435
October 15, 2012	$ .26	150,000	-
April 4, 2013	$ .43	-	100,000
May 13, 2013	$ .40	75,000	75,000
July 28, 2013	$ .40	-	240,000
September 21, 2014	$ .25	625,000	800,000
October 15, 2014	$ .40	100,000	-
November 2, 2014	$ .40	100,000	100,000
October 15, 2015	$ .26	640,000	-
		2,645,767	2,537,435

The fair value of the options granted were estimated on the dates of the grant using the Black-Scholes option-pricing model with the following assumptions:

	2010	2009
Dividend yield	Nil	Nil
Expected volatility	101%	176%
Risk free rate of return	1.84%	2%
Expected life	4.38 years	4.67 years

The weighted average grant date fair value of options issued during the year was $0.18 per option (2009- $0.21)

Note 16 - Share Capital (continued)

e) Warrants:

A continuity of the Corporation's outstanding warrants is as follows:

	Weighted Average Exercise Price	Number of Warrants	Fair Value Amount
Balance, October 1, 2007	$ 0.60	6,823,500	$ 1,055,865
Granted	$ 0.60	1,185,000	176,164
Expired	$ 0.60	(4,426,500)	(776,995)
Balance, November 30, 2008	$ 0.60	3,582,000	455,034
Expired	$ 0.60	(2,397,000)	(278,870)
Balance, November 30, 2009	$ 0.60	1,185,000	$ 176,164
Expired		(1,185,000)	(176,164)
Balance, November 30, 2010		-	$ -

f) Diluted income per common share

All share options and warrants, which potentially could dilute basic earnings per share in the future, have been excluded from diluted earnings per common share as these securities are anti-dilutive for the year ended November 30, 2010. Accordingly, basic and diluted earnings per share are the same amount.

Note 17 - Contributed Surplus

	2010	2009
Balance, beginning of year	$ 598,763	$ 536,679
Stock based compensation expense	137,880	62,084
Balance, end of year	$ 736,643	$ 598,763

Note 18 - Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, short-term investment, accounts payable and accrued liabilities, callable debt, and long-term debt.

a) Fair Value

Due to the short-term nature of cash, accounts receivable, and accounts payable and accrued liabilities the carrying value of these financial instruments approximate their fair value. The fair value of callable debt, long-term debt and short-term investment approximates their carrying values as they are at the market rate of interest.

Note 18 - Financial Instruments (continued)

b) Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, short-term investment and accounts receivable. The Corporation's maximum credit risk at November 30, 2010 is the carrying value of these financial assets.

In the normal course of business the Corporation evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information. At November 30, 2010, 85% of the Corporation's accounts receivable was receivable from four customers.

The Corporation's aged accounts receivable are comprised of 60.3% current, 22.1% past due up to 60 days and 17.6% past due over 60 days. While certain amounts are past due, management considers there is no impairment of the accounts receivable.

Credit risk associated with cash and short-term investment is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade rating.

c) Liquidity Risk

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. Under its long-term credit facilities, the Corporation must maintain certain ratios. The Corporation has complied with all ratios as at November 30, 2010 however the credit facilities are due on demand. The demand feature of the credit facilities increases the Corporation's liquidity risk as the bank could demand repayment. Management has assessed this risk and believes that it has sufficient capital through internally generated cash flows or alternate sources of financing to mitigate this risk.

As at November 30, 2010 the Corporation has sufficient working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation has identified its financial liabilities as accounts payable and accrued liabilities and callable loans. In aggregate the contractual maturities and amount due at maturity by fiscal year for these financial liabilities are as follows:

Year	
2011	$ 6,595,008

The Corporation expects the callable loans will be repaid in monthly amounts, however, the balance of $6,595,008 has been reported above as the lender has the right to demand at any time.

The Corporation's existing credit facilities and cash flow from operating activities is expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities for 2011. The expectation could be adversely affected by a material negative change in the demand for aggregate or the Corporation's management contracts (see Note 9).

Note 18 - Financial Instruments (continued)

d) Foreign Currency Risk

The Corporation has no exposure to foreign currencies as the Corporation's business is conducted in Canadian dollars.

e) Interest Rate Risk

The Corporation has an interest bearing term deposit and carries fixed and variable rate debt financing. Given the interest rate is fixed on the term deposit and the long-term debt, the Corporation is not exposed to any interest rate risk on these financial instruments. However, the Corporation is exposed to interest rate risk on the variable rate callable loans. A 100 basis point increase in interest rate on the callable loans would decrease net income and comprehensive income by approximately $41,000.

The Corporation's bank loans bear interest at 1.875% and 2% over the bank prime lending rate. As the bank prime lending rate fluctuates so will the cost of borrowing. While exposed to interest rate risk in the short term, the Corporation has the ability to convert the variable rate financing to fixed rate financing on the demand loan bearing the bank's prime lending rate plus 1.875%, due December 31, 2013 thereby significantly reducing the exposure to interest rate risk. Given the ability to convert to a fixed rate bank loan, the Corporation is not exposed to significant interest rate risk.

Note 19 - Capital Disclosures

The Corporation defines capital as shareholders' equity. The Corporation's objective when managing capital is to provide sufficient capital to cover normal operating and capital expenditures. In order to maintain or adjust the capital structure, the Corporation may issue debt, purchase shares for cancellation pursuant to normal course issuer bids or issue new shares. The Corporation is subject to externally imposed capital requirements as discussed below.

The Corporation is subject to externally imposed capital requirements represented by various bank covenants related to its callable loans. These covenants include restrictions on capital expenditures, minimum debt service coverage, maximum funded debt, minimum working capital ratio and a minimum shareholders' equity. The covenants will result in restrictions on the use of capital. As at November 30, 2010 the Corporation is in compliance with these covenants.

Note 20 - Supplemental Cash Flow Information

The Corporation paid or received cash during the year for the following:

	2010	2009
Interest paid	$ 289,005	$ 383,903
Interest received	$ 25,995	$ 12,965
Income taxes paid	$ 247,947	$ 48,419

Note 21 - Commitments and Contingencies

The Corporation has renewed a contractual agreement with a Canadian investor relations firm for assistance with investor relations and marketing services. This agreement is for a 12 month term commencing November 30, 2010 with an option to renew the agreement for an additional 12 month term. Consideration for these services consists of:

- cash payment of $7,500 per month
- granting of 100,000 common stock options with an exercise price of $0.40 per share expiring October 15, 2014
- granting of 100,000 common stock options with an exercise price of $0.40 per share expiring November 2, 2014
- In the future the Corporation will grant an additional 10,000 common stock options exercisable at $0.40 per share and grant an additional 210,000 common stock options exercisable at the higher of $0.80 per share or the prevailing market price at the date of issue

The Corporation has entered into consulting agreements with two companies controlled by directors and officers of the Corporation that provide for a consulting fee of $10,000 per month to each of the related companies. Should the Corporation terminate these agreements without just cause, the agreements provide for a termination fee of $60,000 to each of the related companies or $120,000 in aggregate.

The Corporation has entered into an employment agreement with a director and officer of the Corporation that provide for a base annual salary per annum plus bonus and benefits. Should the Corporation terminate this agreement without just cause, the employee is entitled to be paid a termination fee based on the last three year average of this employee’s salary, bonus and benefit package at the time of termination. As at November 30, 2010 the potential termination fee is approximately $301,000.

Note 22 - Segmented Disclosure

The Corporation operates as a single segment being mining. All Company revenues are derived from external Canadian customers. The Corporation’s capital assets and goodwill are domiciled in Canada. During the year ended November 30, 2010, the Corporation had four customers that each accounted for 10% or more of the Corporation’s revenues. In aggregate, the revenue from these four customers represented 53% of the Corporation’s revenue in fiscal 2010.

Note 23 - Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.