

CAVAN VENTURES INC.

Vancouver, B.C.

UNAUDITED INTERIM FINANCIAL STATEMENTS

SECOND QUARTER REPORT

CAVAN VENTURES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Ming Chiang"

President and Chief Executive Officer of Cavan Ventures Inc.

"Trevor Sinclair"

Chief Financial Officer of Cavan Ventures Inc.

October 29, 2010

CAVAN VENTURES INC.
BALANCE SHEET - UNAUDITED
AS AT AUGUST 31, 2010

	Unaudited August 31, 2010	Audited February 28, 2010
ASSETS		
Current		
Cash	\$ 151,898	\$ 7,254
Receivables	9,047	5,388
Prepaid expenses	4,930	1,127
	<u>165,875</u>	<u>13,769</u>
Mineral properties (Note 3)	494,345	377,345
Deferred exploration costs (Note 4)	546,893	461,893
	<u>\$ 1,207,113</u>	<u>\$ 853,007</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 43,989	\$ 66,525
Shareholders' Equity		
Share capital (Note 5)	1,663,101	1,185,839
Share purchase warrants (Note 5,6)	12,238	
Contributed surplus (Note 5, 6 and 7)	697,895	570,223
Deficit	(1,210,110)	(969,580)
	<u>1,163,124</u>	<u>786,482</u>
	<u>\$ 1,207,113</u>	<u>\$ 853,007</u>

Nature and continuance of operations (Note 1)

Commitments (Note 12)

Subsequent events (Note 13)

Approved on behalf of the Board:

<u>"Ming Chiang"</u>	Director	<u>"Harvey Lawson"</u>	Director
Ming Chiang		Harvey Lawson	

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

CAVAN VENTURES INC.
STATEMENT OF OPERATIONS AND DEFICIT - UNAUDITED
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31,

	For the three months ended August 31, 2010	For the three months ended August 31, 2009	For the six months ended August 31, 2010	For the six months ended August 31, 2009
	\$	\$	\$	\$
EXPENSES				
Administrative fees (Note 8)	10,563	3,959	16,450	6,715
Investor Relations	7,500	-	7,500	-
Filing fees	5,754	3,679	12,605	3,679
Management fees (Note 8)	15,000	15,000	30,000	30,000
Office and miscellaneous	269	383	789	996
Professional fees	14,745	11,600	26,242	11,600
Meals and entertainment	257	1,028	903	1,201
Marketing and promotions	10,675	-	13,675	-
Stock-based compensation (Note 6)	-	-	127,672	-
Transfer agents fees	1,717	1,120	2,741	2,061
Travel	293	213	528	2,800
Telecommunications	863	758	1,425	1,112
LOSS BEFORE OTHER ITEMS	(67,636)	(37,740)	(240,530)	(60,164)
OTHER ITEMS				
Interest income	-	21	-	79
Write off of Investment	-	(30,000)	-	(30,000)
NET LOSS BEFORE INCOME TAXES	(67,636)	(67,719)	(240,530)	(90,085)
Future income tax recovery	-	-	-	-
NET LOSS	(67,636)	(67,719)	(240,530)	(90,085)
DEFICIT, BEGINNING	(1,142,474)	(806,228)	(969,580)	(783,862)
DEFICIT, ENDING	(1,210,110)	(873,947)	(1,210,110)	(873,947)
BASIC AND DILUTED LOSS PER COMMON SHARE				
	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	16,761,176	14,061,176	16,761,176	14,061,176

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

CAVAN VENTURES INC.
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31,

	For the three months ended August 31, 2010 \$	For the three months ended August 31, 2009 \$	For the six months ended August 30, 2010 \$	For the six months ended August 30, 2009 \$
Cash flows from operating activities				
Net loss for the period	(67,636)	(67,719)	(240,530)	(90,085)
Items not affecting cash:				
Stock-based compensation (Note 6 and 7)			127,672	
	(67,636)	(67,719)	(112,858)	(90,085)
Changes in non-cash working capital				
Accounts receivable	(4,004)	(6,374)	(3,659)	(1,714)
Prepaid expenses	3,316	(10,000)	(3,803)	(10,000)
Accounts payable and accrued liabilities	(11,929)	49,527	(22,536)	34,741
Net Cash Used in Operating Activities	(80,253)	(34,566)	(142,856)	(67,058)
Cash flows from investing activities				
Acquisition of mineral property (Note 3)	(63,500)	(50,550)	(117,000)	(50,550)
Deferred exploration costs (Note 4)	(85,000)	(110,380)	(85,000)	(89,162)
Net Cash Used in Investing Activities	(148,500)	(160,930)	(202,000)	(139,712)
Cash flows from financing activities				
Share issuance costs (Note 5(j))			(10,500)	
Issurance of common shares for cash (Note 5(j))			500,000	
Net Cash Used in Financing Activities	-	-	489,500	-
Change in cash	(228,753)	(195,496)	144,644	(206,770)
Cash - Beginning Period	380,651	348,949	7,254	360,223
Cash - Ending Period	151,898	153,453	151,898	153,453

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Cavan Ventures Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on February 28, 2006. The Company’s Initial Public Offering (the “Offering”) prospectus was filed with the British Columbia and Alberta Securities Commissions and became effective November 2, 2007. The Company’s stock commenced trading on the TSX Venture Exchange (“TSX-V”) on November 26, 2007.

The Company is a mineral property exploration company and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles assuming the Company will continue on a going-concern basis. The Company has incurred net losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations or to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company’s ability to continue as a going concern given the need to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the Company’s audited annual financial statements for the year ended February 28, 2010. The accompanying unaudited interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended February 28, 2010, as they do not contain all disclosures required by Canadian GAAP for annual financial statements.

In the opinion of management, all adjustments necessary to present fairly the interim financial position of the Company as at August 31, 2010 and results of its operations and cash flows for all periods presented have been made. The interim results are not necessarily indicative of results for a full year.

3. MINERAL PROPERTIES

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to its properties are in good standing.

	Kaslo Property (previously called Emerald Property)	KM Property (previously called Kisgegas Property)	Total
Balance at February 29, 2008	\$ 66,725	\$ 51,030	\$ 117,755
Additions:			
Cash	50,000	60,000	110,000
Tenure	3,946	4,360	8,306
Issuance of common shares	32,000	8,000	40,000
Balance at February 28, 2009	152,671	123,390	276,061
Additions:			
Cash	60,000	3,000	63,000
Tenure	550	3,734	4,284
Issuance of common shares	-	34,000	34,000
Balance at February 28, 2010	\$ 213,221	\$ 164,124	\$ 377,345
Additions:			
Cash	10,000	107,000	\$ 117,000
Balance at August 31, 2010	\$ 223,221	\$ 271,124	\$ 494,345

KM Property (“Kisgegas Property”)

On February 8, 2008, the Company entered into an option agreement and subsequent amendments to earn a 100% interest, subject to a 2% NSR, in the KM Property located in British Columbia, by making the following payments:

- (a) Total cash payments of \$195,000, which has been fully paid.
- (b) 365,000 common shares of the Company, to be issued on or before February 14, 2010. As of February 28, 2010, the Company has issued 365,000 shares valued at \$66,700.
- (c) The Company has committed to incur exploration or development expenditures totalling \$450,000 on the property as follows: at least \$125,000 in expenditures on or before October 15, 2009 (expended, see Note 4); an additional \$160,000 on or before October 15, 2010 (expended in part, see Note 4); and an additional \$165,000 on or before October 15, 2011.

The 2% NSR can be purchased at any time by the Company paying \$1,000,000 less all amounts previously paid under the option agreement as advances against the NSR. Commencing on June 15, 2011, and on the anniversary thereof the Company shall pay \$25,000 in cash, or the equivalent in common shares of the Company, each year until the property is placed in commercial production or abandoned by the Company.

3. MINERAL PROPERTIES (continued)

Kaslo Property (previously called Emerald Property)

On May 10, 2006, the Company entered into an option agreement and subsequent amendments and earned a 100% interest, subject to a 2% net smelter royalty (“NSR”), in the Kaslo Property located in British Columbia by way of having made the following payments:

- (a) Total cash payments of \$150,000, which has been fully paid.
- (b) 200,000 common shares of the Company issued in 3 tranches valued at \$45,750.
- (c) Incurred exploration or development expenditures totalling at least \$250,000 before November 15, 2008.

The 2% NSR can be purchased at any time by the Company paying \$1,000,000 less all amounts previously paid under the option agreement as advances against the NSR. Commencing on June 15, 2009, and on the anniversary thereof each year until the property is placed in commercial production or abandoned by the Company, the Company shall pay \$10,000 in cash, or the equivalent in common shares of the Company, as an advance against the NSR to be paid on commercial production occurring. All advance royalties so paid by the Company shall be recoverable by the Company, together with interest at a rate of prime plus 2% per annum, from 90% owing of the royalty payable on commercial production.

4. DEFERRED EXPLORATION COSTS

During the six months ended August 31, 2010, the Company paid exploration expenditures on the KM Property in the amount of \$85,000:

	Assays	Geological consulting	Field expenses	Mineral credit recoverable	Total
Kaslo Property:					
February 28, 2010	\$ 114,026	\$ 87,171	\$ 138,444	\$ (21,218)	\$ 318,423
Additions	-	-	-	-	-
August 31, 2010	114,026	87,171	138,444	(21,218)	318,423
Kispegas (KM) Property:					
February 28, 2010	-	27,027	116,443	-	143,470
Additions	-	-	85,000	-	85,000
August 31, 2010	-	27,027	201,443	-	228,470
Total August 31, 2010	\$ 114,026	\$ 114,198	\$ 339,887	\$ (21,218)	\$ 546,893

5. SHARE CAPITAL

	Number of shares	Amount of Share Capital	Amount of Share purchase warrants	Contributed Surplus
Authorized				
Unlimited number of common shares without par				
Issued				
Balance as at February 28, 2009	14,061,176	1,151,839	-	570,223
Shares issued for mineral property at \$0.17 per share (a)	200,000	34,000	-	-
Balance as at February 28, 2010	14,261,176	1,185,839	-	570,223
Fair value of options granted to directors and officers (b)	-		-	89,027
Fair value of options granted related to IR Agreement (c)	-		-	38,645
Shares issued (net of financing fees) for private placement financing (d)	2,500,000	477,262	12,238	-
Balance as at August 31, 2010	16,761,176	\$ 1,663,101	\$12,238	\$ 697,895

- (a) On February 15, 2010, the Company issued 200,000 common shares at a fair value of \$34,000 per unit as per Option Agreement with the KM Property (Note3).
- (b) On March 9, 2010, the Company granted 450,000 stock options to senior officers and non-management directors. The options are exercisable at \$0.17 for a period of 5 years.
- (c) On May 15, 2010, the Company granted 200,000 stock options at a \$0.22 per share pursuant to the IR agreement with Buchalter Consulting Inc.
- (d) On May 11 and May 19, 2010, the Company completed a Non-Brokered Private Placement in two separate tranches for a total of 2,500,000 common shares issued at \$0.20 per unit and 1,250,000 warrants exercisable at \$0.30 per warrant for total gross proceeds of \$500,000. The warrants attached to the May 11, 2010 placement, have been valued at \$12,238 (\$12,500 net of proportionate share of issue costs - \$262) using the residual method. Costs related to the financing were netted from the proceeds as share issue costs, which include \$2,500 paid to TSX exchange, and legal costs related to the private placement of \$8,000, and were then adjusted for an allocation to the warrants of \$262 to equal net proceeds on the shares of \$477,262.

Escrow Shares

723,752 shares are being held in escrow as at August 31, 2010.

6. STOCK OPTIONS AND WARRANTS

Stock options

The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting terms are determined by the Board of Directors at the time of grant.

- (a) On March 9, 2010, the Company granted 450,000 stock options to senior officers and non-management directors. The options are exercisable at \$0.17 for a period of 5 years from the

CAVAN VENTURES INC.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
AUGUST 31, 2010

date of grant. The Company recorded an aggregate fair value of \$89,027 as stock based compensation in respect to this grant.

- (b) On May 15, 2010, the Company granted 200,000 stock options at a \$0.22 per share pursuant to the investor relations agreement with an outside consulting firm. The Company recorded an aggregate fair value of \$38,645 as stock based compensation in respect to this grant.

The Company utilized the Black-Scholes option pricing model to calculate these amounts, using the following assumptions:

	2011	2010
Risk-free interest rate	1.33% to 1.42%	N/A
Expected life	5 years	N/A
Volatility	123%	N/A
Expected dividend yield	0.00%	N/A

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at February 29, 2008	862,500	\$ 0.19
Granted	200,000	0.22
Exercised	(150,000)	0.15
Balance at February 28, 2009	912,500	0.21
Expired / Forfeited	(362,500)	0.25
Balance at February 28, 2010	550,000	0.18
Granted	650,000	0.19
Expired / Forfeited	(250,000)	0.25
Balance at May 31, 2010	950,000	0.19
Balance at August 31, 2010	950,000	\$ 0.19

As at August 31, 2010, the following stock options were outstanding:

Expiry date	Number of Options	Weighted average exercise price	Number of options exercisable
November 26, 2012	100,000	\$ 0.15	100,000
May 8, 2013	50,000	\$ 0.32	50,000
October 27, 2013	150,000	\$ 0.19	150,000
March 9, 2015	450,000	\$ 0.17	450,000
May 15, 2015	200,000	\$ 0.22	200,000
Outstanding	950,000	\$ 0.19	950,000

6. STOCK OPTIONS AND WARRANTS (continued)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at February 29, 2008	4,331,175	0.24
Granted	900,000	0.50
Exercised	(425,000)	0.10
Balance at February 28, 2009	4,806,175	0.30
Expired	(3,906,175)	0.25
Balance at February 28, 2010	900,000	0.50
Granted	1,250,000	0.30
Balance at May 31, 2010	2,150,000	0.50
Balance at August 31, 2010	2,150,000	0.50

The following warrants were outstanding at August 31, 2010:

Expiry date	Number of Warrants	Weighted average exercise price	Number of warrants exercisable	Warrants Valuation
July 18, 2010	900,000	\$ 0.50	900,000	-
May 11, 2012	625,000	\$ 0.30	625,000	\$12,238
May 19, 2012	625,000	\$ 0.30	625,000	-
Outstanding	2,150,000		2,150,000	\$12,238

7. CONTRIBUTED SURPLUS

	August 31, 2010	February 28, 2010	February 28, 2009
Beginning Balance	570,223	570,223	572,512
Fair value of employees stock options	89,027		41,394
Fair value of consultants stock options	38,645		
Fair value of options exercised			(43,683)
Ending Balance	697,895	570,223	570,223

8. RELATED PARTY TRANSACTIONS

During the six months ended August 31, 2010, the Company recorded \$89,027 (2009 - \$nil) of stock based compensation, which represents the fair value of 450,000 of options granted (2009 - nil).

During the six months ended August 31, 2010, the Company paid management fees to a company solely owned by a director and officer of the company in cash of \$30,000 (2009 - \$30,000).

During the six months ended August 31, 2010, the Company paid administration fees to a company that is related to a director and officer of the company in cash of \$7,800 (2009 - \$nil).

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash, receivables and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

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

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 151,898	\$ -	\$ -	\$ 151,898

Risk Management

Industry Risk: The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Credit Risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and its receivables. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies. The Company's receivables relate to GST/HST and mineral tax credits recoverable from the Governments of Canada and British Columbia. The risk associated with its receivables is minimal.

Currency Risk: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. There is minimal foreign exchange risk to the Company. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Interest Rate Risk: Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to maintain the current rate of interest on its term deposits.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk: Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

Funding Risk: Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

10. CAPITAL MANAGEMENT

The Company considers its capital structure to be shareholders' equity represented by net assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

The Company is not subject to externally imposed capital restrictions.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended August 31, 2010, the Company entered into the following non-cash transactions:

- h.** On March 9, 2010, the Company granted 450,000 stock options to directors and management which was recorded as stock based compensation at an aggregate fair value of \$89,027 (see Note 5, 6 and 7).
- i.** On May 15, 2010, the Company granted 200,000 stock options to an outside IR consulting company, pursuant to the IR agreement signed in May 15, 2010 at an aggregate fair value of \$38,645 (see Note 5, 6 and 7).

12. COMMITMENTS

The Company had signed an investor relations agreement with an external consulting company, and committed to a six months' retainer fee of \$2,500 per month effective May 15, 2010, in addition to the options granted to the consulting company (Note 5 (i)). The Company also entered into a sublease agreement for a one year contract for office space, effective July 15, 2010, the rental commitment is \$600 per month. In addition the Company had entered into a marketing agreement with an external marketing firm for a monthly fee of \$2,980, effective July 15, 2010 for a six months period, whose services include website services, logo re-design and Chinese translation etc. In regards to the Kaslo property, on the anniversary from June 15, 2009 thereof each year until when the property is placed in commercial production or abandoned by the Company, the Company shall pay \$10,000 in cash, or the equivalent in common shares of the Company, as an advance against the NSR to be paid on commercial production occurring (Note 3). Lastly, as per the option agreement for KM Property (Note 3 (C)), the Company is committed to exploration expenditures of \$160,000 by October 15, 2010, of which an amount of \$85,000 has been paid in July and the remaining balances will be incurred and paid in September, October and November of 2010. A final exploration expenditure for the KM Property of \$165,000 is to be incurred by October 15, 2011. The financial commitments are summarized below:

August 31,			
	Mineral Property	Administrative	Total
2011	\$ 85,000	25,960	\$ 110,960
2012	175,000	-	175,000
Total	\$ 260,000	25,960	\$ 285,960

13. SUBSEQUENT EVENTS

- a. The 2010 summer exploration program on the KM property has been completed. This year's program consisted of geological mapping, trenching, and sampling which concentrated on the previously under explored west-central portion of the property. In addition a mapping program was conducted focusing on the incipient structures which may control sill emplacement and gold mineralization in area. The exploration work carried out this summer has expanded the area of mineralized showings to an estimated area of 10 square kilometers.
- b. On October 11, 2010, the Company issued a letter of intent with Antis S.R.L. of La Paz, Bolivia to purchase a 100% interest in the Carma Gold Project located 35 kilometers south of Potosi, Bolivia. The terms would consist of total cash payments of \$1,040,000 set out as per the following:
 - i. \$40,000 to be held in trust as a deposit until the completion and execution of the definitive agreement;
 - ii. \$100,000 to be paid upon the 6 month anniversary of the closing date of the transaction;
 - iii. \$150,000 to be paid upon the 12 month anniversary of the closing date of the transaction;

13 SUBSEQUENT EVENTS (continued)

- iv. \$250,000 to be paid upon the 24 month anniversary of the closing date of the transaction;
- v. \$500,000 to be paid upon the 36 month anniversary of the closing date of the transaction; and
- vi. providing the vendor a 2.5% net smelter royalty (“NSR”) with respect to the property, subject to which, the Company will have the right, but not the obligation, to purchase the 2.5% NSR at any time in exchange for a \$500,000 cash payment.

This Agreement is subject to approval by the Board of Directors, regulatory approval and upon the satisfactory completion of the Company conducting its due diligence.

- c. On October 7, 2010, two new directors were awarded 250,000 options with an exercise price of \$0.15 and that will expire on October 7, 2015.