

JAYDEN RESOURCES INC.
(formerly Pinnacle Mines Ltd.)

Condensed Consolidated Interim Financial Statements

Second Quarter Ended June 30, 2010

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of Jayden Resources Inc. for the six months ended June 30, 2010 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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 indication that an auditor has not reviewed the financial statements.

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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Condensed Consolidated Interim Statements of Financial Position

	Notes	June 30, 2010	December 31, 2009
		\$	\$
ASSETS			
Non-current assets			
Exploration and evaluation assets	5	9,216,628	8,794,407
Property and equipment	4	106,686	114,790
Exploration and evaluation deposits		40,000	40,000
Total non-current assets		9,363,314	8,949,197
Current assets			
Prepaid expenses and deposits		240,491	23,069
Investments	3	138,156	37,622
Receivables		32,517	13,673
Cash and cash equivalents		3,371,328	814,228
Total current assets		3,782,492	888,592
Total assets		13,145,806	9,837,789
EQUITY			
Share capital	6	30,722,332	28,763,299
Share option reserve		4,160,365	169,565
Accumulated other comprehensive income		46,107	22,573
Accumulated deficit		(22,263,304)	(19,240,611)
Total equity		12,665,500	9,714,826
LIABILITIES			
Current liabilities			
Payables and accruals	7	480,306	122,963
Total current liabilities		480,306	122,963
Total equity and liabilities		13,145,806	9,837,789

These consolidated financial statements are authorized for issue by the Board of Directors on November 26, 2010. They are signed on the Company's behalf by:

"Herrick Lau", Director

Herrick Lau

"David Eaton", Director

David Eaton

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Condensed Consolidated Interim Statements of Comprehensive Income

	Notes	Three months ended June 30,		Six months ended June 30,	
		2010	2009	2010	2009
		\$	\$	\$	\$
					(Note 13)
General and administrative expenses					
Amortization	4	1,805	7,532	3,611	14,029
Consulting services		64,511	59,800	109,161	118,377
Foreign exchange loss		(10,313)	1,085	(10,298)	(4,754)
Management services	7	38,500	17,500	67,000	35,000
Investor relations		22,770	8,488	62,036	19,695
Professional fees		862,974	20,497	987,407	33,365
Property investigations		14,787	7,513	14,787	7,513
Office		46,049	15,895	76,464	32,140
Rent		7,887	19,615	16,887	37,847
Salaries and benefits		-	17,959	-	47,262
Regulatory and shareholder services		41,536	25,941	67,051	33,131
Share-based payments	6	1,630,317	-	1,631,018	268
Travel		26,541	4,356	33,530	9,395
		<u>2,747,364</u>	<u>206,181</u>	<u>3,058,654</u>	<u>383,268</u>
Loss before undernoted income (expenses)		(2,747,364)	(206,181)	(3,058,654)	(383,268)
Write-off of mineral property interests		-	(136,457)	-	(136,457)
Write-off of reclamation deposits		-	-	-	-
Loss on sale of short-term investments		-	-	-	-
Interest and miscellaneous income		2,278	1,592	15,454	1,746
Loss on sale of property and equipment		-	-	(4,493)	(926)
		<u>2,278</u>	<u>(134,865)</u>	<u>10,961</u>	<u>(135,637)</u>
Net loss for the period		(2,745,086)	(341,046)	(3,047,693)	(518,905)
Other comprehensive income					
Unrealized gain (loss) on available-for-sale investments		9,990	(11,475)	23,534	(11,475)
Comprehensive loss		(2,735,096)	(352,521)	(3,024,159)	(530,380)
Loss per share, basic and diluted	8	(0.02)	(0.00)	(0.02)	(0.00)
Weighted average common shares outstanding		153,485,000	141,943,000	153,485,000	141,943,000

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Condensed Consolidated Interim Statements of Cash Flows

	Notes	Three months ended		Six months ended	
		June 30		June 30	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash flows from operating activities					
Net loss for the period before income taxes		(2,745,085)	(341,046)	(3,047,693)	(518,905)
Amortization		1,805	7,532	3,611	14,029
Interest income		(28)	(1,592)	(8,704)	(1,746)
(Gain) loss on sale of property and equipment		-	-	4,493	926
Share-based payments	6	1,630,317	-	1,631,018	268
Impairment of mineral properties		-	136,457	-	136,457
Operating loss before working capital changes		(1,112,991)	(198,649)	(1,417,275)	(368,971)
Decrease/(increase) in other receivables		(6,956)	(216,799)	(18,844)	(229,471)
(Increase)/decrease in prepaid expenses and deposits		(64,171)	17,741	(217,422)	13,192
(Increase)/decrease in payables and accruals		153,784	(26,985)	280,343	(213,994)
Net cash used in operating activities		(1,030,334)	(424,692)	(1,373,198)	(799,244)
Cash flows from investing activities					
Mineral property expenditures					
Exploration expenditures		(261,241)	(18,825)	(422,221)	(291,845)
Recoveries and sale proceeds		-	599	-	112,911
Proceeds on sale of property and equipment		-	(3)	-	11,867
Purchase of property and equipment		-	(4,145)	-	(4,145)
Interest received		28	1,592	8,704	1,746
Net cash used in investing activities		(261,213)	(20,782)	(413,517)	(169,466)
Cash flow from financing activities					
Proceeds from issuance of shares (net of share issuance expenses)		4,343,815	-	4,343,815	-
Net cash generated from financing activities		4,343,815	-	4,343,815	-
Increase (decrease) in cash and cash equivalents		3,052,268	(445,474)	2,557,100	(968,710)
Cash and cash equivalents					
Beginning of period		319,060	1,872,527	814,228	2,395,763
End of period		3,371,328	1,427,053	3,371,328	1,427,053
Cash and cash equivalents comprise:					
Cash		3,371,328	76,053	3,371,328	76,053
Cashable guaranteed investment certificates		-	1,351,000	-	1,351,000
		3,371,328	1,427,053	3,371,328	1,427,053

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Condensed Consolidated Interim Statements of Changes in Equity

	Notes	Number of Shares	Common Shares	Share Option Reserve	Accumulated Other Comprehensiv Income (Loss)	Deficit	Shareholders' Equity
Balance - December 31, 2008		91,576,147	\$ 28,763,299	\$ 388,508	\$ -	\$ (18,024,378)	\$ 11,127,429
Fractional rounding		(13)	-	-	-	-	-
Increase in fair value of investments		-	-	-	22,573	-	22,573
Share-based payments	6	-	-	64,757	-	-	64,757
Lapse of share options		-	-	(283,700)	-	283,700	-
Loss for the year		-	-	-	-	(1,499,933)	(1,499,933)
Balance - December 31, 2009		91,576,134	28,763,299	169,565	22,573	(19,240,611)	9,714,826
Rights offering, net of share issue costs \$2,619,774	6	91,576,134	1,959,033	2,384,782	-	-	4,343,815
Increase in fair value of investments		-	-	-	23,534	-	23,534
Share-based payments	6	-	-	1,631,018	-	-	1,631,018
Lapse of share options		-	-	(25,000)	-	25,000	-
Loss for the period		-	-	-	-	(3,047,693)	(3,047,693)
Balance - June 30, 2010		183,152,268	\$ 30,722,332	\$ 4,160,365	\$ 46,107	\$ (22,263,304)	\$ 12,665,500

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2010

1. Nature of operations and continuance of operations

Jayden Resources Inc. (formerly Pinnacle Mines Ltd.) (the “Company”) was incorporated under the laws of the Province of British Columbia. The Company’s shares are traded on the TSX Venture Exchange (“TSXV”). The Company, together with its subsidiaries, is principally engaged in the business of acquiring, exploring and developing interests in mining projects. To date, the Company has not generated significant revenues and is considered to be in the exploration stage.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The financial information is presented in Canadian Dollars (“CDN\$”), which is the functional currency of the Company.

The head office, principal address and registered and records office of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

2. Significant accounting policies

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s second IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2010. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with GAAP.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2010

2. Significant accounting policies (continued)

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for early adoption on December 31, 2010, the Company's first annual reporting date.

The standards that will be effective or available for voluntary early adoptions in the annual financial statements for the year ending December 31, 2010 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed consolidated interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending December 31, 2010.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2007 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Reporting Standards (IFRS 1)*. The impact of the transition from GAAP to IFRS is explained in Note 13.

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its controlled wholly-owned subsidiaries, Minera Pinnacle de Mexico S.A. de C.V. ("Pinnacle Mexico") and 0781639 B.C. Ltd., subsequently changed to Jayden Resources (Canada) Ltd. ("Jayden Canada"). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the condensed consolidated statements of operations, deficit and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2010

2. Significant accounting policies (continued)

Interest income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Foreign currencies

The Company's reporting and functional currency and that of its Canadian subsidiary, Jayden Canada, formerly 0781639 BC Ltd., is the Canadian dollar as this is the principal currency of the economic environment in which the Company and its subsidiary operate. The functional currency of Pinnacle Mexico is the Canadian dollar as Pinnacle Mexico is considered an extension of the operations of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of operations.

Property and equipment

Equipment is recorded at cost less accumulated depreciation. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location, and condition necessary for its intended use.

Depreciation is calculated using the declining balance method to write off the cost of equipment, less the estimated residual value, at the following rates:

Computer equipment	30%
Other equipment	20%
Software	100%
Vehicle	30%
Mining equipment	20%
Building	4%
Land	0%

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For the six months ended June 30, 2010

2. Significant accounting policies (continued)

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

Exploration and evaluation assets

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

No depreciation charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

All capitalized exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

Decommissioning and rehabilitation liabilities

The Company recognizes the fair value of a decommissioning and restoration liability the year in which it is incurred when a reasonable estimate of 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 decommissioning and restoration liability 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 estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations at June 30, 2010.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2010

2. Significant accounting policies (continued)

Share-based payments

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

At the time when the share options are exercised, the amount previously recognized in share option reserve is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share option expense is transferred to accumulated losses.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Warrants issued in equity financing transactions

The Company engages in equity financing transaction to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common share and a certain number of warrant. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned nil value and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2010

2. Significant accounting policies (continued)

Taxation

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

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Notes to the Condensed Consolidated Interim Financial Statements

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2. Significant accounting policies (continued)

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Flow-through instruments

Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company.

The Company recognizes the issuance of flow-through instruments as combined instruments comprising a liability component and an equity component. Proceeds from an issuance of flow-through instruments are allocated to the liability component and the equity component with reference to the fair value of tax benefits to be transferred and the quoted market price of the Company's common shares at the date of issuance of the flow-through instrument. Issue costs are apportioned based on the allocated values of the liability component and the equity component. Issue costs related to the liability component are expensed in profit and loss when incurred. Issue costs related to the equity component are charged to equity. Upon renunciation of the flow-through expenditures for Canadian income tax purposes, the liability component is derecognized and a deferred income tax liability is recognized for the taxable temporary difference created at the Company's applicable tax rate which is expected to apply in the year the deferred income tax liability will be settled. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in profit and loss.

Financial instruments – recognition and measurement

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value but through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

- a) Investments have been classified as available for sale.
- b) Cash and trade receivables have been classified as loans and receivables.
- c) Payables and accruals have been classified as financial liabilities not at fair value through profit and loss.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2010

2. Significant accounting policies (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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Notes to the Condensed Consolidated Interim Financial Statements

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2. Significant accounting policies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The cash and cash equivalents are mainly denominated in Canadian dollars.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

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2. Significant accounting policies (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (a) the estimated useful life and the fair value of property and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of comprehensive loss.
- (b) the inputs used in accounting for share purchase option expense in the consolidated statements of comprehensive loss.
- (c) the provision for income taxes which is included in the consolidated statements of comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the consolidated statement of financial position.
- (d) the recoverability of exploration and evaluation assets in the consolidated statements of financial position.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2010 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IAS 24, *Related Party Disclosure*: effective for accounting periods commencing on or after January 1, 2011;
- IFRS 9, *Financial Instruments*: effective for accounting periods commencing on or after January 1, 2013; and

3. Investments

Investments are classified as available for sale and are comprised of the following:

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>
June 30, 2010			
Mountain Boy Minerals Ltd.	300,975	\$ 140,844	\$ 48,156
Great Bear Resources Ltd.	200,000	<u>77,000</u>	<u>90,000</u>
		\$ <u>217,844</u>	\$ <u>138,156</u>
December 31, 2009			
Mountain Boy Minerals Ltd.	300,975	\$ <u>140,844</u>	\$ <u>37,622</u>

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4. Property and equipment

	Computer equipment \$	Other equipment \$	Software \$	Vehicle \$	Mining equipment \$	Building \$	Land \$	Total \$
Cost								
At December 31, 2008	38,705	53,259	-	55,665	13,363	-	-	160,992
Additions	-	-	4,145	-	-	59,100	36,138	99,383
Disposals	(38,705)	(28,662)	-	(55,665)	(6,429)	-	-	(129,461)
At December 31, 2009	-	24,597	4,145	-	6,934	59,100	36,138	130,914
Disposals	-	-	-	-	(6,934)	-	-	(6,934)
At June 30, 2010	-	24,597	4,145	-	-	59,100	36,138	123,980
Accumulated Amortization								
At December 31, 2008	23,849	18,329	-	26,796	4,273	-	-	73,247
Charge for the period	2,544	5,264	2,071	5,493	1,464	1,182	-	18,018
Disposals	(26,393)	(13,163)	-	(32,289)	(3,296)	-	-	(75,141)
At December 31, 2009	-	10,430	2,071	-	2,441	1,182	-	16,124
Charge for the period	-	1,417	1,036	-	-	1,158	-	3,611
Disposals	-	-	-	-	(2,441)	-	-	(2,441)
At June 30, 2010	-	11,847	3,107	-	-	2,340	-	17,294
Net book value								
At December 31, 2008	14,856	34,930	-	28,869	9,090	-	-	87,745
At December 31, 2009	-	14,167	2,074	-	4,493	57,918	36,138	114,790
At June 30, 2010	-	12,750	1,038	-	-	56,760	36,138	106,686

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5. Exploration and evaluation assets

The exploration and evaluation assets of the Company are comprised as follows:

	Mineral Properties Canada		Mineral Properties Mexico		Total
Balance December 31, 2008	\$	8,225,427	\$	735,236	\$ 8,960,663
Additions		905,437		77,411	982,848
Impairment		(136,457)		(690,989)	(827,446)
Recoveries of IVA taxes (*)		-		(121,658)	(121,658)
Sale of mineral property		(200,000)		-	(200,000)
Balance December 31, 2009		8,794,407		-	8,794,407
Additions		422,221		-	422,221
Balance June 30, 2010	\$	9,216,628	\$	-	\$ 9,216,628

	<u>Canada</u>					Total
	Silver Coin and Kansas	Surprise Creek	Summit Lake	Other		
	\$	\$	\$	\$		\$
Balance December 31, 2008	7,873,976	-	334,500	16,951		8,225,427
Additions						
Acquisition	340,000	-	-	-		340,000
Surveying, geological, geochemical and geophysical	185,316	-	1,957	300		187,573
Exploratory drilling	1,119	-	-	-		1,119
Land maintenance	24	-	-	-		24
Assessing technical feasibility and commercial viability	376,721	-	-	-		376,721
Impairment	-	-	(136,457)	-		(136,457)
Recoveries of IVA taxes	-	-	-	-		-
Sale of mineral property	-	-	(200,000)	-		(200,000)
Balance December 31, 2009	8,777,156	-	-	17,251		8,794,407
Surveying, geological, geochemical and geophysical	287,945	-	-	3,950		291,895
Land maintenance	10,233	593	-	-		10,826
Assessing technical feasibility and commercial viability	119,435	65	-	-		119,500
Balance June 30, 2010	9,194,769	658	-	21,201		9,216,628

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5. Exploration and evaluation assets (continued)

(a) Silver Coin Property

In 2004, the Company entered into an option agreement with Mountain Boy Minerals Ltd. (“Mountain Boy”) whereby the Company can acquire a 51% interest in Mountain Boy’s 100% owned Silver Coin and 55% owned Dauntless projects as well as the 100% owned FR claims (collectively, the “Silver Coin Property”) by spending \$1.75 million on exploration on the Silver Coin Property over a three year period (incurred). In 2006, the Company earned a 51% interest in the Silver Coin Property.

In July 2009, the Company entered into an agreement with Mountain Boy to increase its ownership in the Silver Coin Property to 70% and to purchase land and buildings in Stewart, BC in return for a payment of \$440,000 (paid) of which \$340,000 was allocated to the Silver Coin property and \$100,000 to land and buildings inclusive of goods and services tax. The Company can further increase its ownership to 80% after spending \$4,000,000 on exploration and development expenditures on any or all of the Silver Coin Property and Kansas Property by July 2014. The agreement gives the Company the exclusive right to manage the project through feasibility and also to negotiate on behalf of both parties the sale of the Silver Coin Property and Kansas Property.

(b) Kansas Property and Summit Lake Property

In 2004, the Company entered into an option agreement with Tenajon Resources Corp. (“Tenajon”) whereby the Company earned a 60% interest in Tenajon’s 100% owned Kansas Property by making a cash payment of \$50,000 (\$25,500 paid by the Company and \$24,500 paid by the joint venture partner Mountain Boy) on signing, issuing 77,000 common shares and spending \$1.0 million on exploration and development.

The Kansas Property adjoins the Silver Coin Property. The expenditures incurred on the Kansas Property are included in the Silver Coin Property expenditures and are eligible for the expenditures required for the Silver Coin Property. Pursuant to an option agreement entered into with Mountain Boy in 2004, Mountain Boy will be participating in the Kansas Property and earned a 49% interest in the Company’s 60% interest by making a cash payment of \$24,500 upon the signing of the agreement and issuing to the Company 98,000 shares of Mountain Boy. If the Company elects to put the Kansas Property or any adjoining property into production, Mountain Boy would be reduced to owning 40% of the Company’s interest.

In April 2008, the Company entered into a binding letter agreement whereby the Company purchased Tenajon’s wholly owned subsidiary, 0781639 B.C. Ltd. which holds an undivided 40% ownership interest in the Kansas Property and a 100% ownership interest in the Summit Lake property. Since 0781639 B.C. Ltd.’s only asset is mineral properties and it is not considered a business, the transaction was accounted for as an asset acquisition.

On closing, the Company issued to Tenajon 13,500,000 common shares at a value of \$2,430,000 and incurred related costs totalling \$165,000. The Company also issued 187,500 units with a value of \$37,500 in relation to this acquisition. In addition, the Company reimbursed Tenajon \$15,000 for a reclamation deposit which the Company assumed and \$85,000 for geological and exploration work on the Summit Lake property. The Company was also granted an option to purchase the 3% net smelter royalty (“NSR”) held by Tenajon on the Summit Lake property by paying \$115,000 which the Company declined.

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5. Exploration and evaluation assets (continued)

During 2009, the Company sold the Summit Lake property and transferred the 3% NSR for a cash payment of \$200,000 and wrote off the remaining carrying value of \$136,457 and reclamation deposit of \$15,000.

The July 2009 agreement with Mountain Boy sets the Company's interest in the Kansas Property at 70% with Mountain Boy at 30%. The Company will further increase its ownership to 80% after spending \$4,000,000 on exploration and development expenditures on any or all of the Silver Coin Property and Kansas Property by July 2014.

(c) Surprise Creek

In July 2005, the Company entered into an agreement to acquire a 100% interest in three additional mineral claims in the Surprise Creek area. After assessing the drilling results of the property the Company decided not to proceed with any further programs on the property and as such has written off all expenditures during the year ended December 31, 2008.

In May 2010, the Company optioned the Surprise Creek property to Great Bear Resources Ltd. for consideration of \$150,000 (received) and 700,000 shares (200,000 received) over two years. The Company has reserved the 1.0% net smelter returns royalty of the claims.

Subsequently, in September 2010, the Company sold its 100% interest and title to Surprise Creek property to 0891596 B.C. Ltd. for \$5,000 consideration. All of Great Bear Resources Ltd.'s option obligations are still outstanding and payable to the Company.

6. Capital and reserves

a) Authorized share capital

Authorized share capital comprises an unlimited number of common shares with no par value.

b) Issued share capital

At June 30, 2010 there were 183,152,268 common shares issued and outstanding (91,576,134 - December 31, 2009).

In May 2010, the Company completed a rights offering in which one right was issued for each share held, where each right entitled the holder to acquire an additional common share for \$0.05. A total of 91,576,134 shares were issued raising gross proceeds of \$4,578,807. Share issue costs of \$2,619,774 were incurred. Progress Advanced Holdings Ltd. ("Progress Advanced") agreed to provide a standby commitment under which it would purchase any common shares that were not otherwise subscribed for under the rights offering prior to the expiry time. In consideration, Progress Advanced was granted 22,894,033 warrants where each warrant entitled the company to purchase an additional common share at \$0.05 for a period of six months from the closing. Subsequent to September 30, 2010, the Company was granted permission to extend the term of the warrants. The fair value of these warrants was \$2,387,782 which was accounted for as part of the total share issue costs.

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6. Capital and reserves (continued)

c) Warrants

The continuity of warrants for the period ended June 30, 2010 is as follows:

	June 30, 2010		December 31, 2009	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Warrants outstanding, beginning of period	45,000,000	\$ 0.15	49,481,250	\$ 0.12
Issued	22,894,033	0.05	-	-
Expired	-	-	(4,481,250)	0.62
Warrants outstanding, end of period	<u>67,894,033</u>	\$ 0.12	<u>45,000,000</u>	\$ 0.15

Full share equivalent warrants outstanding and exercisable at June 30, 2010 are as follows:

Description	Number of Full Share Equivalent Warrants	Price Per Share	Expiry Date
Warrants	45,000,000	\$ 0.15	December 18, 2010
Warrants	<u>22,894,033</u>	\$ 0.05	December 31, 2010
	<u>67,894,033</u>		

The continuity of full share equivalent agent options for the period ended June 30, 2010 is as follows:

	June 30, 2010		December 31, 2009	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Agent options outstanding, beginning of period	-	\$ -	750,250	\$ 0.37
Expired	-	-	(750,250)	0.37
Agent options outstanding, end of period	<u>-</u>	\$ -	<u>-</u>	\$ -

There were no activities with respect to agent options for the nine months ended June 30, 2010.

d) Share purchase option compensation plan

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, may not exceed 10% of the Company's issued shares. The maximum term of any option will be five years and the vesting is at the direction of the Company, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than ¼ of the options vesting in any three month period. The exercise price shall be no less than the greater of \$0.10 per share and the last closing price of the Company's shares.

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6. Capital and reserves (continued)

The continuity of stock options for the period ended June 30, 2010 is as follows:

	June 30, 2010		December 31, 2009	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Options outstanding, beginning of period	915,000	\$ 0.27	1,030,000	\$ 0.45
Granted	12,250,000	0.20	550,000	0.15
Expired	(50,000)	0.50	(110,000)	0.66
Cancelled	-	-	(555,000)	0.44
Options outstanding, end of period	<u>13,115,000</u>	0.20	<u>915,000</u>	0.27
Options exercisable, end of period	<u>13,115,000</u>	\$ 0.20	<u>890,000</u>	\$ 0.27

The options outstanding and exercisable at June 30, 2010 are as follows:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Weighted Average Exercise Price
\$0.15-\$0.39	12,820,000	\$ 0.20	4.76	12,820,000	\$ 0.20
\$0.40-\$0.59	255,000	0.40	2.26	255,000	0.40
\$0.60-\$0.95	40,000	0.95	0.44	40,000	0.95
	<u>13,115,000</u>	\$ 0.27	1.68	<u>13,115,000</u>	\$ 0.27

On June 2, 2010, the Company granted 12,250,000 stock options to certain directors, officers and consultants of the Company. The options are exercisable for 5 years at an exercise price of \$0.20 per share.

During the six-month period ended June 30, 2010 the Company recognized \$1,631,018 (2009 - \$64,757) of stock-based compensation expense. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	<u>2010</u>	<u>2009</u>
Risk-free interest rate	2.65%	1.28%
Dividend yield	Nil	Nil
Expected volatility	111%	182%
Expected option life	5.0 years	2.0 years

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of fair value of the Company's stock options and warrants at the date of the grant or thereafter.

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7. Related party transactions and balances

(a) Related party expenses

The Company incurred the following expenses with these companies controlled by directors for management consulting services and geological consulting services. During the year ended December 31, 2009, renewed June 2010, pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and one of Baron's employees will act as Chief Financial Officer in return for a monthly fee of \$10,000. The Company has recorded in the year ended December 31, 2009 \$90,000 in consulting fees, \$19,500 in management fees, \$9,000 in rent and \$1,500 in office expense to Baron. The Company recorded \$60,000 in consulting fees for the period ended June 30, 2009 and for the six months ended June 30, 2010 \$39,000 in management fees, \$18,000 in rent and \$3,000 in office expense.

In June 2010, the Company entered into agreements with related parties to provide the following services:

	Monthly Fee \$	Service Provided
Baron Global Financial Canada Ltd.	10,000	Corporate advisor
Robert Perry Consulting LLP	US\$10,000	Geological services
TransMax Investing	10,000	Management

Related party expenses for the six months ended June 30, 2010	Management Services	Consulting and Advisory Services	Capitalized Technical Services Fees	Share-based Payments
	\$	\$	\$	\$
Lawrence A. Dick Consulting Ltd. (1)	18,000	-	18,000	-
TransMax Investing (2)	10,000	-	-	-
Robert Perry Consulting LLC (3)	-	-	50,449	-
Robert Felder (4)	-	-	-	-
Baron Global Financial Canada Ltd. (5)	39,000	21,000	-	239,580
Baron Capital Ltd.	-	411,000	-	-
Progress Advanced Holdings Ltd. (6)	-	-	-	2,384,782
Letty Wan	-	-	-	239,580
David Eaton	-	-	-	239,580
Ringo Hui	-	-	-	239,580
Herrick Lau	-	-	-	66,550
Robert Perry	-	-	-	66,550
William Ng	-	-	-	33,275
Andrew Cheng	-	-	-	33,275
Robert Wolfe	-	-	-	33,275
Lawrence Dick	-	-	-	79,860
Six months ended June 30, 2009				
Lawrence A. Dick Consulting Ltd. (1)	-	3,450	41,055	-
Bromley Resources Ltd. (7)	35,000	-	-	-

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7. Related party transactions and balances (continued)

- (1) Lawrence A. Dick Consulting Ltd., a private company controlled by Lawrence Dick, a former CEO and director of the Company
- (2) TransMax Investing, a private company controlled by David Eaton, CEO and director of the Company
- (3) Robert Perry Consulting LLC, a private company controlled by Robert Perry, an officer and director of the Company
- (4) Robert Felder, president of the Company
- (5) Baron Global Financial Canada Ltd. employs the CFO of the Company
- (6) Progress Advanced Holdings Ltd. is controlled by the Chairman and director of the Company
- (7) Bromley Resources Ltd., a private company controlled by Paul Saxton, a former CEO and director of the Company.

Subsequently, the Company entered into an agreement with Robert Felder to provide management and geological services for US\$13,000 per month.

(b) Related party payables

Included in payables is an amount of \$14,147 at June 30, 2010 (December 31, 2009 - \$220) owed to directors and officers of the Company.

8. Loss per share

The calculation of the basic and diluted loss per share for the periods presented is based on the following data:

	Six months ended	
	June 30,	
	2010	2009
Net Loss	(3,047,693)	(530,380)
Weighted average number of common shares outstanding	153,485,000	141,527,000
	(0.02)	(0.00)

9. Supplemental cash flow information

Non-cash financing and investing activities included the following:

	June 30,	June 30,
	2010	2009
Investments held in short term received for mineral property interests	\$ 77,000	\$ -
Warrants issued for standby commitment	\$ 2,384,782	\$ -
Mineral property expenditures included in accounts payable	\$ 8,455	\$ 125,789

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10. Commitments and contingencies

- (a) During 2005, the Company entered into a Cooperation Agreement with Gold Mountain (H.K.) International Mining Co. Ltd. (“Gold Mountain”) a Hong Kong based subsidiary of Zijin Mining Group Co. Ltd. (“Zijin”), a gold and copper producer in China. This Cooperation Agreement was entered as part of Gold Mountain’s 2005 investment of \$1,950,000 in the Company.

Under the Cooperation Agreement, Gold Mountain and Zijin agree to offer and select as yet undetermined projects in China to the Company for joint venture. Also under the Cooperative Agreement, the Company agrees to offer Zijin a right of first refusal to participate in any projects located in China held at the time of the Cooperative Agreement. Zijin may also arrange to have suitable professionals join the Company’s project team at the Company’s cost.

- (b) In August 2009, the Company entered into a service agreement with the former president, whereby the Company agreed to pay a monthly fee of \$6,125 for a term of 2 years in return for transitional consulting.
- (c) In June 2010, the Company entered into a consulting agreement with James Andrew & Company to provide corporate affairs services for a monthly fee of \$6,000 for a term of twelve months.
- (d) In June 2010, the Company entered into an agreement with Lacroix & Associates to provide geotechnical consulting services for a monthly fee of \$10,000 for a term of six months.
- (e) In June 2010, the Company entered into an agreement with Larry A. Dick Consulting Ltd. to provide geological consulting for a monthly fee of \$3,000.
- (f) Subsequently, in September 2010, the Company signed a lease agreement for a residential apartment for a term of 2 years at \$2,100 per month.

11. Financial instruments

(a) Categories of financial instruments

The Company’s financial instruments are classified as follows:

	As at June 30, 2010	December 31, 2009
	\$	\$
Available-for-sale	138,156	37,622
Loans and receivables	3,411,328	854,228
Financial liabilities not at fair value through profit and loss	480,306	122,963

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11. Financial instruments (continued)

(b) Fair value

Except for available-for-sale financial assets, the fair value of all the financial instruments of the Company approximates their carrying value because of the demand nature or short-term maturity of these instruments.

The fair value of available-for-sale financial assets is determined by prices from observable current market transactions.

(c) Financial risk management objectives and policies

The Company's financial instruments include cash, investments, trade and other receivables, and payables and accruals. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company's operations in Mexico exposed the Group to exchange rate fluctuations. The Company is in the process of withdrawing from Mexico and has significantly reduced its operations as at December 31, 2009 and September 30, 2010. The Company does not enter into derivative financial instruments to mitigate this risk but the Company does not believe its net exposure to foreign exchange risk is significant.

The carrying amounts of the Company's foreign currency denominated monetary assets as at December 31, 2009 and June 30, 2010 were \$9,950 and \$306,437.

The following table details the Company's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign currency denominated monetary items above. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the Canadian dollar. The opposite number will result if the foreign currencies depreciated against the Canadian dollar.

	Six Months Ended	
	June 30,	
	2010	2009
Loss for the period	\$ 2,416	\$ (7,943)

(ii) Credit risk

The Company's cash is held in large Canadian and Hong Kong financial institutions. The Company does not have any asset-backed commercial paper. At June 30, 2010 the Company's receivables consist mainly of GST receivable due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to its financial instruments is minimal.

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Notes to the Condensed Consolidated Interim Financial Statements

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11. Financial instruments (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest bearing financial obligations or assets.

(iv) Liquidity risk

The Company has net current assets amounted to \$3,302,186 at June 30, 2010 and is exposed to liquidity risk of being able to raise sufficient funds to meet its financial obligations when they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(v) Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metal prices to determine the appropriate course of action to be taken by the Company.

The Company's investments are subject to ongoing fair value fluctuations from changes in equity and commodity markets.

12. Management of capital risk

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short term maturities, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating period.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

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12. Management of capital risk (continued)

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 3,371,328	\$ -	\$ -	\$ 3,371,328
Marketable securities	138,156	-	-	138,156
	\$ 3,509,484	\$ -	\$ -	\$ 3,509,484

13. Transition to International Financial Reporting Standards

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied as follows:

- in preparing the condensed consolidated interim financial statements for the six months ended June 30, 2010;
- the comparative information for the six months ended June 30, 2009;
- the statement of financial position as at December 31, 2009; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2007.

In preparing the opening IFRS statement of financial position, comparative information for the six months ended June 30, 2009 and the financial statements for the year ended December 31, 2009, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP ("CAGAAP").

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13. Transition to International Financial Reporting Standards (continued)

Below is the Company's Consolidated Statement of Financial Position as at the transition date January 1, 2007 under IFRS.

As at January 1, 2007

Assets	
Non-current assets	
Exploration and evaluation assets	\$ 4,340,703
Property and equipment	24,969
Environmental reclamation deposits	15,000
Total non-current assets	4,380,672
Current assets	
Prepaid expenses and deposits	30,942
Investments	158,587
Receivables	298,729
Cash held in trust	932,066
Cash and cash equivalents	2,650,661
Total current assets	4,070,985
	\$ 8,451,657
EQUITY	
Share capital	\$ 21,556,288
Reserves	916,463
Accumulated other comprehensive income	9,902
Accumulated deficit	(14,182,028)
Total equity	8,300,625
LIABILITIES	
Current liabilities	
Payables and accruals	151,032
Total current liabilities	151,032
Total equity and liabilities	\$ 8,451,657

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13. Transition to International Financial Reporting Standards (continued)

The consolidated financial information prepared under IFRS and that prepared under Canadian GAAP for periods beginning on January 1, 2007 have the following major differences:

- (i) As disclosed in Note 5, the Company purchased Tenajon's wholly-owned subsidiary, 0781639 B.C. Ltd. which holds an undivided 40% ownership in the Kansas Property and a 100% ownership interest in the Summit Lake property. Under IFRS, the deferred income tax liability that arose from this transaction, which was not a business combination, should not be recognized. Canadian GAAP requires the recognition of the deferred income tax liability and an adjustment to the carrying value of the asset purchased by the same amount.
- (ii) Under IFRS, all financial instruments categorized as available for sale are re-valued to fair value. Canadian GAAP implemented a requirement of fair valuation which was only effective for the financial years beginning after October 1, 2006.
- (iii) Under IFRS, share-based payment transactions which are subject to graded vesting should have the separate tranches valued and amortized over the respective vesting periods separately as if each tranche was a separate award. Canadian GAAP allows the entire award to be valued together and to be amortized on a straight-line basis over the vesting time of the entire award.
- (iv) Under IFRS, flow-through instruments are accounted for as combined instruments comprising a liability component and an equity instrument upon issuance of the flow-through instruments. Upon renunciation of the expenditures for Canadian income tax purposes, the liability is reversed and a taxable temporary difference is recorded. Under Canadian GAAP flow-through instruments are accounted for as equity instruments only. Upon renunciation of the expenditures for Canadian tax purposes, a taxable temporary difference effected at the issuer's applicable tax rate is recorded and charged to equity as cost of issuance of flow-through instruments.

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13. Transition to International Financial Reporting Standards (continued)

	January 1,		December 31,	
	2007	2007	2008	2009
Total assets under Canadian GAAP	\$ 8,441,755	\$ 9,415,124	\$ 12,554,837	\$ 10,670,289
Adjustments for different accounting treatments:				
(i) Adjustment for deferred income tax liability	-	-	(925,000)	(925,000)
(ii) Unrealized gain on available-for-sale investments	9,902	-	-	-
(iii) Other adjustment for exploration and evaluation assets	-	-	-	92,500
Total assets under IFRS	\$ 8,451,657	\$ 9,415,124	\$ 11,629,837	\$ 9,837,789
Total liabilities under Canadian GAAP	\$ 151,032	\$ 443,291	\$ 1,427,408	\$ 922,963
Adjustments for different accounting treatments:				
(i) Adjustment for deferred income tax liability	-	-	(925,000)	(800,000)
(iv) Adjustment for flow-through instruments	-	680,000	-	-
Total liabilities under IFRS	\$ 151,032	\$ 1,123,291	\$ 502,408	\$ 122,963
Total equity under Canadian GAAP	\$ 8,290,723	\$ 8,971,833	\$ 11,127,429	\$ 9,747,326
Adjustments for different accounting treatments:				
(i) Adjustment for deferred income tax liability	-	-	-	(125,000)
(ii) Unrealized gain on available-for-sale investments	9,902	-	-	-
(iv) Adjustment for flow-through instruments	-	(680,000)	-	-
(iii) Other adjustment for exploration and evaluation assets	-	-	-	92,500
Total equity under IFRS	\$ 8,300,625	\$ 8,291,833	\$ 11,127,429	\$ 9,714,826

	Years ended December 31,			Six Months Ended June 30,
	2007	2008	2009	2009
	\$	\$	\$	\$
				(unaudited)
Loss for the year under Canadian GAAP	(1,613,687)	(2,811,635)	(1,661,307)	(518,796)
Adjustments for different accounting treatments:				
(i) Adjustment for deferred income tax liability	-	-	(125,000)	-
(iii) Adjustment on share-based compensation	73,487	9,308	(59)	(109)
(iv) Adjustment for flow-through instruments	(65,945)	30,000	-	-
(?) Other adjustments				
- Adjustment for impairment loss of available-for-sale investments	(175,997)	(183,594)	-	-
- Adjustment for reversal of unrealized loss on sale of available-for-sale investments	-	39,863	193,933	-
- Adjustment for exploration and evaluation assets	-	-	92,500	-
Loss for the year under IFRS	(1,782,142)	(2,916,058)	(1,499,933)	(518,905)

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14. Subsequent events

- a) See Note 5 Surprise Creek
- b) In September 2010, the Company signed an agreement with Robert Felder to provide management and geological services for a monthly fee of US\$13,000.
- c) On November 4, 2010, the Company received conditional approval from the Toronto Stock Exchange (“TSX”) to list on the TSX. Upon receiving final approval the Company’s shares will continue to trade under the symbol “JDN”.