

JAYDEN RESOURCES INC.
(formerly Pinnacle Mines Ltd.)

Condensed Consolidated Interim Financial Statements

First Quarter Ended March, 2011

(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 three months ended March 31, 2011 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 Comprehensive Income

| | Notes | Three Months Ended March 31, | |
|---|-------|---------------------------------|------------------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| Revenue | 4 | - | - |
| Other revenue and net income | 4 | 2,265 | 13,176 |
| Administrative expenses | 5 | (648,023) | (311,290) |
| Other operating expenses | 6 | (29,296) | (4,493) |
| Loss before income tax | | (675,054) | (302,607) |
| Loss for the period, attributable to the owners of the Company | | (675,054) | (302,607) |
| Other comprehensive income, including reclassification adjustments | | | |
| Gain (loss) on change in fair value of available-for-sale investments | | (9,049) | 13,544 |
| | | (9,049) | 13,544 |
| Total comprehensive income for the period, attributable to the owners of the Company | | (684,103) | (289,063) |
| Loss per share for loss attributable to the owners of the Company | | | |
| - Basic and diluted | 7 | (0.0370) | (0.0021) |

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Condensed Consolidated Interim Statements of Financial Position

| The Group | Notes | At March 31, 2011 | At December 31, 2010 |
|---|-------|----------------------|-------------------------|
| | | \$ | \$ |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 105,199 | 106,493 |
| Exploration and evaluation assets | 9 | 10,430,849 | 10,254,222 |
| Deposits | | 97,300 | 40,000 |
| | | 10,633,348 | 10,400,715 |
| Current assets | | | |
| Other receivables | | 60,137 | 95,645 |
| Prepaid expenses and deposits | | 511,286 | 415,742 |
| Available-for-sale investments | 10 | 33,107 | 119,156 |
| Cash and cash equivalents | | 885,824 | 424,549 |
| | | 1,490,354 | 1,055,092 |
| Current liabilities | | | |
| Amount due to a director | 11 | 18,952 | 130 |
| Amounts due to related companies | 11 | 141,477 | 36,043 |
| Payables and accruals | | 513,155 | 433,413 |
| | | 673,584 | 469,586 |
| Net current assets | | 816,770 | 585,506 |
| Total assets less current liabilities | | 11,450,118 | 10,986,221 |
| Net assets | | 11,450,118 | 10,986,221 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 12 | 29,658,044 | 29,658,044 |
| Share subscription received | 12 | 1,148,000 | |
| Reserves | 13 | (19,355,926) | (18,671,823) |
| Total equity | | 11,450,118 | 10,986,221 |

These consolidated financial statements are authorized for issue by the Board of Directors on May 16, 2011. 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 Interim Statements of Financial Position

| The Company | Notes | At March 31, 2011 | At December 31, 2010 |
|--|-------|----------------------|-------------------------|
| | | \$ | \$ |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 14,016 | 14,754 |
| Interests in subsidiaries | | 9,577,427 | 9,577,427 |
| | | 9,591,443 | 9,592,181 |
| Current assets | | | |
| Other receivables | | 42,944 | 43,998 |
| Prepaid expenses and deposits | | 447,615 | 415,608 |
| Available-for-sale investments | 10 | 33,107 | 119,156 |
| Cash and cash equivalents | | 883,532 | 417,431 |
| | | 1,407,198 | 996,193 |
| Current liabilities | | | |
| Amount due to a director | 11 | 6,746 | 130 |
| Amounts due to related companies | 11 | 141,477 | 22,051 |
| Payables and accruals | | 445,490 | 421,207 |
| | | 593,713 | 443,388 |
| Net current assets | | 813,485 | 552,805 |
| Total assets less current liabilities | | 10,404,928 | 10,144,986 |
| Net assets | | 10,404,928 | 10,144,986 |
| EQUITY | | | |
| Share capital | 12 | 29,658,044 | 29,658,044 |
| Share subscription received | 12 | 1,148,000 | - |
| Reserves | 13 | (20,401,116) | (19,513,058) |
| Total equity | | 10,404,928 | 10,144,986 |

Jayden Resources Inc.

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Condensed Consolidated Interim Statements of Changes in Equity

| | Shares | | Share Subscriptions Received | Share-based compensation reserve | Fair value reserve for available-for-sale investments | Accumulated losses | Total |
|--|------------------|------------|------------------------------|----------------------------------|---|--------------------|-------------|
| | Number of shares | Amount | | | | | |
| | | \$ | | \$ | \$ | \$ | \$ |
| At December 31, 2009 and January 1, 2010 | 91,576,134 | 28,763,299 | - | 169,565 | 22,573 | (19,240,611) | 9,714,826 |
| Rights offering, net of share issue costs of \$3,684,062 | 91,576,134 | 894,745 | - | 3,449,070 | - | - | 4,343,815 |
| Share-based payments | - | - | - | 1,631,018 | - | - | 1,631,018 |
| Lapse of share options | - | - | - | (62,600) | - | 62,600 | - |
| Transactions with owners | 91,576,134 | 894,745 | - | 5,017,488 | - | 62,600 | 5,974,833 |
| Loss for the year | - | - | - | - | - | (4,707,972) | (4,707,972) |
| Other comprehensive income | | | | | | | |
| Gain on change in fair value of available-for-sale investments | - | - | - | - | 4,534 | - | 4,534 |
| Total comprehensive income for the year | - | - | - | - | 4,534 | (4,707,972) | (4,703,438) |
| At December 31, 2010 | 183,152,268 | 29,658,044 | | 5,187,053 | 27,107 | (23,885,983) | 10,986,221 |
| Warrant subscription received | - | - | 1,148,000 | - | - | - | 1,148,000 |
| Transactions with owners | 183,152,268 | 29,658,044 | 1,148,000 | 5,187,053 | 27,107 | (23,885,983) | 12,134,221 |
| Loss for the period | - | - | - | - | - | (675,054) | (675,054) |
| Other comprehensive income | | | | | | | |
| Loss on change in fair value of available-for-sale investments | - | - | - | - | (9,049) | - | (9,049) |
| Total comprehensive income for the period | - | - | - | - | (9,049) | (675,054) | (684,103) |
| At March 31, 2011 | 183,152,268 | 29,658,044 | 1,148,000 | 5,187,053 | 18,058 | (24,561,037) | 11,450,118 |

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Condensed Consolidated Interim Statements of Cash Flows

| | | Three months ended March 31, | |
|--|-------|------------------------------|------------------|
| | Notes | 2011 | 2010 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Loss for the year before income tax | | (675,054) | (302,607) |
| Adjustments for: | | | |
| Depreciation | 8 | 1,294 | 1,806 |
| Bank interest income | | (2,265) | (8,676) |
| Loss on disposal of available-for-sale investments | 9 | 29,296 | - |
| Share-based payments | | - | 701 |
| Provision for impairment loss of property, plant and equipment | 8 | - | 4,493 |
| Operating loss before working capital changes | | (646,729) | (304,283) |
| (Increase)/decrease in other receivables | | 35,508 | (11,888) |
| Increase in prepaid expenses and deposits | | (95,544) | (153,251) |
| (Decrease)/increase in amount due to a director | | 18,822 | (220) |
| Increase in amounts due to related companies | | 105,434 | 175 |
| Increase in payables and accruals | | 38,276 | 126,603 |
| Net cash used in operating activities | | (544,233) | (342,864) |
| Cash flows from investing activities | | | |
| Exploration and evaluation assets expenditures | | (135,161) | (160,980) |
| Proceeds from disposal of available-for-sale investments | | 47,704 | - |
| Deposits paid | | (57,300) | - |
| Interest received | | 2,265 | 8,676 |
| Net cash used in investing activities | | (142,492) | (152,304) |
| Cash flow from financing activity | | | |
| Proceeds from warrant subscription received | | 1,148,000 | - |
| Net cash generated from financing activity | | 1,148,000 | - |
| Net decrease in cash and cash equivalents | | 461,275 | (495,168) |
| Cash and cash equivalents at the beginning of the period | | 424,549 | 814,228 |
| Cash and cash equivalents at the end of the period | | 885,824 | 319,060 |
| Analysis of balances of cash and cash equivalents: | | | |
| Cash and bank balances | | 868,574 | 319,060 |
| Cashable guaranteed investment certificates | | 17,250 | - |
| | | 885,824 | 319,060 |

Jayden Resources Inc.

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(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

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. On December 9, 2010, the Company graduated from the TSX Venture Exchange to the TSX Exchange (“TSE”) where the shares are traded under the symbol JDN. The Company, together with its subsidiaries (collectively referred to as the “Group”), is principally engaged in the business of acquiring, exploring and developing interests in mining projects. To date, the Group has not generated revenues from its principal activities and is considered to be in the exploration stage.

The Group 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 Group’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 head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. The registered and records office are located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for complete financial statements for year end reporting purposes. Results for the period ended March 31, 2011 are not necessarily indicative of future results.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its most recent annual consolidated financial statements as at and for the year ended December 31, 2010 as filed on SEDAR at www.sedar.com.

(b) Significant accounting judgements and estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Jayden Resources Inc.

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(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

2. Basis of presentation (continued)

Depreciation

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets. The Group depreciates its property, plant and equipment in accordance with the accounting policies. The carrying amount of the property, plant and equipment is disclosed in Note 8.

Asset retirement obligations

The Group recognises the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Group's interpretation of current regulatory requirements. Based on the assessment, the Group did not have any significant asset retirement obligations at the reporting dates.

Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Exploration and evaluation assets

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account the current economic environment, the management reviews the developing projects and exploration plans and confirms that there is no indicator for impairment on the exploration and evaluation assets of the Group at the reporting dates.

Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value below its cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

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.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

2. Basis of presentation (continued)

- (c) Accounting standards, interpretations and amendments to existing standards that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 7 (Amendment), Enhanced disclosure on transfer of financial assets: effective for annual accounting periods beginning on or after July 1, 2011;
- IFRS 9, *Financial Instruments*: effective for annual accounting periods commencing on or after January 1, 2013;
- IFRS 12 (Amendment), Recovery of underlying assets measured using a fair value method: effective for annual accounting periods beginning on or after January 1, 2012; and
- IAS 32 (Amendment), Classification of rights issues: effective for annual accounting periods beginning on or after February 1, 2010.

The Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Company.

3. Segmented information

The Group operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. All of the Group's assets are held within Canada. The Group regards it as the single business segment and no segment information is presented.

4. Revenue and other revenue and other income

The Group did not derive any revenue from its principal activity during the three months ended March 31, 2011 and 2010. Other revenue recognized during the periods is as follows:

| | Three Months ended March 31, | |
|----------------------|------------------------------|---------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Other revenue | | |
| Bank interest income | 15 | 8,676 |
| Other income | 2,250 | 4,500 |
| | <u>2,265</u> | <u>13,176</u> |

Jayden Resources Inc.

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(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

5. Administrative expenses

| | Three Months ended March 31, | |
|-------------------------------------|------------------------------|---------|
| | 2011 | 2010 |
| | \$ | \$ |
| Depreciation | 1,294 | 1,806 |
| Consultant fees | 55,800 | 44,650 |
| Corporate administration | 99,868 | 46,404 |
| Net foreign exchange gain | 650 | 15 |
| Investor relations | 70,565 | 39,266 |
| Professional fees | 277,780 | 124,433 |
| Regulatory and shareholder services | 38,280 | 25,515 |
| Staff costs | | |
| - Salaries and wages | 16,142 | - |
| - Management fees | 87,644 | 28,500 |
| | 103,786 | 28,500 |
| Share-based payments to consultants | - | 701 |
| | 648,023 | 311,290 |

6. Other operating expenses

| | Three Months ended March 31, | |
|--|------------------------------|-------|
| | 2011 | 2010 |
| | \$ | \$ |
| Provision for impairment loss of property, plant and equipment | - | 4,493 |
| Loss on disposal of available-for-sale investments | 29,296 | - |
| | 29,296 | 4,493 |

7. Loss per share

The calculation of the basic loss per share for the three months ended March 31, 2011 and 2010 is presented based on the following data:

| | Three Months ended March 31, | |
|--|------------------------------|-------------|
| | 2011 | 2010 |
| Loss attributable to the owners of the Company (\$) | (675,054) | (302,607) |
| Weighted average number of shares in issue during the period | 183,317,692 | 141,943,000 |
| Loss per share for loss attributable to the owners of the Company during the period | (0.0037) | (0.0021) |

Diluted loss per share for the periods ended March 31, 2011 and 2010 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

8. Property and equipment

| The Group | Other equipment | Software | Mining equipment | Building | Land | Total |
|---|--------------------|----------|---------------------|-----------|-----------|------------|
| Cost | | | | | | |
| At January 1, 2010 | \$ 24,597 | \$ 4,145 | \$ 6,934 | \$ 59,100 | \$ 36,138 | \$ 130,914 |
| Additions | 3,799 | - | - | - | - | 3,799 |
| Disposals | - | - | (6,934) | - | - | (6,934) |
| At December 31, 2010 | 28,396 | 4,145 | - | 59,100 | 36,138 | 127,779 |
| Additions | - | - | - | - | - | - |
| At March 31, 2011 | \$ 28,396 | \$ 4,145 | \$ - | \$ 59,100 | \$ 36,138 | \$ 127,779 |
| Accumulated depreciation and impairment losses | | | | | | |
| At January 1, 2010 | \$ 10,430 | \$ 2,071 | \$ 2,441 | \$ 1,182 | \$ - | \$ 16,124 |
| Charge for the year | 3,212 | 2,074 | - | 2,317 | - | 7,603 |
| Impairment loss | - | - | (2,441) | - | - | (2,441) |
| At December 31, 2010 | 13,642 | 4,145 | - | 3,499 | - | 21,286 |
| Charge for the period | 738 | - | - | 556 | - | 1,294 |
| At March 31, 2011 | \$ 14,380 | \$ 4,145 | \$ - | \$ 4,055 | \$ - | \$ 22,580 |
| Net book value | | | | | | |
| At December 31, 2009 | \$ 14,167 | \$ 2,074 | \$ 4,493 | \$ 57,918 | \$ 36,138 | \$ 114,790 |
| At December 31, 2010 | \$ 14,754 | \$ - | \$ - | \$ 55,601 | \$ 36,138 | \$ 106,493 |
| At March 31, 2011 | \$ 14,016 | \$ - | \$ - | \$ 55,045 | \$ 36,138 | \$ 105,199 |

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

8. Property and equipment (continued)

| <u>The Company</u> | Other equipment | Software | Mining equipment | Building | Land | Total |
|---|--------------------|----------|---------------------|-----------|-----------|------------|
| Cost | | | | | | |
| At January 1, 2010 | \$ 24,597 | \$ 4,145 | \$ 6,934 | \$ 59,100 | \$ 36,138 | \$ 130,914 |
| Additions | 3,799 | - | - | - | - | 3,799 |
| Transferred to subsidiary | - | - | - | (59,100) | (36,138) | (95,238) |
| Disposals | - | - | (6,934) | - | - | (6,934) |
| At December 31, 2010 | 28,396 | 4,145 | - | - | - | 32,541 |
| Additions | - | - | - | - | - | - |
| At March 31, 2011 | \$ 28,396 | \$ 4,145 | \$ - | \$ - | \$ - | \$ 32,541 |
| Accumulated depreciation and impairment losses | | | | | | |
| At January 1, 2010 | \$ 10,430 | \$ 2,071 | \$ 2,441 | \$ 1,182 | \$ - | \$ 16,124 |
| Charge for the year | 3,212 | 2,074 | - | 1,158 | - | 6,444 |
| Transferred to subsidiary | - | - | - | (2,340) | - | (2,340) |
| Impairment loss | - | - | (2,441) | - | - | (2,441) |
| At December 31, 2010 | 13,642 | 4,145 | - | - | - | 17,787 |
| Charge for the period | 738 | - | - | - | - | 738 |
| At March 31, 2011 | \$ 14,380 | \$ 4,145 | \$ - | \$ - | \$ - | \$ 18,525 |
| Net book value | | | | | | |
| At December 31, 2009 | \$ 14,167 | \$ 2,074 | \$ 4,493 | \$ 57,918 | \$ 36,138 | \$ 114,790 |
| At December 31, 2010 | \$ 14,754 | \$ - | \$ - | \$ - | \$ - | \$ 14,754 |
| At March 31, 2011 | \$ 14,016 | \$ - | \$ - | \$ - | \$ - | \$ 14,016 |

Jayden Resources Inc.

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(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

9. Exploration and evaluation assets

The exploration and evaluation assets of the Group are all located in Canada and are comprised as follows:

| <u>Canada</u> | Silver Coin and | | | Total |
|---|-----------------|----------------|--------|------------|
| | Kansas | Surprise Creek | Other | |
| | \$ | \$ | \$ | \$ |
| At December 31, 2009 and January 1, 2010 | 8,777,156 | - | 17,251 | 8,794,407 |
| Surveying, geological, geochemical and geophysical | 702,528 | - | 3,950 | 706,478 |
| Exploratory drilling | 363,115 | - | - | 363,115 |
| Land maintenance | 19,443 | 593 | - | 20,036 |
| Sampling | 49,901 | - | - | 49,901 |
| Assessing technical feasibility and commercial viability | 320,878 | 65 | - | 320,943 |
| Sale of mineral property | - | (658) | - | (658) |
| At December 31, 2010 | 10,233,021 | - | 21,201 | 10,254,222 |
| Surveying, geological, geochemical and geophysical | 63,847 | - | 1,200 | 65,047 |
| Exploratory drilling | - | - | - | - |
| Land maintenance | 6,970 | - | - | 6,970 |
| Sampling | 9,327 | - | - | 9,327 |
| Assessing technical feasibility and commercial viability | 95,283 | - | - | 95,283 |
| At March 31, 2011 | 10,408,448 | - | 22,401 | 10,430,849 |

10. Available-for-sale investments

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

| | <u>Fair Value</u> |
|----------------------------|-------------------|
| December 31, 2010 | |
| Mountain Boy Minerals Ltd. | \$ 48,156 |
| Great Bear Resources Ltd. | 71,000 |
| | <u>\$ 119,156</u> |
| March 31, 2011 | |
| Mountain Boy Minerals Ltd. | \$ 33,107 |

The fair values of the above investments have been determined by reference to their quoted bid prices at the respective reporting dates.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

11. Amounts due to related companies/directors

| The Group | Notes | As at | |
|---|-------|-------------------|----------------------|
| | | March 31, 2011 | December 31, 2010 |
| | | \$ | \$ |
| Amounts due to related companies | | | |
| - Felder Geoscience Ltd. | 1 | 15,780 | - |
| - Robert Perry Consulting LLC | 2 | 12,207 | 13,992 |
| - Baron Capital Limited | 3 | 125,697 | 53 |
| - TransMax Investing | 4 | 5,260 | - |
| - Other related parties | | 1,485 | 21,998 |

| The Company | | As at | |
|---|---|-------------------|----------------------|
| | | March 31, 2011 | December 31, 2010 |
| | | \$ | \$ |
| Amounts due to related companies | | | |
| - Felder Geoscience Ltd. | 1 | 15,780 | - |
| - Baron Capital Limited | 2 | 125,697 | 53 |
| - TransMax Investing | 3 | 5,260 | - |
| - Other related parties | | 1,485 | 21,998 |

The amounts due to related companies and directors are unsecured, interest free and repayable on demand.

- (1) Felder Geoscience Ltd., a private company controlled by Robert Felder, an officer of the Company.
- (2) Robert Perry Consulting LLC, a private company controlled by Robert Perry, a director of the Company.
- (3) A director of Baron Capital Limited is a close family member of Ms. Letty Wan, a director of the Company.
- (4) TransMax Investing, a private company controlled by David Eaton, a director of the Company.

12. Share capital

a) Authorized share capital

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

b) Issued share capital

At March 31, 2011 and December 31, 2010 there were 183,152,268 common shares issued and outstanding.

In the three months ended March 31, 2011, the Company received \$1,148,000 for shares that have not been issued at March 31, 2011.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

12. Share capital (continued)

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 \$3,684,062 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, subsequently extended to April 30, 2011. The fair value of these warrants was \$3,449,070 which was accounted for as part of the total share issue costs.

13. Reserves

The Group

Details of the Group’s reserves are set out in the consolidated statements of changes in equity.

| The Company | Share-based compensation reserve | Fair value reserve for available-for- sale investments | Accumulated losses | Total |
|---|--|--|-----------------------|--------------|
| | \$ | \$ | \$ | \$ |
| At December 31, 2009 and January 1, 2010 | 169,565 | 22,573 | (19,250,561) | (19,058,423) |
| Rights offering | 3,449,070 | - | - | 3,449,070 |
| Share-based payments | 1,631,018 | - | - | 1,631,018 |
| Lapse of share options | (62,600) | - | 62,600 | - |
| Transactions with owners | 5,017,488 | - | 62,600 | 5,080,088 |
| Loss for the year | - | - | (5,539,257) | (5,539,257) |
| Other comprehensive income | | | | |
| Gain on change in fair value of available-for-sale investments | - | 4,534 | - | 4,534 |
| Total comprehensive income for the year | - | 4,534 | (5,539,257) | (5,534,723) |
| At December 31, 2010 | 5,187,053 | 27,107 | (24,727,218) | (19,513,058) |
| Loss for the period | - | - | (879,009) | (879,009) |
| Other comprehensive income | | | | |
| Loss on change in fair value of available-for-sale investments | - | (9,049) | - | (9,049) |
| Total comprehensive income for the period | 5,187,053 | 18,058 | (879,009) | (888,058) |
| At March 31, 2011 | 5,187,053 | 18,058 | (25,606,227) | (20,401,116) |

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

14. Share-based payments

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 ten 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.

Share options and weighted average exercise price for the respective periods is as follows:

| | March 31, 2011 | | December 31, 2010 | |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Options outstanding, beginning of period | 13,075,000 | \$ 0.20 | 915,000 | \$ 0.27 |
| Granted | - | \$ - | 12,250,000 | \$ 0.20 |
| Expired | - | \$ - | (90,000) | \$ 0.70 |
| Forfeited | - | \$ - | - | \$ - |
| Options outstanding, end of period | <u>13,075,000</u> | \$ 0.20 | <u>13,075,000</u> | \$ 0.20 |
| Options exercisable, end of period | <u>13,075,000</u> | \$ 0.20 | <u>13,075,000</u> | \$ 0.20 |

The following table summarizes information about stock options outstanding and exercisable at March 31, 2011.

| Options outstanding | | | Options exercisable | |
|--------------------------------------|--------------------|----------------|--------------------------------------|----------------|
| Number outstanding at March 31, 2011 | Expiry date | Exercise price | Number exercisable at March 31, 2011 | Exercise price |
| 255,000 | October 2, 2012 | \$ 0.40 | 255,000 | \$ 0.40 |
| 20,000 | April 3, 2013 | \$ 0.20 | 20,000 | \$ 0.20 |
| 550,000 | September 21, 2011 | \$ 0.15 | 550,000 | \$ 0.15 |
| 12,250,000 | June 2, 2015 | \$ 0.20 | 12,250,000 | \$ 0.20 |
| <u>13,075,000</u> | | \$ 0.20 | <u>13,075,000</u> | \$ 0.20 |

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option other than by issuing the Company's shares.

The weighted average remaining contractual life of the stock options outstanding at March 31, 2011 is 3.96 years.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

14. Share-based payments (continued)

Full share equivalent warrant activity for the respective periods is as follows:

| | March 31, 2011 | | December 31, 2010 | |
|---|----------------|---------------------------------|-------------------|---------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Warrants outstanding, beginning of period | 67,894,033 | \$ 0.12 | 45,000,000 | \$ 0.15 |
| Issued | - | \$ - | 22,894,033 | \$ 0.05 |
| Subscriptions received | (22,894,033) | \$ 0.05 | - | \$ - |
| Expired | - | \$ - | - | \$ - |
| Warrants outstanding, end of period | 45,000,000 | \$ 0.12 | 67,894,033 | \$ 0.12 |

Full share equivalent warrants outstanding and exercisable at March 31, 2011 are as follows:

| Balance at | Number of Full Share Equivalent Warrants | Price Per Share | Expiry Date |
|-------------------|--|-----------------|-------------------|
| December 31, 2010 | 67,894,033 | \$ 0.15 | December 18, 2010 |
| | (22,894,033) | \$ 0.05 | April 30, 2011 |
| March 31, 2011 | 45,000,000 | \$ 0.15 | June 30, 2011 |

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 ending November 4, 2010. The fair value of these warrants was \$3,449,070 which was accounted for as part of the total share issue costs. The monies for these warrants are recorded as a share subscription received on the condensed consolidated interim statements of statements of changes in equity. The expiry date of all outstanding warrants has been extended to June 30, 2011.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

15. Related party transactions and balances

(a) Related party expenses

The Group incurred the following material related party transactions during the respective periods:

| Services provided for the period ended March 31, 2011 | Management services | Consulting and advisory services | Rent and office expenses | Share- based payments | Share issue costs |
|--|------------------------|--|--------------------------------|-----------------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Baron Global Financial Canada Ltd. (1) | 19,500 | - | 10,500 | - | - |
| Bromley Resources Ltd. (2) | - | 17,500 | - | - | - |

| Services provided for the year ended December 31, 2010 | Management services | Consulting and advisory services | Rent and office expenses | Share- based payments | Share issue costs |
|---|------------------------|--|--------------------------------|-----------------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Baron Global Financial Canada Ltd. (1) | 78,000 | - | 42,000 | 239,506 | - |
| Baron Capital Ltd. (5) | - | 720,339 | - | - | - |
| Progress Advanced Holdings Ltd. (3) | - | - | - | - | 3,449,070 |
| Baron Asia Limited (4) | - | - | 52,817 | - | - |
| Bromley Resources Ltd. (2) | - | 70,000 | - | - | - |

(1) Mr. Herrick Lau Mong Tak and Mr. David Arthur Eaton, directors of the Company, were the vice president of corporate finance and managing director of Baron Global Financial Canada Ltd, respectively.

(2) Mr. Paul Frederick Saxton, a former director of the Company who resigned on 21 August 2009, has controlling equity interest in these related companies.

(3) On 17 February 2010, the Company entered into a rights offering standby guarantee agreement with Progress Advanced Holdings Limited for providing underwriting services. Progress Advanced Holdings Limited is an indirect shareholder of the Company. The underwriting service was paid in form of warrants of 22,894,033 units which is exercisable at C\$0.05 each for a period of six months from the closing, subsequently extended to April 30, 2011. The fair value of warrants of C\$3,449,070 was recorded as part of the share issue cost.

(4) Ms. Letty Wan Ho Yan, a director of the Company, has indirect controlling equity interest in Baron Asia Limited.

(5) Mr. Joseph Wan Chuen Chung, a close relative of Ms. Letty Wan Ho Yan, a director of the Company, has controlling equity interest in the related company.

According to the commercial agreements between the Company and the related companies, the transactions with Baron Global Financial Canada Ltd., Baron Asia Limited and Bromley Resources Ltd. will continue after the reporting date until the expiry of the commercial agreements. The commercial agreements for other related party transactions had been terminated during the years. The directors of the Company are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

15. Related party transactions and balances

(b) Compensation of key management personnel

Key management personnel are the directors of the Company whose compensation included in staff costs comprised the following:

| | March 31, 2011 | December 31, 2010 |
|---------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Employees' remuneration summary | | |
| Salaries and other benefits | 97,349 | 214,962 |
| Share-based payments | - | 951,373 |
| | <u>97,349</u> | <u>1,166,335</u> |

16. Supplemental cash flow information

Non-cash financing and investing activities included the following:

| | March 31, 2011 | December 31, 2010 |
|---|-------------------|----------------------|
| | \$ | \$ |
| Disposal of exploration and evaluation assets in exchange for available-for-sale investments | - | 77,000 |
| Underwriting services fee in relation to rights offering settled by issuance of warrants | - | 3,449,070 |

17. Capital risk management

The Group's capital management objectives are to insure the Group's ability to continue as a going concern so as to benefit from its operations to provide an adequate return for its shareholders.

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

The Group is not subject to externally imposed capital requirements.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

18. Financial instruments and financial risk management

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyze and formulate measures to manage the Group's exposure to the market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Generally, the Group employs conservative strategies when considering risk management. As the Group's exposure to the market risk is kept to a minimum level, the Group has not used any derivative financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is disclosed below.

(i) Currency risk

Some of the operating expenses and cash held are denominated in foreign currencies and as such are subject to currency risk. The Group does not enter into derivative financial instruments to mitigate this risk but the Group does not believe its net exposure to foreign exchange risk is significant.

Foreign currency denominated cash and cash equivalents, translated into Canadian dollars at the closing rates are as follows:

| | At March 31, 2011 | | At March 31, 2011 | |
|---------------------------|-------------------|--------|-------------------|--------|
| | The Group | | The Company | |
| | USD | Other | USD | Other |
| | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 8,329 | 49,903 | 6,810 | 49,903 |

| | At December 31, 2010 | | At December 31, 2010 | |
|---------------------------|----------------------|---------|----------------------|---------|
| | USD | Other | USD | Other |
| | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 5,099 | 124,184 | 5,079 | 124,184 |

The following table details the Group'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 year 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.

| | March 31, 2011 | December 31, 2010 |
|-----------|----------------|-------------------|
| | \$ | \$ |
| The Group | 3,429 | 12,928 |

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

18. Financial instruments and financial risk management (continued...)

(ii) Credit risk

The Group's cash is held in authorized Canadian financial institutions. The Group does not have any asset-backed commercial paper. Management believes that the credit risk concentration with respect to its financial instruments is minimal.

The Group adopts conservative investment strategies. Usually investments are in liquid securities quoted on recognized stock exchanges. No margin trading is allowed. Loans and financial guarantees to individuals on non-Group entities have to be approved by the board of directors. The board monitors the Group's overall investment position and exposure on a day to day basis.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets in relation to cash at banks and GICs carried at floating interest rates with reference to the market. The Group's operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group is considered minimal. The Group has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(iv) Liquidity risk

The Group's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Group 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.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

18. Financial instruments and financial risk management (continued...)

(v) Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices of listed equity in respect of its investments classified as available-for-sale investments (Note 9).

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

(vi) Fair value measurements recognized in the consolidated statements of financial position

The Group adopted the amendments to IFRS 7, “Improving Disclosures about Financial Instruments”, effective January 1, 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following three levels:

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

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

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

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

| | At March 31, 2011 | | | |
|---|----------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Assets: | | | | |
| Available-for-sale investments | | | | |
| - listed equity securities, at fair value | 33,107 | | | 33,107 |
| | | | | |
| | At December 31, 2010 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Assets: | | | | |
| Available-for-sale investments | | | | |
| - listed equity securities, at fair value | 119,156 | | | 119,156 |

Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

(Unaudited – Prepared by Management)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011

18. Financial instruments and financial risk management (continued...)

There have been no significant transfers between levels 1 and 2 in the respective reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. The listed equity securities are denominated in Canadian dollars. Fair values have been determined by reference to their quoted bid prices at the reporting dates.

(iv) Categories of financial assets and liabilities

The carrying amounts of the Group's and the Company's financial assets and liabilities as presented in the statements of financial position are as follows:

| The Group | At March 31, 2011 | At December 31, 2010 |
|------------------------------------|----------------------|-------------------------|
| | \$ | \$ |
| Financial assets | | |
| Available-for-sale investments | 33,107 | 119,156 |
| At amortized cost | | |
| - Other receivables | 5,926 | 2,883 |
| Cash and cash equivalents | 885,824 | 424,549 |
| | <u>924,857</u> | <u>546,588</u> |
| Financial liabilities | | |
| At amortized costs | | |
| - Payables and accruals | (513,155) | (433,413) |
| - Amounts due to related companies | (141,477) | (36,043) |
| - Amount due to a director | (18,952) | (130) |
| | <u>(673,584)</u> | <u>(469,586)</u> |

| The Company | At March 31, 2011 | At December 31, 2010 |
|------------------------------------|----------------------|-------------------------|
| | \$ | \$ |
| Financial assets | | |
| Available-for-sale investments | 33,107 | 119,156 |
| At amortized cost | | |
| Cash and cash equivalents | 883,532 | 417,431 |
| | <u>916,639</u> | <u>536,587</u> |
| Financial liabilities | | |
| At amortized costs | | |
| - Payables and accruals | (445,490) | (421,207) |
| - Amounts due to related companies | (141,477) | (22,051) |
| - Amount due to a director | (6,746) | (130) |
| | <u>(593,713)</u> | <u>(443,388)</u> |