

Financial Statements of

**ORSA VENTURES CORP.  
(An Exploration Stage Company)**

**December 31, 2010**

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**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Orsa Ventures Corp.

We have audited the accompanying financial statements of Orsa Ventures Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orsa Ventures Corp. as at December 31, 2010 and 2009, and the results of operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

(Signed) "BDO CANADA LLP"

Chartered Accountants  
April 29, 2011

**ORSA VENTURES CORP.**  
(An Exploration Stage Company)  
**CONSOLIDATED BALANCE SHEETS**  
As at December 31

	2010	2009
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 462,589	\$ 688,390
Receivables	10,123	1,345
Prepaid expenses	3,954	1,289
	<b>476,666</b>	691,024
Resource property (Note 3)	20,246	—
	<b>\$ 496,912</b>	<b>\$ 691,024</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 34,960	\$ 25,857
Share capital (Note 4)	27,514,512	27,514,512
Contributed surplus (Note 4)	1,905,696	1,879,087
Deficit	(28,958,256)	(28,728,432)
Total shareholders' equity	461,952	665,167
	<b>\$ 496,912</b>	<b>\$ 691,024</b>

Commitments – (Note 3 and Note 4)  
Subsequent Event – (Note 11)

Approved on behalf of the Board:

"Linda Thorstad" Director "Brian Flower" Director

**ORSA VENTURES CORP.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the years ended December 31

	<b>2010</b>	<b>2009</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Accounting and legal	\$ 26,143	\$ 34,594
Consulting (Note 6)	96,890	46,630
Office and administration fees	13,085	9,323
Property evaluation	7,223	7,094
Regulatory fees	8,753	8,217
Rent (Note 6)	27,000	24,000
Shareholder communications	8,092	5,188
Stock based compensation (Note 4)	26,609	17,095
Transfer agent fees	8,459	8,266
Travel	11,311	8,224
Write off of mineral properties (Note 3)	—	21,125
<b>Loss before other items</b>	<b>(233,565)</b>	<b>(189,756)</b>
<b>OTHER ITEMS</b>		
Interest income	3,741	15,352
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (229,824)</b>	<b>\$ (174,404)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>14,291,416</b>	<b>14,305,666</b>

The accompanying notes are an integral part of these consolidated financial statements

**ORSA VENTURES CORP.**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31

	<b>2010</b>	<b>2009</b>
<b>Cash Flows From (used in) Operating Activities</b>		
Net loss for the year	\$ (229,824)	\$ (174,404)
Items not involving cash		
Stock based compensation	26,609	17,095
Write off of resource properties	-	21,125
Changes in non-cash working capital items related to operations:		
Receivables	(8,778)	(437)
Accounts payable and accrued liabilities	9,103	6,608
Prepaid expenses	(2,665)	51
<b>Net cash used in operating activities</b>	<b>(205,555)</b>	<b>(129,962)</b>
<b>Cash Flows used in Investing Activities</b>		
Resource property expenditures	(20,246)	-
<b>Net cash used in investing activities</b>	<b>(20,246)</b>	<b>-</b>
<b>Decrease in cash for the year</b>	<b>(225,801)</b>	<b>(129,962)</b>
<b>Cash and equivalents, beginning of year</b>	<b>688,390</b>	<b>818,352</b>
<b>Cash and equivalents deposits, end of year</b>	<b>\$ 462,589</b>	<b>\$ 688,390</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 99,415	\$ 23,523
Guaranteed investment certificates	\$ 363,174	\$ 664,867
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for:		
Interest	\$ —	\$ —
Income taxes	\$ —	\$ —

**Supplemental disclosure with respect to cash flows (Note 5)**

**ORSA VENTURES CORP.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the years ended December 31, 2010 and 2009

	<b>Common Shares Number</b>	<b>Amount</b>	<b>Contributed Surplus</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance, December 31, 2008	14,305,665	\$ 27,514,512	\$ 1,861,992	\$ (28,554,028)	\$ 822,476
Stock-based compensation (Note 4)	—	—	17,095	—	17,095
Net loss for the year	—	—	—	(174,404)	(174,404)
Balance, December 31, 2009	14,305,665	27,514,512	1,879,087	(28,728,432)	665,167
Cancellation of escrow and return to treasury (Note 4)	(19,500)	—	—	—	—
Stock-based compensation (Note 4)	—	—	26,609	—	26,609
Net loss for the year	—	—	—	(229,824)	(229,824)
<b>Balance, December 31, 2010</b>	<b>14,286,165</b>	<b>\$ 27,514,512</b>	<b>\$ 1,905,696</b>	<b>(28,958,256)</b>	<b>\$ 461,952</b>

The accompanying notes are an integral part of these consolidated financial statements

## **1. NATURE OF OPERATIONS**

Orsa Ventures Corp. (the "Company") was incorporated in British Columbia, continued under the Business Corporations Act (Yukon Territory) and continued again under the Business Corporations Act (British Columbia). The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company is currently in the process of evaluating mineral property opportunities.

The Company has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral properties in accordance with industry practice, the ability of the Company to obtain necessary financing to complete development of its mineral properties and upon future profitable production.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not earned significant revenues as it is currently in the process of evaluating mineral property opportunities. The Company has not generated operating cash flows, however, management believes that cash on hand is sufficient to meet its obligations and sustain the operations for at least the next 12 months. The Company's ability to continue as a going concern is dependent upon its ability to successfully raise additional financing to continue its exploration and development activities and to achieve and maintain profitable operations. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms that are advantageous to the Company.

The consolidated financial statements do not include any adjustments to the recoverability and classifications of recorded assets and liabilities and related revenue and expenditures that might be necessary should the Company be unable to continue as a going concern; such adjustments could be significant.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

Management has prepared the financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement within the framework of the significant accounting policies summarized below.

### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries. The Company has two inactive, wholly-owned subsidiaries; one is a BVI corporation, the other is a Cayman corporation, and both have remained inactive since incorporation in March 2004.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in the determination of the fair value of stock based compensation, the basis of impairment of mineral properties, asset retirement obligations and future income tax valuation allowances. Actual results could materially differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash and have maturities of three months or less when purchased.

**Resource Properties**

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The Company wrote-off \$21,125 of mineral properties during the year ended December 31, 2009.

**Impairment of Long-lived Assets**

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized and is measured as the excess of the carrying value of the asset over its fair value. Management believes there are no impairment provisions required for the Company's long-lived assets as at December 31, 2010.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Asset Retirement Obligations**

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At December 31, 2010 and December 31, 2009 there was no significant asset retirement obligation to recognize.

**Stock-based Compensation**

The Company records all stock option awards at fair value as determined using the Black-Scholes option pricing model. All stock awards to employees and non-employees are measured at the time of grant, or revision, and the fair value attributed is charged to operations, or allocated to specific balance sheet accounts, and recognized over the vesting period. Upon exercise, the fair value of share purchase options or specified warrants is allocated from the contributed surplus account to share capital.

**Foreign Currency Translation**

The functional currency of the Company is the Canadian dollar.

The Company's foreign subsidiaries are integrated operations and are translated into Canadian dollars using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at rates approximating those on the transaction dates.

Exchange gains and losses arising from translation of foreign currency monetary assets and liabilities at each year end are recognized in the statement of operations, comprehensive loss and deficit.

**Basic and Diluted Loss per Share**

The Company uses the treasury stock method to calculate earnings per share. Basic earnings (loss) per share of common shares is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. To calculate diluted earnings per share, all options and warrants whose average exercise price is less than or equal to the average share price for the year are assumed to be exercised. Also under this method, certain shares that are considered contingently issuable, such as escrowed shares subject to release based on performance criteria, are excluded from the calculation of weighted average common shares. For the years ended December 31, 2010 and 2009, potentially dilutive common shares (relating to options outstanding) totaling 1,000,000 (2009 – 1,420,000) were not included in the computation of loss per share because their effect was anti-dilutive. Therefore, diluted loss per share is the same as basic loss per share.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Future Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax balances of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is substantively enacted. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the net future income tax assets will be realized.

**Comprehensive Income**

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative financial instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

**Financial Instruments**

**Recognition and Measurement**

This standard requires all financial instruments within its scope, including derivatives, to be included on the balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in either the Statements of Operations or the Statement of Comprehensive Income (Loss).

In accordance with this standard, the Company has classified its financial instruments as follows:

- Cash and cash equivalents as held for trading which is measured at fair value initially and in subsequent periods;
- Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest rate method.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Financial Instruments (cont'd)**

**Presentation and Disclosures**

Handbook Section 3862, Financial Instruments – Disclosures, was amended in June 2009. It establishes revised standards for the disclosure of financial instruments. The standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments as follows:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

See additional disclosures on financial instruments in Note 8.

**Capital Disclosures**

The AcSB issued CICA Handbook Section 1535 "Capital Disclosures" The section specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. See additional disclosure in Note 9.

**Recent Accounting Pronouncements**

**Business Combinations**

In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expenses when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results.

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**DECEMBER 31, 2010 and 2009**

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Recent Accounting Pronouncements (cont'd)**

**International financial reporting standards ("IFRS"):**

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011 the financial reporting impact of the transition to IFRS cannot be estimated at this time.

**3. MINERAL PROPERTIES**

- a) On August 1, 2010, the Company entered into a Mining Lease and Option to Purchase agreement with unrelated parties. Pursuant to the terms and conditions of the agreement, the Company will lease Coal Canyon gold property ("Coal Canyon") located in West Humboldt Range, Nevada, until August 1, 2030. The Company has the right to explore minerals on the property during the lease term. As consideration, the Company will make the following payments to the owner of Coal Canyon during the lease term:

<u>Date</u>	<u>Amount</u>
Execution date of the agreement	US\$10,000 (Paid CDN \$10,639)
August 1, 2011	US\$20,000
August 1, 2012 and each anniversary date until August 1, 2030	US\$25,000

In addition to the above payments, the Company will pay a 3% Net Smelter Returns ("NSR") royalty to the owner of Coal Canyon and the Company has the option to purchase 1% of NSR for US\$1,000,000. The above annual payments shall be credited against the Company's production royalty obligations.

In addition to the lease, the owner of the Coal Canyon also granted the exclusive right to the Company to purchase the Coal Canyon for development and production of the property at any time during the lease term for \$350,000.

As of December 31, 2010, the Company has incurred the following costs on Coal Canyon:

Execution fee	\$	10,639
Mining claim maintenance fee		5,585
Legal fees		1,506
Consulting fees		2,516
<hr/>		
Balance as at, December 31, 2010	\$	20,246

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**3. MINERAL PROPERTIES (cont'd)**

b) On June 17, 2008, the Company had entered into a letter of intent option agreement with Candorado Operating Company Limited (“Candorado”) to acquire up to an 80% interest in four mineral claims, located in the Detour Lake area, west of the Ontario-Quebec border. During the year ended December 31, 2009, the Company had provided notice to Candorado that it would not be proceeding under the terms of the agreements, as such all property payments and exploration expenditures in the amount of \$21,125 were written off in the year.

**4. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

**a) Authorized**

The Company’s authorized share capital is an unlimited number of common shares with no par value.

**b) Escrow Shares**

During the year ended December 31, 2010, 19,500 common shares held in escrow were cancelled and returned to treasury. As at December 31, 2010 there were no common shares held in escrow (December 31, 2009 – 19,500).

**c) Stock option plan**

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting is determined by the Board of Directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	December 31, 2010		December 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	1,420,000	\$ 0.24	1,057,500	\$ 0.32
Granted	452,500	0.10	477,500	0.10
Cancelled / forfeited	(270,000)	0.19	(115,000)	0.36
Expired	(602,500)	0.36	-	-
<b>Balance, outstanding and exercisable, end of year</b>	<b>1,000,000</b>	<b>\$ 0.12</b>	<b>1,420,000</b>	<b>\$ 0.24</b>

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**4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd)**

**c) Stock option plan (cont'd)**

As at December 31, 2010, the Company has outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
140,000	\$0.22	May 18, 2012
407,500	\$0.10	September 10, 2014
452,500	\$0.10	August 9, 2015
<b>1,000,000</b>		

**d) Stock-based compensation**

During the year ended December 31, 2010, a compensation charge associated with the granting of stock options under the Plan in the amount of \$26,609 (2009 - \$17,095) was recognized in the financial statements. For purposes of these calculations, the following assumptions were used for the Black-Scholes model:

	December 31, 2010	December 31, 2009
Risk-free interest rate	2.25%	2.56%
Expected dividend yield	0%	0%
Expected stock price volatility	102.72	160.6
Expected option life	5 years	5 years

**e) Warrants**

As at December 31, 2010 and 2009, there were no warrants outstanding.

**5. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the year ended December 31, 2010 and December 31, 2009 the Company did not enter into any non-cash transactions.

**6. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2010, Company entered into the following transactions with related parties:

- a) Paid or accrued rent of \$Nil (2009 - \$8,000) to a company controlled by common directors.
- b) Paid or accrued rent of \$24,000 (2009 - \$16,000) to a company controlled by a director.
- c) Paid or accrued consulting fees of \$40,000 (2009 - \$Nil) to the President and CEO.
- d) Paid or accrued consulting fees of \$39,270 (2009 - \$32,250) to a company controlled by the CFO.
- e) Paid or accrued consulting fees of \$16,500 (2009 - \$Nil) to a director of the Company; and

Included in accounts payable and accrued liabilities is \$15,057 (December 31, 2009 - \$Nil) due to directors, officers and corporations controlled by directors.

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**6. RELATED PARTY TRANSACTIONS (cont'd)**

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

**7. INCOME TAXES**

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to the loss as a result of the following:

	2010	2009
Statutory rate	28.5%	30%
Benefit at Canadian statutory rate	\$ (65,000)	\$ (53,000)
Effect of reduction in statutory rate	7,000	44,000
Expiry of tax losses carried forward	45,000	30,000
Permanent differences	10,000	5,000
Increase (decrease) in valuation allowance	3,000	(26,000)
Future income tax recovery	\$ -	\$ -

The tax effects of temporary timing differences that give rise to significant components of the future tax assets are as follows:

	2010	2009
Future income tax assets		
Non-capital losses	\$ 349,000	\$ 341,000
Capital loss	63,000	63,000
Undeducted finance costs	-	1,000
Equipment	1,000	1,000
Mineral properties	510,000	514,000
Other	5,000	5,000
	928,000	925,000
Less: Valuation allowance	(928,000)	(925,000)
Future income tax assets	\$ -	\$ -

At December 31, 2010, the Company has non-capital losses of approximately \$1,392,000, which may be carried forward to apply against future years' income for Canadian income tax purposes. These losses, if not utilized, will expire through to 2030.

## **8. FINANCIAL INSTRUMENTS**

### **Financial Instrument Risk Exposure and Risk Management**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks.

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein:

#### **Credit Risk**

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions.

#### **Liquidity Risk**

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

#### **Market Risk**

Market risk is comprised of three components: currency risk, interest rate risk and commodity price risk:

##### ***Currency risk***

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk.

##### ***Interest Rate Risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents. The Company estimates that the fluctuation in interest rate of 1% would affect the net loss by approximately \$5,000.

##### ***Commodity price risk***

The value of the Company's mineral resource properties is related to the price of precious metals. Prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. The Company's carried interest rights and net smelter royalty are affected by the commodity price however, as the Company is still in the exploration stage, the Company has elected not to actively manage commodity risk at this time.

**9. CAPITAL DISCLOSURE**

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The management determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The management has not established quantitative return on capital criteria for capital management.

The Company will be dependent in the future upon external financing to fund future acquisition and exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so.

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

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders in the future.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There have been no changes made to the capital management policy during the year.

**10. COMPARATIVE INFORMATION**

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

**11. SUBSEQUENT EVENT**

Subsequent to December 31, 2010 the Company issued 150,000 common shares pursuant to the exercise of stock options outstanding at December 31, 2010 at a price of \$0.10 per share for proceeds of \$15,000.