

**STINA RESOURCES LTD.**

CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

# STINA RESOURCES LTD.

## CONSOLIDATED BALANCE SHEETS (Unaudited)

	December 31 2010 \$	September 30 2010 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	266,078	1,869,396
Short-term investments	2,905,000	750,000
Accounts receivable	<u>69,821</u>	<u>33,905</u>
	3,240,899	2,653,301
<b>RECLAMATION BOND (Notes 2 and 3)</b>	21,768	21,768
<b>MINERAL PROPERTY INTERESTS (Note 3)</b>	5,349,557	5,124,660
	<u>8,612,224</u>	<u>7,799,729</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	165,593	198,039
Asset retirement obligation (Note 3)	21,768	21,768
Due to related parties (Note 5)	58,353	58,679
Part XII.6 taxes payable	<u>21,989</u>	<u>11,189</u>
	<u>267,703</u>	<u>289,675</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 4)</b>	11,158,879	10,457,975
<b>CONTRIBUTED SURPLUS (Note 6)</b>	1,848,392	1,626,896
<b>DEFICIT</b>	<u>(4,662,750)</u>	<u>(4,574,817)</u>
	8,344,521	7,510,054
	<u>8,612,224</u>	<u>7,799,729</u>

**COMMITMENTS (NOTES 3 AND 9)**  
**SUBSEQUENT EVENT (NOTE 10)**

**APPROVED ON BEHALF OF THE BOARD**

signed: *Sidney Mann* Director

signed: *Edward Gresko* Director

- See Accompanying Notes -

# STINA RESOURCES LTD.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT (Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

	2010 \$	2009 \$
<b>EXPENSES</b>		
Accounting, audit and legal	8,097	7,807
Consulting fees	15,000	17,350
Exchange gain	(183)	(76)
Office and sundry	19,497	8,180
Regulatory fees and shareholder communications	7,361	200
Rent	3,000	4,000
Salaries and benefits	9,000	11,000
Stock-based compensation (Note 6)	-	206,595
Transfer agent	3,887	1,332
Travel and promotion	10,723	9,448
Loss from operations	<u>(76,382)</u>	<u>(265,836)</u>
<b>OTHER ITEMS</b>		
Interest income	651	-
Flow-through interest expense	<u>(10,800)</u>	-
Write down property interest	<u>(1,402)</u>	-
	<u>(11,551)</u>	<u>-</u>
<b>NET LOSS FROM CONTINUING OPERATIONS</b>	<u>(87,933)</u>	<u>(265,836)</u>
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	(87,933)	(265,836)
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<b>DEFICIT</b> , beginning of period	(4,574,817)	(3,913,454)
<b>NET LOSS</b>	(87,933)	(265,836)
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<b>BALANCE</b> , end of period	(4,662,750)	(4,179,290)
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<b>LOSS PER SHARE</b>		
Continuing operations – basic and diluted	\$ (0.00)	\$ (0.01)
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<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	25,236,272	20,467,121

- See Accompanying Notes -

# STINA RESOURCES LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES</b>		
Net loss for the period from continuing operations	(87,933)	(265,836)
Add non-cash item:		
Write down property interest	1,402	-
Stock based compensation	<u>-</u>	<u>206,595</u>
	(86,531)	(59,241)
Net changes in other non-cash operating accounts		
Accounts receivable	(35,916)	(14,039)
Deposits and prepaid expenses	-	(1,550)
Part XII.6 taxes payable	10,800	-
Accounts payable	<u>(32,446)</u>	<u>1,724</u>
Net cash flows used in continuing operations	<u>(144,093)</u>	<u>(73,106)</u>
<b>INVESTING ACTIVITIES</b>		
Short-term investments redeemed (purchased)	(2,155,000)	-
Exploration of mineral property interests	<u>(226,299)</u>	<u>(7,054)</u>
Net cash flows used in investing activities	<u>(2,381,299)</u>	<u>(7,054)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the exercise of options	-	2,100
Issuance of share capital, net of issue costs	922,400	-
Advances to related parties	<u>(326)</u>	<u>-</u>
Net cash flows from financing activities	<u>922,074</u>	<u>2,100</u>
<b>DECREASE IN CASH</b>	(1,603,318)	(78,060)
<b>CASH, beginning of period</b>	1,869,396	543,267
<b>CASH, end of period</b>	266,078	465,207
<b>Supplementary cash flow information:</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Mineral property exploration expenditures included in accounts payable	<u>\$ 99,041</u>	<u>\$ 23,501</u>

- See Accompanying Notes -

# STINA RESOURCES LTD.

## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 1. NATURE OF OPERATIONS

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The Company's primary operation is mineral exploration and development. The Company was also engaged in the health food and supplement products industry, but discontinued these operations at the end of September 2009. The Company's shares are traded on the TSX Venture Exchange (the "Exchange").

The Company is in the process of exploring and evaluating its mineral property interests in the Yukon Territory, Canada and Nevada, USA. The Company presently has no proven or probable reserves, and on the basis of information to date, has not yet determined whether these properties contain economically recoverable resources. The amounts recorded as mineral property interests represent costs incurred to date and do not necessarily represent present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its mineral property interests, and upon future profitable production or proceeds from disposition.

The Company has sustained operating losses since inception and has an operating deficit since inception totaling \$4,662,750. These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent upon the Company raising sufficient equity financing, issuing debt or securing related party advances to complete the evaluation and development of its mineral property interests, the discovery of economically recoverable reserves, and upon future profitable production or proceeds from disposition of its resource property interests. Management anticipates that the Company may need to seek out additional equity financing to continue with the exploration programs on its mineral properties during the 2011 fiscal period, as current cash reserves may not be sufficient to continue its property acquisitions, planned exploration programs and continue operations for the ensuing twelve months. Management is not able to assess the likelihood of timing for raising equity for future acquisitions, exploration or expenditures. This uncertainty represents a liquidity risk and may impact the Company's ability to continue as a going concern in the future.

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### 2. SIGNIFICANT ACCOUNTING POLICIES

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a) Consolidation and discontinued operations

These consolidated financial statements include the accounts and operations of the Company and the Company's wholly-owned subsidiary, Stina Resources Nevada Ltd. since inception on December 14, 2009.

The Company's former wholly-owned subsidiary Northern Seas Products Ltd. ("Northern Seas") was dissolved in September 2009. The Company discontinued its Northern Seas operations in fiscal 2009 and wrote off the remaining inventory, equipment and doubtful accounts.

All intercompany balances and transfers were eliminated upon consolidation up to the date of dissolution of Northern Seas.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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b) Short-term investments

Short-term investments include money market based investments and guaranteed investment certificates where initial maturity is more than ninety days. These investments may be redeemed at the Company's option without significant penalty. These investments bear interest at the Bank of Montreal (BMO) Prime rate less 2.05% and BMO Prime rate less 1.95% respectively. The carrying value approximates the fair value of these investments.

c) Mineral property interests

Where specific exploration programs are planned and budgeted by management, mineral exploration costs are capitalized and carried at cost until the properties to which they relate are advanced to the development stage, placed into commercial production, sold, abandoned or determined by management to be impaired in value.

Management evaluates the carrying value of each mineral property interest for impairment on a reporting period basis, or as events and changes in circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows, and availability of funding as to whether the carrying value has been impaired.

When future cash flows are not reasonably determinable, mineral interests are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Costs incurred for acquisition, including option payments under acquisition agreements, are capitalized until such time as the related interest is placed into production, sold, abandoned, or where management has determined that an impairment in value has occurred. For mineral property interests under option, the Company records only the costs incurred or committed in respect of work programs or amounts due in the reporting period for payment requirements necessary to maintain the options in good standing.

Proceeds of dispositions of partial mineral interest on properties are credited as a reduction of carrying costs. No profit is realized until all the related costs have been offset by disposition proceeds. If a property is placed into commercial production, accumulated costs to production will be amortized based on units of production.

d) Income taxes

The Company follows Canadian Institute of Chartered Accountants (CICA) Handbook Section 3465 in accounting for corporate income taxes. The guidance focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. The resulting future income tax asset or liability is recorded based on substantially enacted income tax rates. In the case of unused tax losses, resource expenditure pools, income tax reductions and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of such benefits at the balance sheet date.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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e) Foreign exchange

Balance sheet items denominated in U.S. dollars are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates in effect at the transaction date for non-monetary items. Income statement items are translated at actual rates or average rates prevailing during the year. Realized gains and losses from foreign currency transactions are included in operating results in the period in which they occur.

f) Administrative expenditures

Administrative expenditures are expensed in the period incurred.

g) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, asset retirement obligations, allocations between exploration projects, assessments of qualifying exploration expenditures and the determination of the fair value of financial instruments and stock-based compensation. Financial results as determined by actual events could differ from those estimates.

h) Long-lived assets

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting basis using fair value determinations by management's estimate of recoverable value. Assets held and available for sale or not in use are segregated and reported at the lower of cost and recoverable amount.

i) Basic and diluted loss per share

The Company follows CICA Handbook section 3500, in calculating earnings (loss) per share. The standard requires the use of the treasury stock method for computing diluted earnings (loss) per share, which assumes that proceeds obtained from the exercise of options or warrants, would be used to purchase common shares at the average market price during the period. Loss per share is calculated using the weighted average number of shares outstanding during the year.

Diluted loss per share is equal to basic loss per share for all periods presented as the effect of all stock options and warrants outstanding have been excluded as they are anti-dilutive.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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j) Financial instruments

The Company follows CICA Handbook Section 3855, financial instruments. The Section prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under the Section, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held for trading are required to be measured at fair value, with gains and losses recognized in earnings.

Financial assets classified as held to maturity, loans and receivables and financial liabilities (other than those held for trading) are required to be measured at amortized cost using the effective interest method of amortization.

Available for sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in other comprehensive income. The Company did not have any assets classified as available for sale for the period.

The Company classifies its financial instruments as follows:

Cash and short-term investments are classified as held-for-trading. Cash is measured at its face value, representing fair value. Short-term investments are measured using BMO's posted GIC rates.

Accounts receivable, accounts payables and amounts due to the related parties are classified as loans and receivables and other financial liabilities, respectively. These financial instruments are recorded at amortized cost. The fair value of these instruments approximates their carrying value due to their implied short-term maturity.

Net smelter royalties, buy-out options and similar future entitlements or commitments are not considered to have measurable value until such time as the mineral property interests to which they relate have reached the development or mining feasibility stage.

k) Comprehensive income (loss)

The Company follows CICA Handbook Section 1530, comprehensive income. Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. Section 1530 establishes standards for reporting and presenting certain gains and losses not normally included in net income or loss, such as unrealized gains and losses related to available for sale securities and gains and losses resulting from the translation of self-sustaining foreign operations, in a statement of comprehensive income.

For the periods presented, the Company has no items required to be reported in comprehensive income. Accordingly, no separate statement reconciling comprehensive income (loss) has been presented.



# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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l) Asset retirement obligations

The Company follows CICA Handbook section 3110, relating to the recognition and disclosure of asset retirement obligations and associated asset retirement costs. Management reviews the anticipated obligations and retirement costs of long-lived assets for known obligations under contract, common practice, or laws and regulations. The Company is currently in the exploration stage on its Nevada and Yukon mineral property interests and has not determined to what extent significant site reclamation or environmental remediation costs will be required. The Company records liability for site reclamation, when determinable, on a systematic accrual basis in the period in which such costs, if any, can be reasonably determined.

During 2008, the Company posted a reclamation bond with the Nevada government for potential site remediation in relation to an exploration program. The Company has recorded an asset retirement obligation for the planned remediation following the exploration program which is expected to be completed in 2011.

m) Stock-based compensation

The Company follows the accounting guidelines of the CICA Handbook section 3870, Stock-based Compensation and Other Stock-Based Payments. Under the guidelines, all new or repriced stock-based awards are measured and recognized using the fair-value method. The standard also encourages the use of the fair-value method for all direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. The fair value of options and other stock-based awards to employees or non-employees, issued or altered in the period, have been determined using the Black-Scholes option pricing model.

n) Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset or services received, whichever is more reliable, unless the transaction lacks commercial substance. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction.

o) Related party transactions

All monetary transactions occurring with related parties in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. All other related party transactions are valued at the carrying value.

p) Flow-through shares

Canadian tax legislation permits an enterprise to issue flow-through shares, whereby the tax deduction for qualified resource expenditures is claimed by the investor rather than the Company. Recording these expenditures for accounting purposes gives rise to certain taxable temporary differences on the tax basis and carrying amount of related capitalized expenditures.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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p) Flow-through shares – cont'd

Upon renunciation of qualifying expenditures and the filing of prescribed tax forms, CICA Emerging Issues Committee pronouncement EIC 146 requires that, to the extent that there are available tax loss carry forwards and other discretionary deductions available to offset the future tax liability, such offsetting amount is recorded as a future income tax recovery in the period of renunciation.

q) Recent accounting pronouncements, not yet adopted

Transition to International Financial Reporting Standards

In 2006, the AcSB ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards (IFRS) over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The Company has not assessed the impact of the initiative on its financial statements. The conversion is planned for the first quarter ending December 31, 2011.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests which replace CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for companies' interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. Management expects that the adoption of these sections will not have a significant impact on the financial statements.

Equity

In August 2009, as a result of issuing section 1602 Non-Controlling Interests, the CICA amended Section 3251 Equity requiring non-controlling interests to be recognized as a separate component of equity. These amendments apply only to entities that have adopted Section 1602. Management expects that the adoption of these sections will not have a significant impact on the financial statements.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 3. MINERAL PROPERTY INTERESTS

	Three months ended December 31, 2010 \$	Year ended September 30, 2010 \$
<b>Bisoni McKay Vanadium Property, Nevada, USA</b>		
Acquisition costs:		
Balance, beginning of period	2,859,526	2,846,585
Staking and claim costs	-	12,941
Balance, end of period	<u>2,859,526</u>	<u>2,859,526</u>
Exploration expenditures:		
Balance, beginning of period	719,190	695,568
Geological consulting	3,242	17,323
Permits and bonds	-	-
Reclamation estimate	-	-
Storage	1,381	6,299
Balance, end of period	<u>723,813</u>	<u>719,190</u>
Total Bisoni McKay Vanadium Property	<u>3,583,339</u>	<u>3,578,716</u>
<b>Kodiak Property, Yukon, Canada</b>		
Acquisition costs:		
Balance, beginning of period	334,675	184,675
Cash payment	-	50,000
200,000 shares at \$0.50	-	100,000
Balance, end of period	<u>334,675</u>	<u>334,675</u>
Exploration expenditures:		
Balance, beginning of period	301,772	146,729
Assaying	12,771	47,821
Geological consulting	1,600	11,894
Geomagnetic	26,830	-
Helicopter rentals	8,071	25,248
Soil sampling	-	49,703
Trenching	15,290	20,377
Balance, end of period	<u>366,334</u>	<u>301,772</u>
Total Kodiak Property	<u>701,009</u>	<u>636,447</u>

(continues)

## STINA RESOURCES LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

### 3. MINERAL PROPERTY INTERESTS – CONT'D

	Three months ended December 31, 2010 \$	Year ended September 30, 2010 \$
<b>Dime Property, Yukon, Canada</b>		
Acquisition costs:		
Balance, beginning of period	428,000	-
Cash payment	-	250,000
200,000 shares at \$0.38	-	76,000
200,000 shares at \$0.51	-	102,000
Balance, end of period	428,000	428,000
Exploration expenditures:		
Balance, beginning of period	480,095	91,901
Assaying	36,199	19,443
Drilling	4,410	80,925
Geological consulting	32,963	99,629
Geomagnetic	51,050	-
Helicopter rentals	32,492	82,223
Soil sampling	-	61,785
Trenching	-	44,189
Balance, end of period	637,209	480,095
Total Dime Property	1,065,209	908,095
 <b>Zeibright Property, California, USA</b>		
Acquisition costs:		
Balance, beginning of period	1,402	-
Staking and claim costs	-	1,402
Write down property	(1,402)	-
Balance, end of period	-	1,402
Total mineral property interests	5,349,557	5,124,660

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 3. MINERAL PROPERTY INTERESTS - CONT'D

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#### a) Bisoni MacKay Property, Nevada

On April 25, 2005, Company entered into a property option agreement with Vanadium International Co. ("Vanadium") to purchase a 50% undivided interest in 19 mining claims (the Bisoni MacKay Vanadium Property) covering 392.6 acres, located in Nye County, Nevada, USA. The optioned claims are subject to a 2.5% Net Smelter Royalty (NSR) payable to the vendor.

The Company earned its 50% interest, by making a series of cash payments totaling \$250,000 (\$175,000 of which was settled for 175,000 shares), issuing 1,250,000 shares to Vanadium, as well as funding \$700,000 of exploration activities.

During 2008, the Company exercised a purchase option, included in the original property option agreement, to acquire the remaining 50% interest in the mining claims, for a 100% total interest, subject to the 2.5% NSR. Consideration under the purchase option included a US\$2,000,000 payment to the vendor. The US\$2,000,000 option payment was satisfied in a share settlement through the issuance of 1,995,600 common shares at a stated value of \$0.9978 per share. These shares have been recorded at management's estimate of fair value of \$0.7982 per share, based on a 20% discount from the quoted market price at the time of the share issuance to factor in market conditions and a large block discount.

The Company has staked an additional 18 claims in the area which are contiguous with the existing claims.

During 2008, the Company posted a reclamation bond with the Nevada state government should the Company not complete any required site reclamation or environmental remediation. Effective October 1, 2008, the Company recorded an asset retirement obligation of \$21,768 relating to the Company's activities on the property.

#### b) Kodiak Property, Yukon

On June 18, 2009, the Company entered into an option agreement with Ryanwood Exploration Inc. ("REI") pursuant to which REI has agreed to grant the Company an option to purchase a 100% beneficial interest in 152 mining claims located in the Dawson Mining District, Yukon Territory, subject to REI retaining a 2% NSR.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 3. MINERAL PROPERTY INTEREST - CONT'D

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#### b) Kodiak Property, Yukon – cont'd

To exercise its option, the Company must make the following payments, share issuances and expenditures:

##### Cash payments:

- \$75,000 within five days of Exchange approval (paid)
- \$50,000 on or before June 15, 2010 (paid)
- \$100,000 on or before June 15, 2011
- \$75,000 on or before June 15, 2012
- \$75,000 on or before June 15, 2013

##### Shares:

- 250,000 common shares of the Company within five days of Exchange approval (issued)
- 200,000 common shares of the Company on or before June 15, 2010 (issued)
- 200,000 common shares of the Company on or before June 15, 2011
- 200,000 common shares of the Company on or before June 15, 2012
- 250,000 common shares of the Company on or before June 15, 2013

##### Exploration Expenditures:

- \$100,000 on or before November 18, 2009 (incurred)
- \$200,000 on or before November 15, 2010 (incurred)
- \$300,000 on or before November 15, 2011
- \$500,000 on or before November 15, 2012

#### c) Dime Property, Yukon

On July 23, 2009, the Company entered into a property option agreement with REI to earn a 100% interest in 128 claims in the Dawson Mining District, Yukon Territory, subject to a 2% NSR in favor of the optionor. To exercise its option, the Company must make the following payments and expenditures:

##### Cash payments:

- \$125,000 within fifteen days of Exchange approval (paid)
- \$125,000 on or before June 26, 2010 (paid)
- \$100,000 on or before June 26, 2011
- \$100,000 on or before June 26, 2012
- \$150,000 on or before June 26, 2013

##### Shares:

- 200,000 common shares of the Company within five days of Exchange approval (issued)
- 200,000 common shares of the Company on or before June 26, 2010 (issued)
- 300,000 common shares of the Company on or before June 26, 2011
- 300,000 common shares of the Company on or before June 26, 2012
- 250,000 common shares of the Company on or before June 26, 2013

## STINA RESOURCES LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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#### 3. MINERAL PROPERTY INTEREST - CONT'D

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##### c) Dime Property, Yukon – cont'd

###### Exploration Expenditures:

- in the amount of \$100,000 on or before November 15, 2009 (incurred)
- an additional amount of \$250,000 on or before November 15, 2010 (incurred)
- an additional amount of \$500,000 on or before November 15, 2011
- an additional amount of \$750,000 on or before November 15, 2012

The Company has the option to purchase one half of the NSR for a payment of two million dollars.

##### d) Zeibright Mine, California, USA

On February 19, 2009, the Company entered into an option agreement with Steephollow Resources Inc. ("SRI"), pursuant to which SRI has agreed to grant the Company an option to purchase a 100% beneficial interest in certain mining claims located in Nevada County, California, United States. The claims are subject to a 2% NSR.

To exercise the option, the Company must: (i) incur and finance exploration expenditures on the property of not less than \$100,000, on or before the second anniversary of the approval date of the option agreement by the Exchange (approved March 18, 2009); and (ii) allot and issue one million shares in the capital stock of the Company to SRI upon the completion of such exploration expenditures.

The Company entered into a suboption agreement (the "Suboption Agreement") with Gordon Lee (the "Optionee") who has the right to earn 70% of the Zeibright Gold Property (the "Property") from the Company by conducting US\$2 million of exploration work on the property over four years. The Company has an option to earn 100% of the Zeibright Property from SRI in consideration for exploration expenditures of \$100,000 within two years and the payment of 1 million common shares. Both the Company and SRI have agreed to transfer 70% of the Company's interest to the Optionee under the Suboption Agreement in consideration that the exploration expenditures under the Suboption Agreement will be applied to the Company's obligation. The Company is still required to issue the shares to SRI.

The Optionee is required to expend amounts according to the following schedule:

- \$200,000 by July 18, 2010
- \$300,000 by April 18, 2011
- \$500,000 by April 18, 2012
- \$1,000,000 by April 18, 2013

The Company also maintains the right to buy back a 20% interest in the Property for the payment of \$500,000 within ninety (90) days after the Optionee has exercised its option.

The Company did not receive confirmation of the expenditures required by July 18, 2010 and the option agreement has been terminated with the Optionee with no ongoing obligations for the Company.

Subsequent to December 31, 2010 the Company decided not to proceed with the option and has written down staking and claim costs of \$1,402.

## STINA RESOURCES LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

#### 3. MINERAL PROPERTY INTEREST - CONT'D

Management completed its review for indicators of impairment and determined that there have been no significant indications of impairment to the carrying value of the Company's mineral property interests as at December 31, 2010 and September 30, 2010. Management believes that the properties still have future benefit and economic potential. However, this assessment could change in the future if financial and commodity markets weaken for a sustained period or if there are onerous changes in environmental requirements.

#### 4. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value

b) Issued

	Three months ended December 31, 2010		Year ended September 30, 2010	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance, beginning of period	24,078,928	10,457,975	20,458,643	9,112,410
Issued during the period:				
Cash, stock option at \$0.21	-	-	10,000	2,100
Cash, private placement				
- at \$0.70	i) 1,458,571	1,021,000	-	-
- at \$0.63	ii) -	-	400,000	252,000
- at \$0.70	iii) -	-	2,610,285	1,827,200
Share issue costs		(98,600)		(281,322)
Mineral Property:				
- at \$0.38	iv) -	-	200,000	76,000
- at \$0.50	v) -	-	200,000	100,000
- at \$0.51	(vi) -	-	200,000	102,000
Transfer from contributed surplus	(vii) -	-	-	2,850
Renunciation of future income tax benefit	(viii) -	-	-	(250,000)
Warrants reallocated (Note 6)	-	(221,496)	-	(485,263)
Balance, end of period	<u>25,537,499</u>	<u>11,158,879</u>	<u>24,078,928</u>	<u>10,457,975</u>



# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 4. SHARE CAPITAL – CONT'D

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b) Issued – cont'd

- i) On October 19, 2010, the Company completed a non-brokered private placement of 1,458,571 share units at \$0.70 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.85 per share until October 19, 2012. The warrant component of the share unit has an estimated fair value of \$221,496 using the Black-Scholes Option Pricing Model under the following assumptions: expected life 2 years; volatility 96.55%; risk free rate of return 1.45%; dividend yield 0%. The fair value of the warrant component has been reallocated to contributed surplus. The share units are subject to a four month plus one day hold period expiring February 20, 2011. Finders fees of \$96,800 in cash were paid in connection with this private placement
- ii) On September 24, 2010, the Company completed a non-brokered private placement of 400,000 share units at \$0.63 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.73 per share until September 24, 2012. The warrant component of the share unit has an estimated fair value of \$58,786 using the Black-Scholes Option Pricing Model under the following assumptions: expected life 2 years; volatility 120.89%; risk free rate of return 1.69%; dividend yield 0%. The fair value of the warrant component has been reallocated to contributed surplus.
- iii) On September 28, 2010, the Company completed a non-brokered private placement of 2,610,285 share units at \$0.70 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.85 per share until September 28, 2012. The warrant component of the share unit has an estimated fair value of \$426,477 using the Black-Scholes Option Pricing Model under the following assumptions: expected life 2 years; volatility 121.41%; risk free rate of return 1.69%; dividend yield 0%. The fair value of the warrant component has been reallocated to contributed surplus.

Finders' fees of \$179,570 in cash were paid in connection with the above private placement, and a total of 256,529 agents warrants exercisable at \$0.85 per share were issued. The agents warrants have an estimated fair value of \$101,753 using the Black-Scholes Option Pricing Model under the following assumptions: expected life 2 years; volatility 92.7%; risk free rate of return 1.74%; dividend yield 0%. The fair value of the agents warrants has been recorded to contributed surplus.

- iv) On February 2, 2010, the Company issued 200,000 common shares, at an estimated fair value of \$0.38 per share as part of a property acquisition. Fair value was determined using the quoted price at the time of the transaction.
- v) On June 15, 2010, the Company issued 200,000 common shares, at an estimated fair value of \$0.50 per share as part of a property acquisition. Fair value was determined using the quoted price at the time of the transaction.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

### 4. SHARE CAPITAL – CONT'D

b) Issued – cont'd

- vi) On June 23, 2010, the Company issued 200,000 common shares, at an estimated fair value of \$0.51 per share as part of a property acquisition. Fair value was determined using the quoted price at the time of the transaction.
- vii) The Company records the grant date fair value of vested stock options as a credit to contributed surplus. These amounts are transferred to share capital upon exercise of the underlying stock options. During the period, \$2,850 was transferred to share capital for options exercised.
- viii) In July 2009, the Company raised \$1,000,000 under flow-through arrangements with subscribers. Under Canadian Tax legislation the Company renounces qualifying expenditures in favour of the share subscribers and must incur such qualifying expenditures within a one year period from renunciation. Accordingly, the Company is committed to incur \$1,000,000 of qualifying expenditures before December 31, 2010. The tax benefit of the qualifying expenditures was renounced to the subscribers on January 12, 2010. The tax value of the qualifying expenditures of \$250,000 has been reduced from share capital. To the extent that the Company has available loss carryforwards or other unused tax deductions to offset the renounced benefit, a future income tax recovery has been recognized.

c) Shares in escrow

As at December 31, 2010, 93,750 shares were held in escrow. The shares are subject to a time release escrow agreement as follows:

<u>Anticipated release dates:</u>	<u>Shares for release</u>
June 24, 2011	<u>93,750</u>

d) Share purchase warrants

The following share purchase warrants are outstanding at December 31, 2010:

	<u>Number of shares</u>	<u>Weighted average exercise price - \$ -</u>	<u>Weighted average life remaining (years)</u>
Balance at September 30, 2009	961,538	1.00	1.77
Issued	<u>1,761,672</u>	<u>0.84</u>	<u>1.29</u>
Balance at September 30, 2010	<u>2,723,210</u>	<u>0.98</u>	<u>1.57</u>
Issued	<u>729,286</u>	<u>0.85</u>	<u>1.80</u>
Balance at December 31, 2010	<u>3,452,496</u>	<u>0.95</u>	<u>1.39</u>

## STINA RESOURCES LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

#### 4. SHARE CAPITAL – CONT'D

d) Share purchase warrants – cont'd

At December 31, 2010, the following share purchase warrants are outstanding:

<u>Number of Shares</u>	<u>Exercise Price - \$ -</u>	<u>Expiry Date</u>
961,538	1.25	July 10, 2011
200,000	0.73	September 24, 2012
1,561,672	0.85	September 28, 2012
<u>729,286</u>	0.85	October 19, 2012
<u>3,452,496</u>		

e) Stock options

Under the Company's Incentive Share Option Plan, the Company may grant options to employees, consultants and directors when the number of shares reserved does not exceed 10% of the number of common shares issued and outstanding at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 5 years.

The following stock options are fully vested and exercisable:

	<u>Number of shares</u>	<u>Weighted average exercise price - \$ -</u>	<u>Weighted average Life remaining (years)</u>
Balance at September 30, 2009	887,475	0.21	0.63
Granted	1,500,000	0.38	4.51
Expired	(877,475)	0.21	-
Exercised	<u>(10,000)</u>	<u>0.21</u>	<u>-</u>
Balance at September 30, 2010	<u>1,500,000</u>	<u>0.39</u>	<u>4.51</u>
Balance at December 31, 2010	<u>1,500,000</u>	<u>0.39</u>	<u>4.26</u>

At December 31, 2010 the following stock options were outstanding:

<u>Number of shares</u>	<u>Exercise Price - \$ -</u>	<u>Expiry Date</u>
675,000	0.30	November 3, 2014
<u>825,000</u>	0.46	August 5, 2015
<u>1,500,000</u>		

## STINA RESOURCES LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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#### 5. RELATED PARTY TRANSACTIONS

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The Company entered into the following transactions with related parties:

- a) The Company incurred consulting fees in the amount of \$15,000 (2009 - \$17,000) with a company owned by a director for consulting services.
- b) At December 31, 2010, prior advances totalling \$58,353 (September 30, 2010 - \$59,842) were due to a company controlled by a director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.
- c) At December 31, 2010, advances totalling \$1,163 (September 30, 2010 - \$1,163) were due from a director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.

Transactions with related parties have been recorded at their exchange amount, which is the amount agreed upon between the related parties.

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#### 6. CONTRIBUTED SURPLUS

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Changes to the contributed surplus account are as follows:

	<b>December 31, 2010 \$</b>	<b>September 30, 2010 \$</b>
Balance, beginning of period	1,626,896	476,031
Fair value of warrants of private placement units issued	221,496	485,262
Fair value of options granted – directors and consultants	-	566,700
Fair value of agents warrants	-	101,753
Transfer to share capital on exercise of options	-	(2,850)
Balance, end of period	<u>1,848,392</u>	<u>1,626,896</u>

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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The Company's financial instruments include cash, short-term investments and accounts receivable. The carrying value of these financial instruments approximates their fair value due to their short-term nature. The fair value of cash and short-term investments are measured based on level 1 input of the fair value hierarchy.

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

#### Financial Risk Management:

The Company is exposed in varying degrees to a variety of financial instrument related risks.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts, short-term investments and accounts receivables. Cash accounts and short-term investments are held with a major bank in Canada. This risk is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to credit risk is in its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes.

#### Currency Risk

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as some mineral property interests are located in the United States. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

#### Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances and short-term investments at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates.

#### Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash balances and/or short-term investments that are readily available.

# STINA RESOURCES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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### 8. CAPITAL MANAGEMENT

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The Company manages its cash, common shares, stock options and warrants as capital. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure, but will review on a regular basis the capital structure of the Company relative to the stage of development of the business entity and mineral property interest.

The Company currently is dependent on externally provided equity financing to fund its exploration and development activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances, if available. Management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and exploration industry.

There were no changes in the Company's approach to capital management for the three months ended December 31, 2010 compared to the year ended September 30, 2010. The Company is not subject to externally imposed capital requirements.

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### 9. COMMITMENT

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During the year ended September 30, 2009, the Company issued 1,923,076 flow-through shares for proceeds of \$1,000,000. The proceeds from these issues must be used for qualifying exploration expenditures which were renounced by the Company in favor of the investors purchasing such shares and expenditures are not available to the Company for income tax purposes. The qualifying exploration expenditures must be fully incurred by December 31, 2010 of which \$781,867 were expended through September 30, 2010.

The Company completed the qualifying expenditures of \$1,000,000 during the period ended December 31, 2010.

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### 10. SUBSEQUENT EVENT

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The Company decided not to proceed on its option on the Zeibright Property. All costs associated with the property have been written down.