

Interim Consolidated Financial Statements of

TRUE NORTH GEMS INC.

As at and for the six month period ended June 30, 2010

Responsibility for financial statements

The accompanying financial statements for True North Gems Inc. (the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These financial statements are unaudited and have not been reviewed by the auditors. The most significant of these accounting principles have been set out in the December 31, 2009 audited consolidated financial statements. There have been no changes in accounting policies from the latest completed financial year-end. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented

TRUE NORTH GEMS INC.
Interim Consolidated Balance Sheet
(Unaudited)

	June 30, 2010	December 31, 2009
Expressed in Canadian dollars		
ASSETS		
Current		
Cash	\$ 14,693	\$ 244,029
Investments (note 3)	73,622	27,602
Advances and accounts receivable	10,892	41,176
Deposits and prepaid expenses	25,009	12,690
	124,216	325,497
Capital assets (note 4)	56,711	64,632
Mineral properties (note 5)	20,172,373	19,909,692
	\$ 20,353,300	\$ 20,299,821
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 887,443	\$ 654,979
Loans payable	110,000	110,000
	997,443	764,979
Asset retirement obligations	505,055	505,055
	1,502,498	1,270,034
SHAREHOLDERS' EQUITY		
Capital stock (note 6)	33,357,080	33,307,080
Warrants (note 6(c))	1,229,757	1,229,757
Contributed surplus (note 7)	3,126,169	3,091,453
Accumulated comprehensive loss	(18,000)	-
Deficit	(18,844,204)	(18,598,503)
	18,850,802	19,029,787
	\$ 20,353,300	\$ 20,299,821

Going concern (note 1)

Approved on behalf of the Board:

(signed) David S. Parsons Director

(signed) William Anderson Director

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

TRUE NORTH GEMS INC.
Interim Consolidated Statements of Operations and Deficit
(Unaudited)

	Three month period ended		Cumulative six month period	
	June 30,		ended June 30,	
	2010	2009	2010	2009
Expressed in Canadian dollars				
Expenses				
Amortization	\$ 3,982	\$ 9,093	\$ 7,921	\$ 18,187
Audit and related services	2,028	(4,464)	2,028	(4,464)
Consulting and corporate development fees	52,500	86,930	105,000	164,180
Corporate financial services	-	20,000	-	20,000
Corporate secretarial and accounting fees	18,750	18,907	37,650	36,846
Directors fees	11,000	13,000	22,000	22,000
General and administrative	19,708	18,953	45,840	56,642
Investor/shareholder relations	29,772	20,791	57,133	47,058
Legal fees	4,355	3,606	4,355	5,250
Rent and occupancy costs	14,096	11,172	27,678	27,874
Salaries and employee benefits	17,958	16,542	37,611	35,847
Stock-based compensation	-	-	1,929	-
Transfer agent and filing fees	12,571	12,672	20,697	19,017
Travel	13,558	6,124	18,685	22,332
	200,278	233,326	388,527	470,769
Loss before under noted items	(200,278)	(233,326)	(388,527)	(470,769)
Farm-out receipts	102,830	-	102,830	-
Foreign exchange gain	6,269	3,491	40,402	19,211
Gain on sale of available-for-sale-investments	-	4,928	-	8,919
Interest income (expense)	(19)	1,791	(406)	2,609
Loss on sale of equipment	-	-	-	(148)
Net loss for period	(91,198)	(223,116)	(245,701)	(440,178)
Deficit, beginning of period	(18,753,006)	(16,463,148)	(18,598,503)	(16,246,086)
Deficit, end of period	\$ (18,844,204)	\$ (16,686,264)	\$ (18,844,204)	\$ (16,686,264)
Loss per share – basic and fully diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares used in the calculation of loss per share – basic and fully diluted	114,537,562	80,186,551	114,537,562	79,992,516

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

TRUE NORTH GEMS INC.
Interim Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three month period ended		Cumulative six month period	
	2010	June 30, 2009	2010	ended June 30, 2009
Expressed in Canadian dollars				
Net loss for period before other comprehensive income (loss)	\$ (91,198)	\$ (223,116)	\$ (245,701)	\$ (440,178)
Unrealized gains (losses) on available-for-sale investments	(18,000)	-	(18,000)	1,730
Realized losses (gains) on available-for-sale investments	-	(1,730)	-	(1,730)
Comprehensive loss for period	\$ (109,198)	\$ (224,846)	\$ (263,701)	\$ (440,178)

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

TRUE NORTH GEMS INC.
Interim Consolidated Statements of Cash Flows
(Unaudited)

	Three month period ended		Cumulative six month period	
	June 30,		ended June 30,	
	2010	2009	2010	2009
Expressed in Canadian dollars				
Cash flows from operating activities				
Net loss for period	\$ (91,198)	\$ (223,116)	\$ (245,701)	\$ (440,178)
Items not involving cash				
Amortization	3,982	9,093	7,921	18,187
Shares received for farm out of mineral properties	(64,500)	-	(64,500)	-
Loss (gain) on sale of available-for-sale investments	-	(4,928)	-	(8,919)
Loss on sale of equipment	-	-	-	148
Stock-based compensation	-	-	1,929	-
	(151,716)	(218,951)	(300,351)	(430,762)
Changes in operating assets and liabilities				
Investments	(27)	21,591	480	37,223
Advances and accounts receivable	17,761	16,539	30,284	21,822
Deposits and prepaid expenses	7,592	(22,168)	(12,319)	46,460
Accounts payable and accrued liabilities	134,512	194,482	89,599	287,270
	8,122	(8,507)	(192,307)	(37,987)
Cash flows from investing activities				
Acquisition of mineral properties	(3,150)	(2,736)	(3,150)	(2,736)
Expenditures on mineral properties	59,051	(3,337)	(176,744)	(70,826)
Receipt of Yukon Mining Exploration Tax Credit	-	15,454	-	15,454
Change in operating assets and liabilities relating to investing activities	(82,395)	(98,177)	159,721	(29,334)
	(26,494)	(88,796)	(20,173)	(87,442)
Cash flows from financing activities				
Proceeds from loans	-	40,000	-	70,000
Share subscription received	-	79,000	-	79,000
Capital raising costs	-	(30,592)	-	(30,592)
Change in operating assets and liabilities relating to financing activities	-	19,935	(16,856)	19,935
	-	108,343	(16,856)	138,343
Increase (decrease) in cash	(18,372)	11,040	(229,336)	12,914
Cash, beginning of period	33,065	6,080	244,029	4,206
Cash, end of period	\$ 14,693	\$ 17,120	\$ 14,693	\$ 17,120
Supplement disclosure of cash flow information				
Interest received	\$ -	\$ 1,524	\$ 403	\$ 2,342
Supplemental disclosure of non-cash investing and financing activities				
Debt settled through sale of equipment to vendor	\$ -	\$ -	\$ -	\$ 19,635
Shares issued for acquisition of mineral properties	\$ -	\$ 28,750	\$ 50,000	\$ 78,750
Shares received as consideration for farm out of mineral properties	\$ 64,500	\$ -	\$ 64,500	\$ -

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

TRUE NORTH GEMS INC.
Notes to Interim Consolidated Financial Statements
June 30, 2010 (unaudited)

Expressed in Canadian dollars

1. Going concern

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Several adverse conditions cast significant doubt on the validity of that assumption. During the six month period ended June 30, 2010, the Company incurred a net loss and utilized funds in operations totalling \$245,701 and \$192,307 respectively. The accumulated deficit at June 30, 2010 is \$18,844,204. The Company has limited financial resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property projects.

The ability of the Company to continue as a going concern will depend upon the following:

- The ability to raise further funds through the issue of equity financing or through joint ventures;
- Continued financial support from creditors; and,
- The sale of non-core assets in the ordinary course of business.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the balance sheet classifications used. Such adjustments could be material.

2. Accounting policies

a) Basis of presentation

The consolidated financial statements have been prepared using accounting principles generally accepted in Canada ("Canadian GAAP") for interim reporting.

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended December 31, 2009 and have been consistently followed in the preparation of these financial statements.

b) New accounting pronouncements

i. Convergence with International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") recently confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian standards and interpretations on January 1, 2011. The process of changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect reported financial position and results of operations and also affect certain business functions.

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2. Accounting policies

- ii. Business combinations/consolidated financial statements/non-controlling interest
 In January 2009, the Canadian Institute of Chartered Accountants (“CICA”) adopted Handbook sections 1582, “Business Combinations”, 1601, “Consolidated Financial Statements” and 1602, Non-Controlling Interest”, which superseded current sections 1581, “Business Combinations” and 1600, “Consolidated Financial Statements”. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections are the Canadian equivalent to IFRS.

3. Investments

	June 30, 2010		December 31, 2009	
	Cost	Accumulated unrealized holding gains (losses)	Carrying value	Carrying value
0.4% Term deposit maturing March 28, 2011 (December 31, 2009 - 0.2% Term deposit maturing March 28, 2010)	\$ 27,122	\$ -	\$ 27,122	\$ 27,602
300,000 Common shares - Great Western Minerals Ltd. (note 5)	64,500	(18,000)	46,500	-
	\$ 91,622	\$ (18,000)	\$ 73,622	\$ 27,602

The fair value of the investments at June 30, 2010 is \$73,622 (December 31, 2009 - \$27,602).

4. Capital assets

	June 30, 2010		December 31, 2009	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 54,073	\$ 38,273	\$ 54,073	\$ 35,512
Computer software	34,484	24,345	35,374	23,464
Laboratory and gem processing equipment	6,060	3,850	6,060	3,606
Leasehold improvements	82,118	82,118	82,118	82,118
Office furniture and equipment	92,069	63,507	92,069	60,362
	268,804	\$ 212,093	269,694	\$ 205,062
Less accumulated amortization	(212,093)		(205,062)	
Net book value	\$ 56,711		\$ 64,632	

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5. Mineral properties

The following table summarizes the Company's investment in mineral properties as at June 30, 2010:

Areas of interest	Acquisition	Exploration expenditure	Carrying value
Greenland Property	\$ 550,985	\$ 15,960,393	\$ 16,511,378
Baffin Island Property	212,346	3,078,939	3,291,285
Other Yukon Properties	49,100	320,610	369,710
Balance – June 30, 2010	\$ 812,431	\$ 19,359,942	\$ 20,172,373

The following table details the expenditures on mineral properties by area of interest:

Areas of interest	Greenland Property	Baffin Island Property	Other Yukon Properties	Total
Balance- December 31, 2009	\$ 16,234,397	\$ 3,287,074	\$ 388,221	\$ 19,909,692
Total acquisition for period	53,150	-	-	53,150
Exploration expenditures				
Advance	(6,859)	-	-	(6,859)
Aviation	2,574	-	-	2,574
Camp construction and operation	214	-	-	214
Equipment	-	14,700	-	14,700
Other	14,294	(21,808)	(7,621)	(15,135)
Stock-based compensation	32,787	-	-	32,787
Technical services	153,780	11,159	780	165,719
Travel	-	160	-	160
Total exploration for period	196,790	4,211	(6,841)	194,160
Total expenditures before the following	16,484,337	3,291,285	381,380	20,157,002
Farm out receipts	-	-	(11,670)	(11,670)
Gemstone test marketing study	27,041	-	-	27,041
Balance- June 30, 2010	\$ 16,511,378	\$ 3,291,285	\$ 369,710	\$ 20,172,373

True Blue Property

On March 4, 2010, the Company entered into a Letter of Intent (“LOI”) with Great Western Minerals Ltd. (“GWMG”) whereby GWMG has been granted an option to acquire up to a 65% working interest in the True Blue Property in exchange for a carried interest through to completion of a Bankable Feasibility Study.

Under the terms of the LOI, GWMG can earn a 51% interest as follows:

- i. On signing payment of \$50,000 (April 7, 2010) and additional cash payments of \$350,000 in staged allotments over the four year option term;
- ii. Incur \$1,000,000 in exploration expenditure on or before December 31, 2010 and cumulative exploration expenditure of \$5,000,000 on or before December 31, 2013; and,

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5. Mineral properties - continued

- iii. Issued 300,000 shares from treasury on signing (note 3) and an additional 900,000 shares in staged allotments over the four year option term.

Once GWMG earns a 51% working interest in the property, it may earn an additional 14% interest by completing all expenditures through to completion of a Bankable Feasibility Study. GWMG will also have the right to market the Company's share of REE ("Rare Earth Element") production with a renewal option to the Company every three years.

The LOI is subject to a formal option and joint venture agreement being executed by the parties to the LOI on or before May 30, 2010 and requisite regulatory approval. The deadline for completion of the formal option and joint venture agreement was not met; however, the cash and share consideration has been received. It is now anticipated that the option and joint venture agreement will be executed on or before September 15, 2010 and submitted for regulatory approval.

6. Capital stock

- a) Authorized – Unlimited number of common shares without par value

- b) Common shares issued

	Number of Shares	Amount
Balance – December 31, 2009	113,966,133	\$ 33,307,080
Mineral properties	571,429	50,000
Balance – June 30, 2010	114,537,562	\$ 33,357,080

- c) Warrants

Share purchase warrant transactions for the six month period ended June 30, 2010 and the year ended December 31, 2009 and the number of share purchase warrants outstanding are summarized as follows:

	June 30, 2010		December 31, 2009	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	46,245,466	\$ 1,229,757	20,111,988	\$ 855,471
Warrants issued	-	-	34,087,123	902,940
Warrants expired	-	-	(7,953,645)	(528,654)
Closing balance	46,245,466	\$ 1,229,757	46,245,466	\$ 1,229,757

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6. Capital stock - continued

At June 30, 2010, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price	Expiry date
1,774,383	\$0.40	7-Aug-2010
234,010	\$0.30	7-Aug-2010
9,612,700	\$0.20	29-Oct-2010
537,250	\$0.10	29-Oct-2010
13,700,000	\$0.20	03-Jul-2011
274,383	\$0.10	03-Jul-2011
13,000,000	\$0.20	10-Aug-2011
1,910,000	\$0.20	21-Aug-2011
5,002,000	\$0.20	24-Dec 2011
200,740	\$0.10	24-Dec 2011
46,245,466		

Subsequent to June 30, 2010, 2,088,393 warrants expired unexercised.

d) Stock options

On June 26, 2009, the shareholders approved the Stock Option Plan (the "Plan"), for which up to 10% of the issued share capital can be reserved for issuance to executive officers and directors, employees and consultants. The exercise price of the options is set at the Company's closing share price on the day before the grant date less the applicable discount permitted under the TSX Venture Exchange policies. The options have a maximum term of five years and vest at date of grant. At June 30, 2010, 1,878,756 options are available for future grant under the Plan.

Stock option transactions for the six month period ended June 30, 2010 and the year ended December 31, 2009 and the number of stock options outstanding and exercisable are summarized for the respective financial period ends as follows:

	June 30, 2010		December 31, 2009	
	Number of options	Weighted Average Exercise Price of Options Exercisable	Number of options	Weighted Average Exercise Price of Options Exercisable
Opening balance	8,675,000	\$0.25	5,275,000	\$0.46
Options granted	900,000	\$0.15	5,650,000	\$0.15
Options expired	-	-	(630,000)	\$0.64
Options forfeited	-	-	(1,620,000)	\$0.43
Closing balance	9,575,000	\$0.24	8,675,000	\$0.25

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6. Capital stock - continued

The fair value of the 900,000 options granted during the six month period ended June 30, 2010 (year ended December 31, 2009 -5,650,000) amounted to \$34,716 (December 31, 2009 - \$362,564) and has been determined using the Black-Scholes valuation model with the following assumptions:

	June 30, 2010	December 31, 2009
Expected dividend yield	0%	0%
Stock price volatility	104%	100%
Risk free interest rate	1.34%	1.31%
Expected life of options	2 years	2 years

At June 30, 2010, stock options outstanding are as follows:

Number of options outstanding and exercisable	Range of exercise prices	Weighted Average Exercise Price of Options Exercisable	Weighted Average Remaining Contractual Life
900,000	\$0.15	\$0.15	4.87 years
5,650,000	\$0.15	\$0.15	4.40 years
2,145,000	\$0.38-\$0.42	\$0.39	1.89 years
880,000	\$0.56	\$0.56	2.55 years
9,575,000			

7. Contributed surplus

	June 30, 2010	December 31, 2009
Opening balance	\$ 3,091,453	\$ 2,200,235
Reallocation of fair value of warrants on expiration	-	528,654
Stock-based compensation	34,716	362,564
Closing balance	\$ 3,126,169	\$ 3,091,453

Notes to Interim Consolidated Financial Statements
June 30, 2010 (unaudited)

Expressed in Canadian dollars

8. Income tax

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

	June 30, 2010	June 30, 2009
Statutory rates	28.3%	30.0%
Income tax recovery computed at statutory rates	\$ 69,439	\$ 131,960
Other than temporary differences		
Other	(1,497)	1,188
Stock-based compensation	(9,811)	-
	(11,308)	1,188
Book to tax differences	(4,994)	79,687
Change in valuation allowance	(53,137)	(212,835)
Recovery of income taxes	\$ -	\$ -

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

	June 30, 2010	December 31, 2010
Future tax assets		
Non-capital loss carry forwards	\$ 2,548,546	\$ 2,438,885
Other	352,596	321,170
Total gross future income tax assets	2,901,142	2,760,055
Less valuation allowance	(2,421,999)	(2,371,174)
Net future income tax assets	479,143	388,881
Less future tax liabilities		
Mineral properties	(479,143)	(388,881)
Net future income tax	\$ -	\$ -

9. Related party transactions

(In addition to those disclosed elsewhere)

- a) At June 30, 2010, shareholders, officers, directors and management owed the Company \$101, which is included in advances and accounts receivable.

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Notes to Interim Consolidated Financial Statements
June 30, 2010 (unaudited)

Expressed in Canadian dollars

9. Related party transactions- continued

(In addition to those disclosed elsewhere)

- b) As at June 30, 2010, shareholders, officers, directors and management are owed \$314,303, which is included within accounts payable and accrued liabilities. The balance represents unpaid amounts relating to fees and expenses. In addition, directors and officers are owed \$110,000 for funds advanced to the corporation.
- c) During the six month period ended June 30, 2010, fees for services rendered by directors and officers totaling \$222,500 have been accrued and remain unpaid, of which \$142,500 was charged to operations and \$80,000 to mineral properties. These transactions were in the normal course of business recorded at their exchange amounts, which was established and agreed to by the related parties.

10. Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity.

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is generally to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Periodically, the Company will invest in interest bearing investments with maturities exceeding 90 days, if it is for a specific purpose.

The Company will be required to access financial resources through equity placements in the junior resource market in the current year to sustain operations of the Company. Further information related to management of capital risk and liquidity is set out in note 1.

TRUE NORTH GEMS INC.
Notes to Interim Consolidated Financial Statements
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Expressed in Canadian dollars

11. Financial instruments

- a) Analysis of financial assets and financial liabilities

The tables below sets out the Company's classification for each of its financial assets and liabilities at June 30, 2010

	Fair value hierarchy level	Financial assets held-for-trading	Financial assets available-for-sale	Loans and receivables	Other financial liabilities	Total carrying value
Cash and cash equivalents	Level 1	\$ 14,693	\$ -	\$ -	\$ -	\$ 14,693
Investments	Level 1	-	73,622	-	-	73,622
Advances and accounts receivable		-	-	10,892	-	10,892
Accounts payable and accrued liabilities		-	-	-	(887,443)	(887,443)
Loans payable		-	-	-	(110,000)	(110,000)
		\$ 14,693	\$ 73,622	\$ 10,892	\$ (997,443)	\$ (898,236)

During 2009, CICA Handbook Section 3862 "Financial Instruments – Disclosures" was amended to require enhanced disclosure of financial instrument fair value measurements and liquidity risks. Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three of levels of the hierarchy are as follows :

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3: Inputs that are not based on observable market data.

- b) Fair values

The carrying value of the Company's investments, advances and accounts receivable, accounts payable, accrued liabilities and loans payable approximate their fair value at June 30, 2010 and December 31, 2009.

- c) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

- i. Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Greenland and a portion of its expenses are incurred in US dollars and Danish kroner. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and Danish kroner could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

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11. Financial instruments - continued

At June 30, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Danish kroner:

	June 30, 2010		December 31, 2009	
	USD	DKK	USD	DKK
Cash and cash equivalent	(909)	16,165	(919)	60,294
Accounts payable and accrued liabilities	(2,236)	(1,547,351)	-	(1,642,500)
Net asset (liability) position	(3,145)	(1,531,186)	(919)	(1,582,206)

Based on the above net exposure as at June 30, 2010 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and the Danish kroner would result in an increase/decrease of \$27,129 in the Company's net loss.

ii. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's term deposits included in short-term investments are held through large Canadian financial institutions. Term deposits are composed of financial instruments issued by Canadian banks with high investment-grade ratings. The term deposit matures annually.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances.

At June 30, 2010, the Company has a working capital deficiency of \$873,227. The Company intends to manage its obligations on a gradual settlement basis. The Company has initiated negotiations with its suppliers for the extension of credit terms, among others, as part of its debt management strategies.

Based upon the Company's current financial condition, delay in obtaining additional financing to sustain future operations and reliance upon continued financial support from creditors, the Company has a significant liquidity risk (note 1).

12. Segmented information

The Company's principal business segment is the acquisition, exploration and development of mineral properties. All of the Company's mineral properties are in the exploration and development stage and therefore exploration costs are deferred. The Company's current activities are focused in Canada and Greenland (note 5).