Unaudited Interim Consolidated Financial Statements

Nine Months Ended July 31, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"*Allen J. Palmiere (signed)*"
Allen J. Palmiere
President and Chief Executive Officer

"Norman L. Calder (signed)"
Norman L. Calder
Chief Financial Officer

September 15, 2010

ADRIANA RESOURCES INC.
(An Exploration Stage Company)
Interim Consolidated Balance Sheets
(Unaudited and expressed in Canadian dollars)

As at		July 31 2010		October 31 2009
ASSETS				
Current assets				
Cash	$	2,525,282	$	361,869
Other receivables		1,111,187		772,936
Prepaid expenses		107,939		109,968
		3,744,408		1,244,773
Capital assets (Notes 5, 6 and 7)		48,388,902		44,108,055
Intangible asset (Note 6)		19,574,471		19,132,114
	$	71,707,781	$	64,484,942
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	4,939,472	$	3,887,835
Due to related parties		-		3,570
Current portion of interest payable (Note 8)		223,155		48,716
		5,162,627		3,940,121
Interest payable (Note 8)		891,324		443,448
Convertible debentures (Note 8)		8,768,091		8,248,928
Future income tax liabilities (Note 6)		6,976,320		6,504,919
		21,798,362		19,137,416
Non-controlling interest (Note 9)		11,467,846		11,262,880
SHAREHOLDERS' EQUITY				
Share capital (Note 10)		82,508,538		75,296,033
Equity portion of convertible debentures		2,207,021		2,207,021
Contributed surplus (Note 11)		4,846,536		3,273,206
Deficit		(51,120,522)		(46,691,614)
		38,441,573		34,084,646
	$	71,707,781	$	64,484,942

Going concern and nature of operations (Note 1)
Commitments and contingencies (Note 14)

The accompanying notes form an integral part of the consolidated financial statements.

ADRIANA RESOURCES INC.

(An Exploration Stage Company)

Interim Consolidated Statements of Loss and Comprehensive Loss and Deficit

(Unaudited and expressed in Canadian dollars)

	Three months ended July 31 2010	Three months ended July 31 2009	Nine months ended July 31 2010	Nine months ended July 31 2009
Administrative expenses				
Amortization	$ 3,617	$ 15,782	$ 13,001	$ 49,632
Business development	50,072	70,079	197,235	140,307
Conferences	950	20,055	16,923	83,863
Interest on convertible debentures	402,267	358,458	1,152,745	1,044,795
Investor relations	7,322	72,119	114,242	266,788
Professional and consulting fees	225,862	247,974	739,624	545,703
Rent and office expenses	147,502	215,912	458,962	464,721
Salaries and benefits	321,153	373,704	1,169,538	778,492
Stock-based compensation	252,501	160,697	903,978	461,627
Transfer agent and filing fees	5,610	10,624	43,529	26,693
Travel	7,450	70,120	36,470	146,600
Loss before the following:	1,424,306	1,615,524	4,846,247	4,009,221
Other (income) expenses				
Exploration expenditures	-	94,224	-	394,681
Property investigation	-	9,866	-	55,624
Interest income	(1,207)	(49,138)	(4,762)	(77,159)
Loss (gain) on foreign exchange	414,983	41,196	(137,215)	(40,587)
Loss realized on former premises	351,536	-	351,536	-
Write-off of mineral property interests (Note 7)	200,183	-	200,183	-
Non-controlling interest (Note 9)	(170,971)	(104,943)	(86,990)	(88,747)
Loss (gain) on disposal of mineral property interests (Note 7)	7,357	(91,795)	(740,091)	(91,795)
Net loss, and comprehensive loss, for the period	2,226,187	1,514,934	4,428,908	4,161,238
Deficit, beginning of the period	48,894,335	42,038,773	46,691,614	39,392,469
Deficit, end of the period	$ 51,120,522	$ 43,553,707	$ 51,120,522	$ 43,553,707
Basic and diluted loss per common share	$ (0.03)	$ (0.02)	$ (0.06)	$ (0.06)
Weighted average number of shares	86,979,057	72,476,813	79,399,260	72,476,813

The accompanying notes form an integral part of the consolidated financial statements.

ADRIANA RESOURCES INC.

(An Exploration Stage Company)

Interim Consolidated Statements of Cash Flows

(Unaudited and expressed in Canadian dollars)

	Three months ended July 31		Nine months ended July 31	
	2010	**2009**	**2010**	**2009**
Cash provided by (used in)				
Operating activities				
Net loss for the period	$ (2,226,187)	$ (1,514,934)	$ (4,428,908)	$ (4,161,238)
Items not involving cash:				
Amortization	3,617	15,782	13,001	49,632
Unrealized portion of foreign exchange (gains)	(2,858)	-	(138,736)	-
Accretion on convertible debentures	181,513	179,830	519,163	589,286
Stock-based compensation	252,501	160,697	903,978	461,627
Provision for loss on rental property	301,000	-	301,000	-
Write-off of property interests	200,183	-	200,183	-
Non-controlling interest	(170,971)	(104,943)	(86,990)	(88,747)
Loss (gain) on disposal of mineral property interests	7,357	(91,795)	(740,091)	(91,795)
	(1,453,845)	(1,355,363)	(3,457,400)	(3,241,235)
Changes in non-cash working capital:				
Receivables and prepaids	(381,094)	14,981	90,791	413,215
Accounts payable and accrued liabilities	178,746	(73,617)	477,320	(1,423,741)
Cash used in operating activities	(1,656,193)	(1,413,999)	(2,889,289)	(4,251,761)
Investing activities				
Proceeds from short-term investments	-	2,300,000	-	4,127,000
Port facility expenditures	303,633	(344,220)	(314,607)	(2,174,467)
Mineral property expenditures	(1,913,545)	(499,981)	(3,155,807)	(1,038,529)
Office equipment expenditures	(11,487)	-	(19,832)	-
Proceeds from disposal of mineral property interests	(7,357)	-	340,091	-
Proceeds from government tax credits	-	130,792	-	2,160,467
Cash (used in) provided by investing activities	(1,628,756)	1,586,591	(3,150,155)	3,074,471
Financing activities				
Proceeds from share issuance, net of issue costs	3,558,043	-	8,176,566	-
Proceeds from options exercised	-	-	26,291	-
Cash provided by financing activities	3,558,043	-	8,202,857	-
Increase (decrease) in cash	273,094	172,592	2,163,413	(1,177,290)
Cash, beginning of the period	2,252,188	883,480	361,869	2,233,362
Cash, end of the period	$ 2,525,282	$ 1,056,072	$ 2,525,282	$ 1,056,072
Supplementary cash flow information				
Interest paid	$ -	$ -	$ -	$ -

The accompanying notes form an integral part of the consolidated financial statements.

1. GOING CONCERN AND NATURE OF OPERATIONS

Adriana Resources Inc. (and its subsidiaries, collectively the "Company") was incorporated under the laws of British Columbia and continued under the Canada Business Corporations Act. The Company's principal business activities include the acquisition and exploration of resource properties including its Lac Otelnuk Iron Ore Project in Nunavik, Québec (the "Lac Otelnuk Property") and the development of an iron ore port facility in Brazil (the "Port Facility"). The Company's Class A common shares ("Common Shares") are listed on the TSX Venture Exchange under the symbol ADI.V.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assume that the Company will be able to meet its obligations and continue its operations for its next financial year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The consolidated financial information herein is unaudited.

As of July 31, 2010, the Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses of $51.1 million since its inception and expects to incur further losses in the development of its business, all of which cast substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company obtaining additional equity and/or debt financing and/or a new strategic partner and obtaining the necessary permits in connection with the development of its Otelnuk Property and the Port Facility. There is no assurance that such financing and/or strategic partnership or the necessary permits will be obtained on favourable terms or at all. Failure to obtain such financing and/or strategic partnership and the necessary permits could result in the delay or indefinite postponement of further exploration and development of the Lac Otelnuk Property or the Port Facility and may result in the Company not meeting any of its operational and capital requirements.

2. FINANCIAL STATEMENT PRESENTATION

The accompanying interim unaudited financial statements include all adjustments that are, in the opinion of management of the Company, necessary for a fair presentation. However, these financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements, as they do not include all necessary disclosures, and accordingly should be read in conjunction with the Company's October 31, 2009 audited consolidated financial statements and notes thereto.

3. ACCOUNTING POLICIES

The financial statements of the Company follow the same accounting principles and methods of application as those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended October 31, 2009.

The following accounting standards affecting future accounting periods were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2009:

Business Combinations (Section 1582)

In January 2009, the Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. The Section applies 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. The adoption of Section 1582 will affect the Company's accounting for business combinations, if any, on or after January 1, 2011.

Consolidated Financial Statements (Section 1601)

In January 2009, the AcSB issued CICA Handbook Section 1601 to establish standards for the preparation of consolidated financial statements. The Section will be applicable to the Company's interim and annual consolidated financial statements for its fiscal year beginning November 1, 2011. The Company does not expect any material impact on its financial position, operating results or disclosure on the adoption of this new Section 1601.

Non-Controlling Interests (Section 1602)

This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 will be applicable to any business combinations entered into on or after November 1, 2011. The Company does not expect any impact on its financial position, operating results or disclosure on the adoption of this new Section 1602.

Comprehensive Revaluation of Assets and Liabilities (Section 1625) and Equity (Section 3251)

As a result of issuing CICA Handbook Sections 1582, 1601 and 1602, CICA Handbook Section 1625, has been amended and is effective prospectively beginning on or after January 1, 2011. Section 3251, *Equity*, has been amended as a result of issuing Section 1602 and applies to entities that have adopted this Section. Adoption of this standard is not expected to have a material effect on the Company's financial statements.

Financial Instruments – Recognition and Measurement (Section 3855)

Section 3855 has been amended to clarify (i) the application of the effective interest method after a debt instrument has been impaired, and (ii) when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These amendments apply to interim and annual financial statements beginning on or after January 1, 2011. The Company does not expect any significant impact on its financial position, operating results or disclosure on adopting the amended Section 3855.

International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB confirmed that publicly accountable enterprises will be required to adopt IFRS, replacing Canada's own GAAP, for financial years beginning on or after January 1, 2011. Accordingly, the conversion to IFRS will be applicable to the Company with its financial year beginning November 1, 2011. The transition date of November 1, 2011 for the Company will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011, with a restated balance sheet as of November 1, 2010. The adoption of IFRS will impact the Company's accounting policies, information technology, internal controls and disclosure

procedures. The transition may also impact business activities, such as foreign currency, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

4. FINANCIAL INSTRUMENTS

The fair values of other receivables, accounts payable and accrued liabilities, and due to related parties are considered by management of the Company to be a reasonable approximation of their carrying values.

5. CAPITAL ASSETS

Capital assets consist of the following:

	July 31, 2010 Cost	Accumulated Amortization	Net Book Value
Port Facility (Note 6)	$ 35,328,345	$ -	$ 35,328,345
Mineral properties (Note 7)	12,910,994	-	12,910,994
Office	176,482	26,919	149,563
	$ 48,415,821	$ 26,919	$ 48,388,902

	October 31, 2009 Cost	Accumulated Amortization	Net Book Value
Port Facility (Note 6)	$ 35,012,652	$ -	$ 35,012,652
Mineral properties (Note 7)	8,925,658	-	8,925,658
Office	185,249	15,504	169,745
	$ 44,123,559	$ 15,504	$ 44,108,055

Costs capitalized to the Port Facility include permitting, environmental, geological, topographical, seismic surveying, travel to port site and royalty payments paid to Athena Resources LLC (“Athena”) as described in further detail in Note 6 below.

6. DEVELOPMENT OF PORT FACILITY

Acquisition of Brazore Holdings Ltd. (“Brazore”)

Pursuant to an agreement dated August 21, 2007 with Athena (the “Brazore Transaction”), the Company transferred a 50% interest in its subsidiary, Brazore, to Athena in exchange for Athena’s 93.5% interest in Brazore Ltda. Under the terms of the agreement, the Company maintained and increased its interest in Brazore by funding Brazore Ltda.’s plan to develop the Port Facility as follows: (1) a first tranche of US$5.0 million by October 20, 2007 to maintain a 50% ownership interest and (2) a second tranche of US$17.0 million by November 29, 2007 to earn a 60% interest. The US$22 million (the “Two Tranches”) has been used to purchase certain of the land for the Port Facility, and initial engineering and other environmental studies. On April 1, 2009, the Company provided notice to Athena that it would not proceed with the funding of an additional US$33 million to earn a 75% interest in Brazore. As of July 31, 2010, the Company has advanced an additional US$8.0 million in excess of the Two Tranches which has been used to fund the continued advancement of the Port Facility in Brazil.

Pursuant to the Brazore Transaction, the Company agreed to pay to Athena a royalty of US$0.50 per dry tonne of iron ore transported or shipped through the Port Facility up to an aggregate maximum of $3.0 million. The royalty was payable as an advance royalty of US$250,000 in equal consecutive

quarterly instalments to the maximum amount. To October 31, 2009, the Company had paid five advance royalty instalments totalling US$1.25 million which were capitalized under the Port Facility (see Note 5) and will not be making any further advance payments.

Pursuant to the Brazore Transaction, the Company paid a finder's fee to Alper Consulting Inc. of $350,000 by issuing 47,418 Common Shares at $1.05, 231,132 Common Shares at $0.55 and by paying the amount of $173,088.

The Brazore Transaction is considered to be an asset acquisition for accounting purposes since Brazore does not constitute a business in accordance with EIC 124. When an asset is acquired other than in a business combination and the tax basis of that asset is less than its cost, the cost of future income taxes recognized at the time of acquisition is added to the cost of the asset since that forms part of the cost of acquisition. Accordingly, the Company has recorded the surplus of the asset's carrying amount as an intangible asset, which includes the income tax effect in accordance with Brazilian income tax rates. At July 31, 2010, the intangible asset was $19,574,471 and the future income tax liability was $6,976,320 (October 31, 2009 - $19,132,114, $6,504,919, respectively), of which $321,000 pertains to future income tax benefits on expenditures renounced to shareholders (Note 10(b)).

During 2009, the amount of $1,464,055, representing the acquisition costs of two plots of land, was written off as, under the environmental permitting application submitted in 2009, the lands were no longer required.

As at July 31, 2010, the primary tangible asset of Brazore was the land for the Port Facility comprised of certain parcels on the coast of Brazil purchased in December 2007 and on the adjacent island purchased in 2008, all held through its effectively 97.5% owned subsidiary, Brazore Ltda.

Port Option Agreement

On August 20, 2008, as amended, the Company entered into an option agreement (the "Port Option") with ArcelorMittal in connection with the proposed development of the Port Facility.

On June 1, 2009, the Company and ArcelorMittal extended the Port Option for a period of six months to be followed by further six-month extensions unless otherwise terminated by ArcelorMittal. The parties also amended the Port Option to provide for, amongst other items, the extension to September 10, 2012 of the maturity date of the $6.45 million unsecured convertible debenture issued by the Company on September 10, 2008 to ArcelorMittal and the deferral of annual interest payments of 7% due to ArcelorMittal under this debenture to the maturity date thereof. On November 27, 2009, ArcelorMittal terminated the Port Option.

7. MINERAL PROPERTIES

Mineral properties consist of the following deferred expenditures pertaining to the Labrador Trough projects:

Balance, October 31, 2009	$	8,925,658
Acquisition and maintenance		194,637
Camp and expediting		1,624,915
Drilling and demobilization		1,431,114
Equipment		258,813
Geochemistry and metallurgical		70,794
Geological and geophysics		31,833
Environmental		107,337
Professionals and consultants		139,059
Salaries and benefits		10,205
Surveying		221,800
Travel		95,012
Incurred during the period		4,185,519
Less: written off on abandonment		(200,183)
Balance, July 31, 2010	$	12,910,994

Certain government authorities provide incentives to encourage mineral property exploration and development in their jurisdictions. Such incentives include the reimbursement of expenditures for the Company's qualifying activities. Reimbursements are subject to review and approval by government authorities on a specific expenditure basis and are recorded as a reduction of the related mineral expenditure or as a recovery of the related expense when the Company is advised that such reimbursement will be made to the Company.

(a) Labrador Trough, Nunavik, Québec

The Company's Labrador Trough projects are comprised of the Lac Otelnuk Iron Ore Project, the Bedford Iron Ore Prospect and the December Lake claims.

i) Lac Otelnuk Iron Ore Project, Nunavik, Québec

On November 30, 2005, as amended, the Company entered into an option agreement (the "Bedford Option") to earn a 100% interest in certain claims comprising part of the Lac Otelnuk Property. The Company has also staked additional mineral claims directly adjacent to and surrounding the claims subject to the Bedford Option. Pursuant to the Bedford Option, the optionor is entitled to a combination of cash, shares and work commitments as set out below, all of which have been fulfilled, and a royalty (the "Bedford Royalty") equal to (i) 2.5% from the sale of iron ore products mined from the claims subject to the Bedford Option payable commencing in 2015 or earlier on commencement of commercial production with a minimum production royalty based on a certain specified pellet price and a minimum production of 10 million metric tonnes; and (ii) 2.5% net smelter returns from the sale of any other minerals mined from such properties annually. The Bedford Royalty is subject to minimum advances of $150,000 payable by November 30 of each year until commencement of commercial production. The Company may purchase one-half of the Bedford Royalty for $5.5 million at any time prior to December 31, 2015 and for $11 million thereafter. The exercise of the Bedford

Option by the Company is subject to certain conditions. The Company has filed an application with the Quebec Superior Court for a judicial Interpretation of certain provisions of the Option Agreement relating to a portion of the Lac Otelnuk property. The clauses for which clarification is sought relate to the timing of the exercise of the option and the royalty payments.

The Company owns additional mineral claims in the area of Lac Otelnuk and December Lake.

During the year ended October 31, 2009, the Company received from Revenue Québec and Ministry of Natural Resources of Québec the amounts of $2,029,675 and $449,004, respectively, as reimbursement of certain exploration expenditures incurred on the Lac Otelnuk Property. No amounts were received in the current period.

ii) Bedford Iron Ore Prospect, Newfoundland and Labrador

In June 2008, the Company entered into an option agreement to acquire a 100% interest in the Bedford Iron Ore Prospect, consisting of certain mineral claims in Labrador by, among other things, paying $200,000 over the six-year option term, of which $30,000 had been paid as of October 31, 2009. The Company has also staked additional mineral claims directly adjacent to the Bedford Labrador mineral claims. The Company has determined that it will not be able to satisfy the terms of the option agreement and accordingly the agreement was terminated as of July 17, 2010 and the Company wrote off carrying costs of $200,183.

(b) Mustavaara Property, Finland

In July 2006, the Company entered into an option agreement to earn a 70% interest in the Mustavaara Property located in Finland. On October 31, 2008, the Company recorded a 100% write-off of the carrying value of its interest in the project. On March 30, 2010, the Company closed the sale of its interest in the Mustavaara Property for gross proceeds of $800,000, of which $400,000 was paid on closing and $400,000 is payable on September 30, 2010, resulting in a gain of $740,091, net of costs of disposal.

8. CONVERTIBLE DEBENTURES

	Nine months ended July 31, 2010	Year ended October 31, 2009
Balance, beginning of period	$ 8,248,928	$ 7,577,860
Add: Accretion of liability component of debentures	519,163	671,068
Balance, end of period	$ 8,768,091	$ 8,248,928

On September 10, 2008, the Company issued $10-million of unsecured subordinated convertible debentures. The debentures are convertible into Common Shares at a conversion price of (i) $0.90 per Common Share if converted on or prior to September 10, 2010, and (ii) $0.99 per Common Share if converted on or after September 10, 2010 and prior to maturity. $3,550,000 of the debentures mature on September 10, 2011 and bear interest at an annual rate of 7%. In September 2009, interest payments of $256,629 were paid to debenture-holders. At July 31, 2010, interest of $223,155 (October 31, 2009 - $48,716) was accrued as current interest payable.

As part of the amended Port Option with ArcelorMittal, the Company has deferred its annual interest payment of 7% on the convertible debenture held by ArcelorMittal in the principal amount of $6,450,000 for three years, along with a one-year deferral of repayment of the related principal, to

September 10, 2012. At July 31, 2010, interest of $891,324 (October 31, 2009 - $443,448) was accrued as non-current interest payable under long-term liabilities of the Company.

The debentures are classified as held to maturity and are recorded at amortized cost.

9. NON-CONTROLLING INTEREST

	Nine months ended July 31, 2010	Year ended October 31, 2009
Balance, beginning of period	$ 11,262,880	$ 11,317,930
Non-controlling interest in cash contributions to Port Facility	291,956	1,151,960
Share of losses for period	(86,990)	(1,207,010)
Balance, end of period	$ 11,467,846	$ 11,262,880

10. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of Common Shares.

b) Issued

The Company has the following Common Shares issued and outstanding:

	Nine months ended July 31, 2010		Year ended October 31, 2009	
	Shares	Amount	Shares	Amount
Common shares				
Balance, beginning of period	72,707,945	$ 75,296,033	72,476,813	$ 75,800,899
Private placements	14,875,320	8,590,250	-	-
Shares issued for finder's fees (Note 6)	-	-	231,132	127,123
Shares issued on option exercises	100,001	48,189	-	-
Less:				
- Finders' fees and commissions		(866,075)		-
- Share issue costs		(238,859)		-
- Future income tax benefits on expenditures renounced to shareholders		(321,000)		(631,989)
Balance, end of period	87,683,266	$ 82,508,538	72,707,945	$ 75,296,033

The private placement which closed on December 31, 2009 was for gross proceeds of $1,201,500, less finders' fees of $60,075 and issue costs of $50,559. The private placement which closed on February 8, 2010 was for gross proceeds of $3,800,000, less finders' fees of $246,000 and issue costs of $26,343. The two private placements which closed on May 7, 2010 were for gross proceeds of $4,000,000, less investor warrants valued at $411,250, commission of $280,000, compensation options and warrants valued at $280,000 and other issue costs of $161,957.

The May 2010 private placements comprised one of 5,000,000 units (each consisting of one Common Share and one-half common share purchase warrant ("Warrant")) and the second of

4,255,320 flow-through Common Shares. Each whole Warrant issued entitles the holder thereof to acquire one Common Share at a price of $0.50 per Common Share until May 7, 2012. The compensation options issued enable the underwriter to purchase 555,319 units (each consisting of one Common Share and one-half Warrant) at a unit price of $0.40 per unit until May 7, 2012.

The Company financed a portion of its resource property exploration through the issuance of flow-through Common Shares whereby the Company transfers the tax deductions arising from the related resource expenditures to the investors. On the date the Company renounces the tax credits associated with the resource expenditures and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced. During the three months ended January 31, 2010, the Company recorded a future income tax liability of $321,000, as a result of the exploration expenditures renounced to investors in December 2009.

If the Company has sufficient unused tax loss carry forward to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry forwards, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

c) Options

Pursuant to the Company's stock option plan, approved by the shareholders of the Company on April 8, 2010, the maximum number of Common Shares which may be issued is 9,452,032 representing approximately 13% of the outstanding Common Shares at October 31, 2009. The Company may grant options to directors, officers, employees and consultants of the Company and its subsidiaries. The exercise price of each option cannot be lower than the market price of the Common Shares on the date of the option grant. The options vest as to one-third of the number of options granted to an option holder six months, twelve months and eighteen months after the date of the grant.

The continuity of options is as follows:

	Number of options	Weighted average exercise price
Balance, October 31, 2009	8,405,000	$ 0.57
Issued	950,000	0.45
Forfeited	(816,666)	0.84
Exercised	(100,001)	0.26
Balance, April 30, 2010	8,438,333	0.54
Issued	90,000	0.36
Forfeited	(358,333)	0.27
Balance, July 31, 2010	8,170,000	$ 0.55

During the nine months ended July 31, 2010, under the fair-value method, $903,978 (2009 - $442,401) in stock-based compensation costs was recorded for options vested to directors, officers, employees and consultants. The $442,401 stock-based compensation cost for the 2009 comparative period was apportioned as follows: $300.930 expensed to administrative expenses, $20,954 capitalized to mineral properties and $120,517 capitalized to the Port Facility.

The fair values of options were calculated using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
Risk free interest rate	1.82%	2.53%
Expected dividend yield	-%	-%
Stock price volatility	122.4%	123.2%
Expected life of options	2.86 years	5 years
Fair value of options	$0.25	$0.30

As of July 31, 2010, the following options to purchase Common Shares were outstanding:

Year of Expiry	Number of Options	Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable
2010	1,640,000	$0.35-1.36	0.182	$ 0.7211	1,640,000
2011	600,000	$0.55-1.10	0.873	$ 0.7917	533,333
2012	175,000	$0.90	1.446	$ 0.9000	175,000
2013	640,000	$1.10	2.862	$ 1.1000	640,000
2014	4,100,000	$0.26-0.55	3.946	$ 0.3637	2,233,333
2015	1,015,000	$0.36-0.45	4.602	$ 0.4420	-
	8,170,000	$0.26-1.36	2.908	$ 0.5457	5,221,666

d) Warrants and Compensation Options

The continuity of warrants is as follows:

	Number of warrants	Weighted average exercise price
Balance, October 31, 2009 and April 30, 2010	-	$ -
Issued to investors (Note 10(b))	2,500,000	0.50
Balance, July 31, 2010	2,500,000	$ 0.50

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	2010
Risk free interest rate	1.81%
Expected dividend yield	-%
Stock price volatility	87.00%
Expected life of warrants	2 years
Fair value of warrants	$0.16

The continuity of compensation options is as follows:

	Number of Compensation Options	Weighted average exercise price
Balance, October 31, 2009 and April 30, 2010	-	-
Issued to broker (Note 10(b))	555,319	$ 0.40
Balance, July 31, 2010	555,319	$ 0.40

The fair value of the compensation options was calculated by reference to the arms length value of the underwriting services provided.

11. CONTRIBUTED SURPLUS

	Three months ended July 31, 2010	Nine months ended July 31, 2010	Year ended October 31, 2009
Balance, beginning of period	$ 3,902,939	$ 3,273,206	$ 2,270,515
Stock-based compensation for stock options	252,501	903,978	1,002,691
Stock-based compensation for broker options	280,000	280,000	
Stock-based compensation for investor warrants	411,250	411,250	-
Exercise of stock options	(154)	(21,898)	-
Balance, end of period	$ 4,846,536	$ 4,846,536	$ 3,273,206

12. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RELATED RISKS

The Company’s objectives in managing its capital are to ensure the Company’s ability to continue as a going concern to meet its capital expenditures for its continued exploration programs in Canada, including the Otelnuk Property, and for the continued development of the Port Facility in Brazil and to maintain a flexible capital structure of equity and debt financing to optimize the costs of capital with minimal risks. The Company considers the items included in shareholders’ equity to be capital.

The Company periodically reviews its capital structure and will modify the structure in light of economic conditions and operating environments. In adjusting its capital structure, the Company may need to issue new shares or debt instruments, bring in joint venture partners or make changes to its strategic investment assets.

To manage its capital, the Company prepares annual capital and operational budgets which are updated as necessary to account for changes in the risk factors in the mining industry and economic conditions within the jurisdiction in which the Company operates.

The Company is exposed to a variety of financial instrument related risks which are as follows:

Currency risk

The Company’s financial positions and results of operations are exposed to the risk in currency fluctuations. The Company’s reporting currency is in Canadian dollars but a significant proportion of its expenditures are incurred in US dollars and Brazilian reais. A significant change in the US dollar and Brazilian real exchange rates will have an impact upon the operating results of the Company, its

financial positions and cash flows. A 10% strengthening in the exchange rate of the Brazilian real would have an adverse impact of approximately $300,000 on working capital as at July 31, 2010. The Company does not have foreign exchange hedges in place at this time.

Credit risk

The Company's credit risk is mainly attributable to its liquid financial assets: short-term investments and receivables. The Company minimizes the risk by placing these instruments with large federally insured chartered banks. Management does not believe there is credit risk in the Company's receivables.

Liquidity risk

The Company manages liquidity risk through a cash flow model, an annual budget and ongoing monitoring of expenses and capital expenditures to ensure it has sufficient liquidity to meet its business requirements as they come due. As part of its long-term planning, the Company may have to raise equity financing to ensure there is sufficient capital to meet its long term objectives. Further disclosures relating to liquidity risk are set out in note 1.

Interest rate risk

The Company earns the majority of its interest income from short-term investments invested in bankers discount notes and bankers acceptance. Fluctuations in interest rates will have a corresponding effect on the interest income. Increase/decrease in interest rates will not impact the Company's convertible debentures as they have a pre-determined fixed interest rate.

Fair value estimation

Certain financial assets are measured at fair value and are classified using a fair value hierarchy that reflects the significance of the input used in making the measurements. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or 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

The following table presents the classification of the Company's financial instruments within the fair value hierarchy established using Canadian GAAP as at July 31, 2010 and October 31, 2009:

				July 31, 2010
	Level 1	Level 2	Level 3	Total
Cash	$ 2,525,282	$ -	$ -	$ 2,525,282
Provision for loss realized on former premises	-	301,000	-	301,000
Convertible debentures	-	7,900,000	-	7,900,000
	$ 2,525,282	$ 8,201,000	$ -	$ 10,726,282

				October 31, 2009
	Level 1	Level 2	Level 3	Total
Cash	$ 361,869	$ -	$ -	$ 361,869
Provision for loss realized on former premises	-	-	-	-
Convertible debentures	-	7,900,000	-	7,900,000
	$ 361,869	$ 7,900,000	$ -	$ 8,261,869

13. RELATED PARTY TRANSACTIONS

Included in the periods, at their exchange amounts, are the following items paid or accrued to certain then-directors and companies controlled by certain then-directors of the Company for services provided. Exchange amounts are the amounts agreed upon by the transacting parties on terms and conditions similar to arm's-length transactions.

	Three months ended July 31, 2010	Nine months ended July 31, 2010	Year ended October 31, 2009
Management fees	$ -	$ -	$ 219,532
Financial advisory fees	-	-	48,200
Consulting fees	-	-	300,000
Geological consulting fees	-	48,180	61,150

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14. COMMITMENTS AND CONTINGENCIES

a) The Company's annual commitments for rental agreements are as follows:

	Office leases
2010	$ 199,413
2011	281,782
2012	368,643
2013	374,004
2014	315,038
2015	189,960
2016	47,490

Included in the above lease commitments is the cost of the Company's 50% share of rental obligations for its former premises in Vancouver, now sublet to third parties at a future cash cost for the remaining lease term of approximately $ 330,000. The fair value of this amount has been provided for at July 31, 2010. Should the former co-occupant fail to meet its share of rental obligations, the Company will be further committed under the terms of the head lease to additional net outgoings representing their proportionate share of the loss from the date of default.

b) Pursuant to the issuance of flow-through Common Shares in December 2009 and February and May 2010, the Company is committed to spending $7,001,500 on qualified expenditures, of which $1,201,500 must be spent by December 31, 2010, and the balance by December 31, 2011. To July 31, 2010, the Company has expended approximately $3,600,000.

c) In the ordinary course of business, the Company enters into contracts which contain indemnification provisions, including loan agreements, purchase contracts, service agreements, licensing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, leasing agreements, land use agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

d) The Company is committed to certain cash payments as described in Notes 7 and 8.

e) The Company is a defendant in certain legal actions in Brazil pursuant to which a third party is seeking the payment of approximately $4.2 million under a conditional agreement entered into by the Company in 2008 for the purchase of certain lands. The Company is vigorously defending itself including seeking the return of its initial payment of approximately $1.0 million and the annulment of the agreement on the basis of misrepresentations therein. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management of the Company that these claims are without merit and the resolution of these matters will not have a material adverse effect on the financial position of the Company.

15. NON-CASH TRANSACTIONS

During the nine-month periods ended July 31, 2010 and 2009, there were the following non-cash transactions:

	Nine months ended July 31, 2010	Nine months ended July 31, 2009
Compensation options and investor warrants issued for financing (Note 10(b))	$ 280,000	$ -

16. SEGMENTED INFORMATION

The Company has two reportable business segments: the exploration and development of mineral resource properties in Québec, Canada, and the development of an iron ore port facility in Brazil. The Company currently operates in two, previously three, geographic segments. Geographic distribution of operating results in the geographic segments is as follows:

July 31, 2010	Brazil	Canada	Finland	Total
Total assets	$ 55,262,923	$ 16,444,858		$ 71,707,781
Cash	31,431	2,493,851		2,525,282
Capital assets	35,440,883	12,948,019	-	48,388,902
Intangible asset	19,574,471	-	-	19,574,471
Net loss for the period	393,041	4,035,867		4,428,908

April 30, 2010	Brazil	Canada	Finland	Total
Total assets	$ 55,644,460	$ 13,286,637		$ 68,931,097
Cash	77,091	2,175,097		2,252,188
Capital assets	35,761,888	10,331,333	-	46,093,221
Intangible asset	19,591,671	-	-	19,591,671
Net loss for the period	(37,358)	2,240,079		2,202,721

October 31, 2009	Brazil	Canada	Finland	Total
Total assets	$ 54,612,198	$ 9,864,072	$ 8,672	$ 64,484,942
Cash	99,989	253,208	8,672	361,869
Capital assets	35,128,776	8,979,279	-	44,108,055
Intangible asset	19,132,114	-	-	19,132,114
Net loss for the year	2,019,515	4,724,285	555,345	7,299,145